

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

FORM 10-K

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

For the fiscal year ended **December 31, 2022**

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

For the transition period from _____ to _____

Commission File Number: **001-36329**

Societal CDMO, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

26-1523233

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

1 E. Uwchlan Ave, Suite 112, Exton, Pennsylvania

(Address of principal executive offices)

19341

(Zip Code)

(770) 534-8239

(Registrant's telephone number, including area code)

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

Title of each class
Common Stock, par value \$0.01

Trading symbol
STCL

Name of exchange on which registered
The NASDAQ Stock Market LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

On the last business day of the most recently completed second fiscal quarter, the aggregate market value (based on the closing sale price of its common stock on that date) of the voting stock held by non-affiliates of the registrant was \$42.2 million.

As of February 22, 2023, there were 84,892,194 shares of common stock, par value \$0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates certain information by reference from the registrant's proxy statement for the 2023 annual meeting of shareholders to be filed no later than 120 days after the end of the registrant's fiscal year ended December 31, 2022.

Auditor Name: KPMG LLP

Auditor Location: Philadelphia, PA

Auditor Firm ID: 185

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated by reference herein contain forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Annual Report on Form 10-K or the documents incorporated by reference herein regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “would” “could,” “should,” “potential,” “seek,” “evaluate,” “pursue,” “continue,” “design,” “impact,” “affect,” “forecast,” “target,” “outlook,” “initiative,” “objective,” “designed,” “priorities,” “goal,” or the negative of such terms and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated.

The forward-looking statements in this Annual Report on Form 10-K and the documents incorporated herein by reference include, among other things, statements about:

- our estimates regarding expenses, future revenue, cash flow, capital requirements and timing and availability of and the need for additional financing;
- our ability to maintain or expand our relationships, profitability and contracts with our key commercial partners, including the impact of changes in consumer demand for the products we manufacture for our commercial partners;
- our ability to grow and diversify our business with new customers, including our ability to meet desired project outcomes with development customers, and the potential loss of development customers if they do not receive adequate funding or if their products do not obtain U.S. Food and Drug Administration, or FDA, approval;
- the extent to which the COVID-19 pandemic or health emergencies continue to disrupt our business operations and the financial condition of our customers and suppliers, including our ability to initiate and continue relationships with manufacturers and third-party logistics providers given recent supply chain challenges;
- the extent to which inflation, global instability, including political instability and any resulting sanctions, export controls or other restrictive actions that may be imposed by the U.S. and/or other countries against governmental or other entities may disrupt our business operations or our financial condition or the financial condition of our customers and suppliers;
- our ability to operate under the lending covenants under our credit agreement and to pay required interest and principal amortization payments when due;
- the performance of third-party suppliers upon which we depend for Active Pharmaceutical Ingredients, or APIs, various other direct and indirect materials, and other third parties involved with maintenance of our facilities and equipment;
- our ability to maintain and defend our intellectual property rights against third-parties;
- pharmaceutical industry market forces that may impact our commercial customers’ success and continued demand for the products we produce for those customers;
- our ability to recruit or retain key scientific, technical, business development, and management personnel and our executive officers, including as a result of applicable state and federal vaccine mandates;
- our ability to comply with stringent U.S. and foreign government regulation in the manufacture of pharmaceutical products, including current Good Manufacturing Practice, or cGMP, compliance and U.S. Drug Enforcement Agency, or DEA, compliance and other relevant regulatory authorities applicable to our business; and
- our ability to realize the expected benefits of the IriSys acquisition.

We may not achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Annual Report on Form 10-K, particularly under "Risk Factors," that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, collaborations or investments we may make. You should read this Annual Report on Form 10-K and the documents that we incorporate by reference herein completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements.

Solely for convenience, tradenames referred to in this Annual Report on Form 10-K appear without the ® symbol, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these tradenames. All trademarks, service marks and tradenames included or incorporated by reference in this Annual Report on Form 10-K are the property of their respective owners.

SUMMARY OF RISK FACTORS

The risk factors summarized below could materially harm our business, operating results and/or financial condition, impair our future prospects and/or cause the price of our common stock to decline. These are not all of the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. Additional detail about these risks are included in Item 1A, "Risk Factors."

Material risks that may affect our business, operating results and financial condition include, but are not necessarily limited to, those relating to:

Risks Related to Our Business and Industry

- Our revenues are dependent on a small number of commercial partners, and the loss of any one of these partners, or a decline in their orders, may adversely affect our business.
- Our failure to obtain new customer contracts or renew existing contracts may adversely affect our business.
- Failure to obtain manufacturing components, supplies and related materials from third-party manufacturers, including due to supply chain disruptions and inflationary pressures on materials and labor, could affect our ability to manufacture and deliver our products and sustain our profitability.
- Unstable market and macroeconomic conditions may have serious adverse consequences on our business, financial condition, and stock price.
- The COVID-19 pandemic has negatively impacted, and may continue to negatively impact, our business operations and financial results.
- Our customers' failure to receive or maintain regulatory approval for product candidates or products, or our failure to maintain regulatory approvals for manufacturing, could negatively impact our revenue and profitability.
- We depend on spending and demand from our customers for our contract manufacturing and development services and any reduction in spending or demand could have a material adverse effect on our business.
- Our future profitability could decline if we cannot sustain current operating conditions, including maintaining our current facility and equipment utilization and product mix.
- Our manufacturing services are highly complex, and if we are unable to provide quality and timely services to our customers, our business could suffer.
- If the products we manufacture for our customers do not gain market acceptance, and if there are adverse changes in the healthcare industry, our business, results of operations and financial condition may suffer.
- Our operating results may fluctuate significantly, which could adversely impact our stock price.

- We have a history of losses. If we cannot achieve and maintain profitability and secure additional business, we may have to raise additional capital.
- We have incurred significant indebtedness, which could adversely affect our business.
- We operate in a highly competitive market and competition may adversely affect our business.
- Issues with product quality could have a material adverse effect upon our business, subject us to regulatory actions and cause a loss of customer confidence in us or our products.
- If we fail to meet the stringent requirements of governmental regulation in the manufacture of pharmaceutical products, we could incur substantial costs and a reduction in revenues.
- Technological change may cause our offerings to become obsolete over time. A decrease in our customers' purchases of our offerings could have a material adverse effect on our business, results of operations and financial condition.
- We may be adversely affected by natural disasters or other events that disrupt our business operations, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.
- We may be subject to litigation or government investigations for a variety of claims, which could adversely affect our operating results, harm our reputation or otherwise negatively impact our business.
- Our future success depends on our ability to retain our key executives as well as to attract, retain and motivate other qualified personnel.
- We may acquire other assets or businesses, or form collaborations or make investments in other companies or technologies, that could have a material adverse effect on our operating results, dilute our shareholders' ownership, increase our debt or cause us to incur significant expense.
- Our employees, partners, independent contractors, consultants and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.
- We have faced and may continue to face potential product liability claims, and, if successful claims are brought against us, we may incur substantial liability.
- Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.
- The security of our information technology systems may be compromised in the event of system failures, unauthorized access, cyberattacks or a deficiency in our cybersecurity, and confidential information, including non-public personal information that we maintain, could be improperly disclosed.
- If we fail to comply with data protection laws and regulations, we could be subject to government enforcement actions (which could include civil or criminal penalties), private litigation and/or adverse publicity, which could negatively affect our operating results and business.
- Our U.S. government contracts require compliance with numerous laws that may present additional risk and liability.

Risks Related to Our Intellectual Property

- Litigation involving patents, patent applications and other proprietary rights is expensive and time-consuming. If we are involved in such litigation, it could interfere with our business.
- Competitors can challenge the U.S. patents protecting our commercial partners' product candidates in connection with filing an ANDA for a generic version or a 505(b)(2) NDA for a modified version of our commercial partners' product candidates.

- We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.
- Our ability to manufacture products for our commercial partners may be impaired if any of our manufacturing activities, or the activities of third parties involved in our manufacture and supply chain, are found to infringe patents of others.

Risks Relating to Our Securities

- The market price and trading volume of our common stock have been and may continue to be volatile, which could result in rapid and substantial losses for our shareholders.
- Some provisions of our charter documents and Pennsylvania law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our shareholders, and may prevent attempts by our shareholders to replace or remove our current management.
- We have a limited number of authorized shares of common stock available for issuance and will need to seek shareholder approval to amend our Second Amended and Restated Articles of Incorporation to effect an increase in the number of authorized shares of our common stock.

PART I

Item 1. Business

Overview

We are a bi-coastal contract development and manufacturing organization, or CDMO, with capabilities spanning pre-investigational new drug development to commercial manufacturing and packaging for a wide range of therapeutic dosage forms with a primary focus on small molecules. With an expertise in solving complex manufacturing problems, we are a leading CDMO providing development, end-to-end regulatory support, clinical and commercial manufacturing, aseptic fill/finish, lyophilization, packaging and logistics services to the global pharmaceutical market. In addition to our experience in handling DEA-controlled substances and developing and manufacturing modified-release dosage forms, we have the expertise to deliver on our clients' pharmaceutical development and manufacturing projects, regardless of complexity level. We do all of this in our three state-of-the-art facilities that, in the aggregate, total 145,000 square feet, in Gainesville, Georgia and San Diego, California.

We currently manufacture the following key products with our key commercial partners: Ritalin LA®, Focalin XR®, Verelan PM®, Verelan SR®, Verapamil PM, Verapamil SR and Donnatal liquids and tablets. We also support numerous development stage products.

Effective March 21, 2022, our name was changed to Societal™ CDMO, Inc. This name change is reflective of our corporate transformation that has taken place primarily as a result of our 2021 acquisition and successful integration of IriSys, LLC, or IriSys, a San Diego-based CDMO, into the organization. Additionally, this name change creates a clear and powerful brand that describes the company's capabilities and commitment to our people, clients, and the patients we ultimately serve. The evolution to Societal™ CDMO also afforded us the opportunity to create new mission and vision statements that are better aligned with our new organization. Our mission is to improve patient lives through client partnerships. Our vision is to be a premier, trusted CDMO by bringing tailored solutions to our clients while fostering engaging and rewarding careers for our people. The name change, and the new mission and vision statements each signifies our commitment as a CDMO within the industry.

Our manufacturing and development capabilities include product development from formulation through clinical trial and commercial manufacturing, and specialized capabilities for solid oral dosage forms, with specialization in modified release technologies and facilities to handle highly potent compounds and controlled substances, liposomes and nano/microparticles, topicals and oral liquids. In September 2022, we announced a new state of the art, aseptic fill/finish and lyophilization suite in our San Diego facility to further our goal of offering end-to-end solutions to our clients. In addition to providing manufacturing capabilities, we offer our customers clinical trial support including over-encapsulation, comparator sourcing, packaging, labeling, storage and distribution. We have a bi-coastal footprint from which to better serve clients within the U.S., as well as globally. In a typical collaboration between us and our commercial partners, we continue to work with our partners to develop product candidates or new formulations of existing product candidates. We also typically exclusively manufacture and supply clinical and commercial supplies of these proprietary products and product candidates.

Our Strategy

The CDMO market is large and growing and is expected to continue to expand as outsourced penetration is seen due to biotechnology and pharmaceutical companies outsourcing more of their operations. We believe companies, which include our customers and prospective customers, generally prefer fewer, higher quality suppliers with expertise in addressing their formulation and manufacturing challenges early in the development cycle. Our strategy for growth in this market includes executing segment-specific sales and marketing strategies; building stronger visibility and an updated identity for the organization; enhancing both our customers' and employees' experience working with and for the company; and continuing to achieve growth and strengthen our financial position. This strategic mission is comprised of five key objectives:

• *Market Segmentation & Corporate Identity.* We have aligned our sales strategy to best serve each of three specific market segments that we currently support: (i) commercial oral solid dose products, including commercial tech transfer; (ii) our legacy profit-sharing products such as Verapamil; and (iii) early-stage development clients that represent a growing segment of our business. Our strategy calls for the development and execution of specific, targeted sales strategies for each segment. The decision-making processes, key drivers and metrics of success, project and product life-cycle management, and the approach to creating productive relationships with our clients are different enough for each of these three segments that we believe using this differentiated and focused approach is most effective for our customer base and our ability to optimize our operational and resource prioritization. With this strategic shift, we have seen good momentum with a growing sales pipeline in 2022. This change also allows Societal to have a more focused management of legacy programs as outlined above. Lastly, the successful rebranding of the company to Societal™ CDMO, and the adoption of our tag line, "Bringing Science to Society," helps us improve our identity and brand strength as a true CDMO partner in the biopharma market. With this brand evolution, we continue to effectively communicate our commitment as a partner to our clients as well as to our people, both present and future.

• *Capabilities Optimization and Expansion.* We continue to work to optimize our organizational structure and expand our capabilities. During 2022, we launched our new aseptic fill/finish and lyophilization services and recently expanded our filling and lyophilization capabilities to include biologics. We have created and expect to continue to expand strong synergies and efficiencies in our sales and marketing, quality and regulatory systems, human resources and people engagement practices, environmental health and safety policies, business systems and operational excellence processes. We plan to also continue to enhance our current capabilities and expand our operations to accommodate our growing customer base and attract new customers. We are structuring our organization to ensure execution and delivery of success including identifying opportunities for automation and digitalization of processes and ways of working. We also plan to expand our capabilities by identifying additional acquisition or expansion opportunities to broaden our offerings and grow our base of business.

• *Client Experience and Trust.* While we have long enjoyed our reputation as a high-quality partner, we believe that there is always room to improve. It is our goal to strengthen our client interactions, create unparalleled trust and establish valuable partnerships from process development through commercialization. This incorporates a multi-level contract approach which helps strengthen client relationships. During 2022, we introduced the launch of our new 20/80 Second Source Technical Transfer service for our commercial solid oral dose customers. Our team created this new service model in response to the growing risks and vulnerabilities associated with the global supply chain that have significantly elevated the importance of second source suppliers within the pharmaceutical industry. It is also important that, where it makes sense, we harmonize the experience our clients have at each of our sites. We have effective approaches to client communications and project management and want to deploy those approaches consistently across our organization. Additionally, we have adapted a new sales and proposal writing process, with the goal of streamlining the RFP process. All of the changes have been positively received by our clients. While we continue to make great strides with our customer experience, we intend to further improve their overall experience with Societal.

• *Employee Experience and Culture.* We aspire to establish an industry-leading employee experience and corporate culture of support, growth and professionalism that allows our employees not only to work but to thrive. During 2022, Societal CDMO was certified by Great Place to Work in the United States. As our employees drive our success, it is our goal to create an inspiring, flexible and rewarding experience for everyone at our company. In doing so, we believe we will strengthen both recruitment, employee engagement and retention, leading to a better workplace, better performance and better outcomes for our clients and for our company's financial performance.

•*Financial Strength.* We will continue to take steps to improve our financial strength. In 2022, successfully executed a multi-step strategy to recast our capital structure, improve our balance sheet and strengthen our overall financial profile. Specifically, we repaid and retired a \$100.0 million debt facility with Athyrium financed through a sale and leaseback of our Gainesville, Georgia manufacturing site and campus, a sale of common and preferred stock and a new debt facility for \$36.9 million from Royal Bank of Canada. We also signed an agreement to sell approximately 121 acres of land for \$9.1 million. Combined, these transactions were advantageous to Societal CDMO with respect to debt leverage, maturity and interest. We will continue to carefully manage our cash, work to further reduce our debt, and engage in a consistent and transparent fashion with the investment community.

Our Competitive Strengths

We believe that the strong relationships we have with our commercial partners result from of our competitive strengths. In particular:

- Our Operational Excellence.* We maintain a commitment to continually improve productivity and customer service levels and maintain excellent quality and regulatory compliance systems. We measure our operational excellence using industry-standard performance indicators such as our on time, in full delivery rate. We believe that our strong historical track record for operational excellence differentiates us from our competitors.
- Focus on Specialized Markets.* We participate in specialized markets where significant technical expertise provides a competitive advantage. This includes differentiated drug delivery, controlled substance and complex formulation. One of our core areas of expertise is modified release oral solid dosage form development and manufacturing and custom release profile development, including for DEA controlled substance products. We developed extended, controlled and sustained release mechanisms for several current commercial products.
- Our Longstanding Relationships with Our Partners.* We continue to maintain longstanding, collaborative relationships with our customers. We believe this allows us to leverage our extensive experience and deep knowledge of their business to better address our commercial partners' business and developmental goals.
- Our Integrated Full-Service Development and Manufacturing Facilities.* We believe pharmaceutical companies generally prefer to engage with CDMOs that are able to work with a product throughout its lifecycle and have experienced a reliable track record of regulatory compliance and quality control first-hand. Our early-stage development and high-potency business feeds clinical and commercial manufacturing opportunities to our manufacturing business. We believe that by providing customers with a broad range of services from benchtop through commercial launch and supply, we can best support the needs of our customers throughout the lifecycle of their products. We provide fully integrated and customized biomanufacturing services that support our customers from the early preclinical stage through commercial launch and supply. Our services are all supported by modern facilities designed to meet customer needs from early-stage development to commercial supply.
- Our Customer-Centric, Consultative Approach.* We are highly collaborative throughout the product lifecycle, guiding our commercial partners through the development process towards commercialization, including support and guidance on regulatory matters and chemistry, manufacturing and controls, or CMC, regulatory document preparation. In particular, we provide differentiated capabilities across a broad array of services that support the ability to serve our commercial partners through the entire development spectrum.

Services

We offer integrated solutions for formulation development, analytical method development, pharmaceutical manufacturing, regulatory support, and pharmaceutical packaging and logistics of both commercial and development stage products with a primary focus in the area of small molecules. Our facilities are located on both coasts of the United States and include:

- A 97,000 square foot manufacturing facility in Gainesville, Georgia that provides a full range of manufacturing capabilities from scale-up services to commercial manufacturing;
- A 24,000 square foot cGMP development and high-potency product facility in Gainesville, Georgia that focuses on development and clinical packaging; and
- A 24,500 square foot development facility in San Diego, California that focuses on development of advanced dosage forms (aseptic fill/finish, lyophilization and inhalation, etc.).

Our end-to-end service capabilities allow our customers to start with us for early-phase projects and stay with us through late phase and commercial projects. Early-stage coordination with customers utilizing our development and high-potency product facilities help assure streamlined technology transfer for final scale up and manufacturing at our commercial manufacturing site. Our capabilities include:

- Formulation development:* Our formulation services support the development of a range of pharmaceutical products and advanced dosage forms. We have expertise in complex formulations, reformulation, physical characterization and excipient compatibility. We also conduct feasibility studies, identify critical variables and inefficiencies and optimize process.
- Analytical methods development:* We offer diverse analytical services designed to assess quality. Our advanced facilities offer a full range of analytical testing capabilities, including product testing, ICH stability, method development and validation, chromatography and spectroscopy equipment, stability chambers and microbial testing.
- Pharmaceutical manufacturing:* We can serve clients from small, early-phase batches to clinical and commercial production. We offer structured tech transfer services and key technologies including milling, blending, compression, spray and rotary granulation, particle and bead coating, encapsulation, liquids, lyophilization and sterile fill and finish.
- Regulatory support:* We have extensive experience across all steps of the drug approval process. Our regulatory support services include handling communications with the FDA on behalf of our sponsor companies and consultation and guidance for client FDA meetings and responses. We utilize industry best practices including standardized reports for eCTD submission and pharmacovigilance reporting support.
- Pharmaceutical packaging and logistics:* We offer contract packaging and logistics to maintain the safety and integrity of our customers' products. Our commercial-scale, single-line packaging operation has an annual maximum capacity of 2.5 million bottles per shift and can also serve late-phase clinical and development packaging needs. This line can package round or square bottles of various sizes and offers Drug Supply Chain Security Act, or DSCSA, compliant serialization services. We also offer smaller-scale primary and secondary packaging, labeling and kitting options suited for clinical trial materials and development packaging needs across a wide range of dosage forms.

Our Commercial Partners

We are party to agreements with each of our commercial partners governing the development, formulation and/or supply services we provide, as well as any applicable intellectual property licenses. Each commercial partner remains responsible for distributing, marketing and promoting their respective products. We are dependent on a small number of commercial partners, with our four largest customers (Teva Pharmaceutical Industries, Inc., or Teva, Novartis Pharma AG, or Novartis, Lannett Company, Inc., or Lannett, and InfectoPharm Arzneimittel und Consilium GmbH, or InfectoPharm) having generated 77% of our revenues for the year ended December 31, 2022, of which Teva generated 34%, Novartis generated 18%, Lannett generated 16%, and InfectoPharm generated 9%.

The table below details the key products developed and/or manufactured with our key commercial partners:

	Product	Indication	Territory	Revenue source	Agreement term
Teva	Verapamil SR	Hypertension	United States	Profit-sharing / manufacturing	Through December 31, 2024
Novartis	Ritalin LA®	Attention Deficit Hyperactivity Disorder	Worldwide, except Europe	Manufacturing	Through December 31, 2025
	Focalin XR®	Attention Deficit Hyperactivity Disorder	Worldwide, except Canada	Manufacturing	Through December 31, 2025
Lannett	Verelan PM® Verelan SR Verapamil PM	Hypertension	United States	Profit-sharing / manufacturing	Through December 31, 2024
Advanz	Donnatal liquids and tablets	Irritable bowel syndrome and acute enterocolitis	United States	Manufacturing	Through February 3, 2025
InfectoPharm	Ritalin LA®	Attention Deficit Hyperactivity Disorder	Europe	Manufacturing	Through April 30, 2025

Agreements with Key Commercial Partners

Teva

We are party to a License and Supply Agreement with Watson Laboratories, Inc., a subsidiary of Teva, or the Teva Agreement, pursuant to which we are the exclusive supplier of Verapamil SR to Teva. We own the authorized generic for Verapamil SR and, pursuant to the Teva Agreement, have granted Teva an exclusive license to commercialize and sell Verapamil SR in the United States. The Teva Agreement expires on December 31, 2024, after which it will renew for additional one-year periods unless terminated by either party. Under the Teva Agreement, Teva pays us a share of profits on sales of Verapamil SR.

Novartis

We are party to a Manufacturing and Supply Agreement with Novartis, or the Novartis Agreement, pursuant to which we continued our long-standing relationship with Novartis as the exclusive global supplier to Novartis of Ritalin LA and Focalin XR capsules. The Novartis Agreement has an original term expiring December 31, 2023, and will renew automatically thereafter for successive one-year periods unless terminated by either party at least 24 months prior. No notice of non-renewal has been delivered. Novartis may terminate the Agreement immediately if (i) any governmental regulatory authority prevents Novartis from supplying the active pharmaceutical ingredients in the products and/or exporting, purchasing or selling the products; (ii) any product cannot be reasonably commercialized for medical, scientific or legal reasons; or (iii) we fail to comply with certain health, safety and environmental protection requirements. After December 31, 2023, Novartis may terminate the Novartis Agreement upon 12 months' written notice in the event of any sale or divestment by us of our business or assets relating to the products. Novartis has provided us notice it intends to assign our agreement to Sandoz, its generic division, as part of the public spin-off of Sandoz.

Lannett

We are party to a License and Supply Agreement with Kremers Urban Pharmaceutical, Inc., a subsidiary of Lannett, or the Lannett Agreement, pursuant to which we supply Verelan PM and SR and Verapamil PM to Lannett. We own the new drug application, or NDA, related to Verelan and license commercialization rights to Lannett under the Lannett Agreement. The Lannett Agreement expires on December 31, 2024 and will renew thereafter for successive two-year periods. Under the Lannett Agreement, Lannett pays us a share of profits on sales of Verelan PM and SR and Verapamil PM. Lannett additionally pays us an annual license fee of \$0.5 million and is obligated to reimburse to us 50% of the Prescription Drug User Act program fees associated with Verelan. In July 2022 we entered into an amendment to the Lannett Agreement pursuant to which we received improved overall economics, including a 10% increase in the profit share component of revenue from Verapamil PM product sales, as well as immediate and scheduled increases in manufacturing prices. Additionally, the amendment awarded us potential new GMP manufacturing agreements targeting injectable products for multiple additional Lannett development projects.

Advanz

We are party to an Amended and Restated Manufacturing and Supply Agreement with Amdipharma Ltd., a subsidiary of Advanz Pharma Corp, Ltd. (collectively "Advanz"), pursuant to which we continued our multi-year relationship as the exclusive supplier of Donnatal to Advanz for sale in the United States. Under the agreement, we are Advanz's exclusive manufacturer of Donnatal and its authorized generic version until February 3, 2025. Both we and Advanz may terminate this Agreement for any reason at any time by giving the other party not less than twenty-four months prior written notice.

InfectoPharm

We are party to a Commercial Manufacturing and Supply Agreement with InfectoPharm Arzneimittel und Consilium GmbH, or InfectoPharm, pursuant to which we are the exclusive supplier to InfectoPharm of Ritalin LA capsules in Europe through December 31, 2023. The agreement has a term of three years, expiring April 30, 2025, and is subject to auto-renewal. Either we or InfectoPharm may elect not to renew this agreement by giving the other party at least one hundred eighty days prior written notice prior to the expiration of the agreement.

Backlog

Our backlog represents, as of a point in time, future revenue from work not yet completed under clinical and pre-clinical signed contracts. As of December 31, 2022, our backlog was approximately \$24 million. While we anticipate the majority of our backlog will be recognized during fiscal year 2023, our backlog is subject to a number of risks and uncertainties, including but not limited to: the risk that a customer timely cancels its commitments prior to our initiation of manufacturing services, in which case we may be required to refund some or all of the amounts paid to us in advance under those canceled commitments; and the risk that a customer may experience delays in its program(s) or otherwise, which could result in the postponement of anticipated manufacturing services; the risk that we may not successfully execute on all customer projects, any of which could have a negative impact on our liquidity, reported backlog and future revenue and profitability.

Permits and Regulatory Approvals

We are required to comply with the regulatory requirements of various local, state, national and international regulatory bodies having jurisdiction in the countries or localities where we manufacture products or where our customers' products are distributed. In particular, we are subject to laws and regulations concerning research and development, testing, manufacturing processes, equipment and facilities, including compliance with cGMPs, labeling and distribution, import and export, and product registration and listing, and compliance with post-marketing reporting obligations. As a result, our facilities are subject to regulation by the FDA, as well as regulatory bodies of other jurisdictions in which we operate.

We hold various licenses and registrations for our manufacturing activities. The primary licenses and registrations held are FDA Registrations of Drug Establishments and DEA Controlled Substance Registration. Due to certain U.S. state law requirements, we also hold certain state licenses for distribution activities throughout certain states. We also hold cGMP certifications for European Union, or EU, importation of products made in Gainesville for sale in the EU and an ANVISA certification for sale in Brazil. Compliance with these licensing and regulatory requirements is a key aspect of our business and, if there are changes in the regulations applicable to our business in the United States or other jurisdictions, we may be required to obtain additional approvals or operate according to different manufacturing or operating standards or pay additional fees. This may require a change in our manufacturing techniques or additional capital investments in our facilities.

In certain of our commercial partnerships, our commercial partner is the product authorization holder for products that have been developed on behalf of the commercial partner. In other commercial partnerships, we are the authorization holder. When our commercial partner holds the relevant authorization from the FDA or other national regulator, we support this authorization by furnishing a letter of reference to the Drug Master File, or the chemistry, manufacturing and related data to the relevant regulator or sponsor to provide adequate manufacturing support in respect of the product. We generally update this information annually with the relevant regulator.

We hold the approved NDAs for Verelan SR and Verelan PM, which we license to Lannett and Teva, respectively. Verapamil SR and Verapamil PM are authorized generics.

Environmental and Safety Matters

Certain products manufactured by us involve the use, storage and transportation of toxic or hazardous material. Our operations are subject to extensive laws and regulations relating to the storage, handling, emissions, transportation and discharge of materials into the environment and the maintenance of safe working conditions. We maintain environmental and industrial safety and health compliance programs and training at our facilities.

Prevailing legislation tends to hold companies primarily responsible for the proper disposal of their waste even after transfer to third party waste disposal facilities. Other future developments, such as increasingly strict environmental, health and safety laws and regulations, and enforcement policies, could result in substantial costs and liabilities to us and could subject the handling, manufacture, use, reuse or disposal of substances or pollutants at our facilities to more rigorous scrutiny than at present.

Intellectual Property

The products we produce for our commercial partners are also typically covered by patents and patent applications owned by them. Although certain patents may have expired or may expire in the future, we believe there are other barriers to entry for our commercial partners and competition, including ownership of regulatory filings, NDAs, abbreviated new drug applications, or ANDAs, and drug master files, or DMFs, manufacturing trade secrets, proprietary dosage strengths, pricing limitations in various geographies, costs to revalidate with another supplier, maturity and life-cycle stage of products. We have acquired and developed and continue to acquire and develop knowledge and expertise and trade secrets in the provision of formulation, process development and manufacturing services. We intend to rely on a combination of patents and trade secrets, as well as confidentiality agreements and license agreements, to protect our proprietary know-how.

Competition

The contract development and manufacturing industry for pharmaceuticals is intensely competitive and highly regulated. Our current and future competitors include other CDMOs as well as segments of larger pharmaceutical, biotechnology and specialty pharmaceutical companies. Many of our competitors have greater financial and other resources than we have, such as more commercial resources, larger staff and more extensive marketing and manufacturing organizations.

We compete with other CDMOs such as Adare Pharma Solutions, Aenova Alcami, Avara Pharmaceutical Services, Corden Pharma, CoreRx, Pharmaceuticals International, Quotient Sciences and Recipharm, segments of larger companies such as Patheon (a segment of ThermoFisher Scientific), Lonza and Catalent, as well as other development and manufacturing service providers.

Government Regulation

Governmental authorities in the United States at the federal, state and local level, and the equivalent regulatory authorities in other countries, extensively regulate the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, post-market reporting, promotion, distribution, marketing, export and import of prescription drugs, such as those we are developing and manufacturing. Any drug products developed or manufactured by us are subject to pervasive and continuing regulation by the FDA, including compliance with current Good Manufacturing Practices, or cGMP, which impose procedural and documentation requirements. The FDA or other regulatory agencies can delay approval of a drug if our manufacturing facilities are not able to demonstrate compliance with cGMPs, pass other aspects of pre-approval inspections (i.e., compliance with filed submissions) or properly scale up to produce commercial supplies. Drug manufacturers and their subcontractors, and those supplying products, ingredients and components of them, are required to register their establishments with the FDA and state agencies and are subject to periodic announced and unannounced inspections by the FDA and state agencies for compliance with cGMP and other regulations. In addition, changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMPs and other aspects of regulatory compliance. Failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved NDA, including withdrawal of product approval, recall or seizure of the product or other voluntary, FDA-initiated or judicial action that could delay or prohibit further operations.

The DSCSA added new sections to the Federal Food, Drug & Cosmetic Act, or FD&C Act, that require manufacturers, repackagers, wholesale distributors, dispensers, and third-party logistics providers to take steps to identify and trace certain prescription drugs to protect against the threats of counterfeit, stolen, contaminated, or otherwise harmful drugs in the supply chain. Among other mandates, the DSCSA requires manufacturers and repackagers to affix or imprint a unique product identifier (comprised of a standardized numerical identifier, lot number, and expiration date of the product) on certain prescription drug packages in both a human-readable and on a machine-readable data carrier. The standardized numerical identifier is comprised of the product's corresponding National Drug Code combined with a unique alphanumeric serial number. A drug product is misbranded if it does not bear the product identifier as required by Section 582 of the FD&C Act. Section 582 also established several requirements relating to the verification of product identifiers.

Certain products that we manufacture are regulated as “controlled substances” as defined in the Controlled Substances Act of 1970, or CSA, which establishes registration, security, recordkeeping, reporting, storage, distribution and other requirements administered and enforced by the DEA. The DEA is concerned with the control and handling of controlled substances, and with the equipment and raw materials used in their manufacture and packaging, in order to prevent loss and diversion into illicit channels of commerce. Annual registration is required for any facility that manufactures, distributes, dispenses, imports or exports any controlled substance. The registration is specific to the particular location, activity and controlled substance schedule.

The DEA regulates controlled substances by controlling them in five schedules. Schedule I and II controlled substances have a high potential for abuse, whereas Schedule III-V controlled substances have relatively decreasing potential for abuse. Therefore, the DEA imposes more stringent controls on Schedule I and II substances than Schedule III-V substances, including stricter security controls, quotas, and increased recordkeeping and reporting requirements. Certain of the products we manufacture and/or develop are regulated as Schedule II controlled substances. The DEA establishes annually an aggregate quota for how much certain controlled substances that we manufacture may be produced in total in the United States, based on the DEA’s estimate of the quantity needed to meet legitimate scientific and medicinal needs. This limited aggregate amount that the DEA allows to be produced in the United States each year is allocated among individual companies, who must submit applications annually to the DEA for individual production and procurement quotas. We must receive an annual quota from the DEA in order to produce any Schedule II substance. The DEA may adjust aggregate production quotas and individual production and procurement quotas from time to time during the year, although the DEA has substantial discretion in whether or not to make such adjustments. In April 2018, the DEA proposed new guidelines aimed at strengthening the process for setting controls over diversion of controlled substances and making other improvements in the quota managements regulatory system for the production, manufacturing and procurement of controlled substances. Following a public comment period, the DEA published the final guidelines, which were substantially similar to the proposed guidelines, in July 2018. For 2019, the DEA proposed decreased manufacturing quotas for the six most frequently misused opioids, including hydrocodone, which we used in the manufacture of certain products, by an average of 10% as compared to the 2018 quotas. The DEA proposed further decreasing manufacturing quotas in 2020 for five of the six opioids, including hydrocodone, by an average of 28%. Together with reductions in morphine, this is a 53% decrease since 2016. In October 2019, the DEA proposed additional regulations to amend the manner in which the agency grants quotas to manufacturers. The proposed regulations, if finalized, would establish use-specific quotas, including commercial sales, product development, transfer, replacement, and packaging. To decrease the risk of diversion and increase accountability, inventory allowances would be reduced, and procurement quota certifications will be required. In April 2020, in response to the COVID-19 pandemic, the DEA adjusted the established 2020 aggregate production quotas and assessment of annual needs for select Schedule II substances. The DEA took this action to ensure that the country has an adequate and uninterrupted supply of these substances during the public health emergency. In November 2020, the DEA finalized further decreases to the quota for hydrocodone by 11.5%, which it had proposed in September 2020. In October 2021, the DEA proposed further decreases of 4% to the quota for hydrocodone for 2022. The DEA finalized the 2023 quotas in December 2022 and includes a 5% decrease for Schedule II opioids such as oxycodone and hydrocodone.

The DEA requires facilities that manufacture controlled substances to adhere to certain security requirements. Security requirements vary by controlled substance schedule, with the most stringent requirements applying to Schedule I and Schedule II substances. Required security measures include background checks on employees and physical control of inventory through measures such as cages, surveillance cameras and inventory reconciliations. Records must be maintained for the handling of all controlled substances and periodic reports must be made to the DEA, for example, distribution, acquisition, and inventory reports for Schedule I and II controlled substances, Schedule III substances that are narcotics and other designated substances. Reports must also be made for thefts or losses of any controlled substance and suspicious orders. In addition, special authorization and notification requirements apply to imports and exports.

The DEA requires drug manufacturers to design and implement a system that identifies suspicious orders of controlled substances, such as those of unusual size, those that deviate substantially from a normal pattern and those of unusual frequency, prior to completion of the sale. A compliant suspicious order monitoring, or SOM, system includes well-defined due diligence, “know your customer” efforts and order monitoring.

To enforce these requirements, the DEA conducts periodic inspections of registered establishments that handle controlled substances. Individual states also independently regulate controlled substances. We are subject to state regulation of distribution for these products. Failure to maintain compliance with applicable requirements, particularly where noncompliance results in loss or diversion, can result in enforcement action that could have a material adverse effect on our business, results of operations and financial condition. The DEA may seek civil penalties, refuse to renew necessary registrations or initiate proceedings to revoke those registrations, or take other enforcement action. In certain circumstances, violations could result in criminal prosecution.

In addition to DEA regulations, the U.S. government and state legislatures have enacted legislation and regulations intended to fight the opioid epidemic. In February 2016, the FDA released an action plan to address the opioid epidemic, which is part of a broader initiative led by the Department of Health and Human Services, which includes the release of a new Guideline for Prescribing Opioids for Chronic Pain, FDA's requirement of enhanced warnings and safety labeling, and institution of a class-wide Risk Evaluation and Mitigation Strategy, or REMs, as a condition of approval. Further, the Comprehensive Addiction and Recovery Act, or CARA, was passed in 2016. CARA provides resources to improve state monitoring of controlled substances, including opioids. A Senate bill introduced in February 2018, known as CARA 2.0, would further limit initial prescriptions for opioids to three days, while exempting initial prescriptions for chronic care, cancer care, hospice or end of life care, and palliative care. CARA 2.0 would also increase civil and criminal penalties for opioid manufacturers that fail to report suspicious orders for opioids or fail to maintain effective controls against diversion of opioids. More recently, the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act, or Support Act, has been enacted. It provides for further regulation as well as funding for research and development of non-addictive painkillers. State legislatures have followed in the footsteps of the federal government in passing similar laws intended to limit prescription sales and quantities as well as increase the ability to monitor and regulate the manufacture and sale of opioids.

Corporate Information

We were incorporated under the laws of the Commonwealth of Pennsylvania in November 2007. Our principal executive offices are located at 1 E. Uwchlan Ave, Suite 112, Exton, Pennsylvania 19341 and our telephone number is (770) 534-8239.

Employees and Human Capital Resources

Employees

As of December 31, 2022, we had 275 full-time employees. None of our employees are represented by a labor union or covered by collective bargaining agreements, and we believe our relationship with our employees is good.

Diversity & Inclusion

We are fundamentally committed to creating and maintaining a work environment in which employees are treated fairly, with dignity, decency, respect and in accordance with all applicable laws. We strive to create a professional work environment that is free from all forms of harassment, discrimination and bullying in the workplace, including sexual harassment and any form of retaliation. We are an equal opportunity employer and we strive to administer all human resources actions and policies without regard to race, color, religion, sex, national origin, ethnicity, age, disability, sexual orientation, gender identification or expression, past or present military or veteran status, marital status, familial status, or any other status protected by applicable law. Our management team and employees are expected to exhibit and promote honest, ethical, and respectful conduct in the workplace. All employees must adhere to a code of conduct that sets standards for appropriate behavior and are required to attend annual training to help prevent, identify, report, and stop any type of discrimination and harassment. Our recruitment, hiring, development, training, compensation, and advancement at our company is based on qualifications, performance, skills, and experience without regard to gender, race and ethnicity.

Competitive Pay & Benefits

We provide robust compensation and benefits programs to help meet the needs of our employees. In addition to salaries, these programs include potential annual discretionary bonuses, a 401(k) plan, healthcare and insurance benefits, flexible spending accounts, paid time off, various leave programs and flexible work schedules, among others. In addition, we offer every full-time employee, both exempt and non-exempt, the benefit of equity ownership in the company through stock option grants. We have also used targeted equity-based grants with vesting conditions to facilitate retention of personnel, particularly those with critical drug development skills and experience.

Safety

The safety, health and wellness of our employees is a top priority. In response to COVID-19, we implemented enhanced safety protocols including shift work scheduling to reduce number of people in the facility, requirements for the wearing of masks and for social distancing, increased cleaning procedures and readily available hand sanitizer. These protocols were designed to comply with health and safety standards as required by federal, state, and local government agencies, taking into consideration guidelines of the Centers for Disease Control and Prevention and other public health authorities. In addition, we have provided work-at-home arrangements for employees who are able to do so.

Available Information

Our website address is www.ir.societalcldmo.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, any amendments to those reports, filed or furnished with the Securities and Exchange Commission, or SEC, are available free of charge through our website. We make these materials available through our website as soon as reasonably practicable after we electronically file such materials with, or furnish such materials to, the SEC. The reports filed with the SEC by our executive officers and directors pursuant to Section 16 of the Exchange Act are also made available, free of charge on our website, as soon as reasonably practicable after copies of those filings are provided to us by those persons. These materials can be accessed through the “Investor” section of our website. The information contained in, or that can be accessed through, our website is not part of this Annual Report.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Please see page 3 of this Annual Report on Form 10-K for a discussion of some of the forward-looking statements that are qualified by these risk factors. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. All references and risks related to the launch, commercialization or sale of any of our product candidates are predicated on such product candidates receiving the requisite marketing and regulatory approval in the United States and applicable foreign jurisdictions.

Risks Related to Our Business and Industry

Our revenues are dependent on a small number of commercial partners, and the loss of any one of these partners, or a decline in their orders, may adversely affect our business.

We are dependent on a small number of commercial partners, with our four largest customers (Teva Pharmaceutical Industries, Inc., or Teva, Novartis Pharma AG, or Novartis, Lannett Company, Inc., or Lannett, and InfectoPharm Arzneimittel und Consilium GmbH, or InfectoPharm) having generated 77% of our revenues for the year ended December 31, 2022, of which Teva generated 34%, Novartis generated 18%, Lannett generated 16%, and InfectoPharm generated 9%. If any one or more of these commercial partners faces increasing or new competition in their market, adjusts pricing, significantly reduces their purchasing volume or experiences financial difficulties such as bankruptcy, our revenues could be adversely affected.

Our profit sharing, royalty, and manufacturing revenues also depend on the ability of our commercial partners to effectively market and sell their products to their customers. A commercial partner may choose to devote its efforts to its other products or reduce or fail to devote the necessary resources to provide effective sales and marketing support for the products we manufacture and supply. Furthermore, the acquisition of or change in strategy by one of our customers could impact projects we are currently working on or planning to work on in the future. Our commercial partners face competition from other pharmaceutical companies for sales of products to end users. Competition from sellers of generic drugs is a major challenge for our commercial partners, and the loss or expiration of intellectual property rights for the products we manufacture can have a significant adverse effect on their sales volume and price. Our commercial partners have also experienced difficulties in recent years as the pharmaceutical industry was impacted by the COVID-19 pandemic, labor shortages, supply chain shortages, inflationary pressures and geopolitical turmoil. Such pressures could lead a partner to discontinue a product, make pricing changes or change ordering patterns. In addition, as pharmaceutical product pricing faces scrutiny by governments, legislative bodies and enforcement agencies, our commercial partners may lower their prices or adopt cost-savings measures which could be passed on to us or otherwise impact our profit-sharing revenues. Further, any commercial partner may divest the product we manufacture for them in whole or in certain markets, which may involve termination of our contract with such partner or the assignment of such contract to a new partner who may not be as effective at selling or commercializing such product. Pricing changes and any significant reduction, delay or cancellation of orders from our commercial partners could adversely affect our revenues.

Our failure to obtain new customer contracts or renew existing contracts may adversely affect our business.

Our agreements with Teva and Lannett expire on December 31, 2024, our agreement with InfectoPharm expires on April 30, 2025 and our agreement with Novartis expires on December 31, 2025. If any of these commercial partners fail to renew their contract, our revenues could be materially and adversely affected. We continually seek to renew existing customer contracts and secure new contracts, which subjects us to potentially significant pricing pressures. In the event we are unable to replace existing contracts in a timely manner or at all, or are forced to accept terms, including pricing terms, less favorable to us, our business, results of operations and financial condition could be materially and adversely affected.

Failure to obtain manufacturing components, supplies and related materials from third-party manufacturers, including due to supply chain disruptions and inflationary pressures on materials and labor, could affect our ability to manufacture and deliver our products and sustain our profitability.

We rely on third-party manufacturers to supply many of our manufacturing components, supplies and related materials, which in some instances are supplied from a single source. We also rely on our labor force to sustain our operations. Prolonged disruptions in the supply of any of our key manufacturing components, supplies and related materials, difficulty implementing replacement materials or new sources of supply; or a significant increase in the prices of manufacturing components, supplies and related materials or labor could have a material adverse effect on our operating results, financial condition or cash flows. In particular, manufacturing problems may occur with these suppliers, and if a supplier provides us with manufacturing components, supplies and related materials that are deficient or defective or if a supplier fails to provide us with such materials or supplies in a timely manner, we may have limited ability to find appropriate substitutes or otherwise meet required specifications and deadlines. Moreover, we could experience inventory shortages if we are required to use an alternative supplier on short notice, which also could lead to manufacturing components, supplies and related materials being purchased on less favorable terms than we have with our regular suppliers. If such problems occur, we may not be able to manufacture our products profitably or on time, which could harm our reputation and have a material adverse effect on our business.

For example, while the impact of COVID-19 has lessened in many ways, we are experiencing a higher level of residual supply chain disruptions that we are actively managing to meet our production timelines and that may constrain our ability to capture additional growth opportunities, beyond our established projections, from customers who would otherwise want to increase their safety stock of the products that we produce.

Several of our manufacturers and suppliers conduct business internationally. Travel bans and other restrictions may affect the ability of these companies to conduct commercial activity, which could disrupt our supply chain and negatively impact our operations. If our suppliers are unable to provide the products and manufacturing components necessary to conduct our business, we may experience inventory shortages, and could be required to use an alternative supplier on short notice and enter into agreements on less favorable terms than we have with our regular suppliers. We also rely on third parties for the maintenance of our facilities and equipment.

Unstable market and macroeconomic conditions may have serious adverse consequences on our business, financial condition, and stock price.

Global financial markets have recently and may continue to experience extreme volatility and disruptions, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability as a result of the COVID-19 pandemic, political unrest and other factors beyond control. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy and ability to raise capital may be adversely affected by any such economic downturn, volatile business environment, or continued unpredictable and unstable market conditions. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance, and stock price. In addition, there is a risk that one or more of our current customers, vendors or other partners may not survive these difficult economic times, which could directly affect our business.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, which has resulted in decreased stock prices for many companies notwithstanding the lack of a fundamental change in their underlying business models or prospects. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Further, the impacts of political unrest, including as a result of geopolitical tension, such as between the United States and China or the conflict between Russia and Ukraine, including any additional sanctions, export controls or other restrictive actions that may be imposed by the United States and/or other countries against governmental or other entities in, for example, Russia, also could lead to disruption, instability and volatility in the global markets, which may have an adverse impact on our business or ability to access the capital markets. Broad market and industry factors, including potentially worsening economic conditions and other adverse effects, political, regulatory, and other market conditions, may negatively affect the market price of shares of our common stock, regardless of our actual operating performance.

We continue to anticipate a general slowdown in clinical development activity as a result of clinical failures and/or a lack of adequate funding to go forward. We are making efforts to adapt to these market changes, including a reconfiguration of our business development team to be better positioned in the longer-term by focusing on account management roles and replacing

lost positions in strategic focus areas. The anticipated slowdown and/or the reconfiguration may cause a reduction in the number of business development opportunities that we will be able to pursue in 2023.

We expect to face continuing inflationary pressures on raw materials, labor and logistics during 2023. If inflation or other factors were to significantly increase our business costs, it may not be feasible to pass price increases on to our customers. Interest rates, the liquidity of the credit markets and the volatility of the capital markets could also affect our interest costs under our LIBOR-based term loan borrowings or our ability to access the capital markets. Any such increases in our costs or inability to access capital could have a material adverse effect on our business, results of operations and financial conditions.

The COVID-19 pandemic has negatively impacted, and may continue to negatively impact, our business operations and financial results.

Our sales and manufacturing operations for the year ended December 31, 2021 were disrupted as a result of the COVID-19 pandemic due to production slowdowns, stoppages and decreased demand for the products we manufacture, as well as broader economic efforts associated with the pandemic such as inflation, changes in laws and general volatility in the markets. There can be no assurance that our future results will not be impacted by lingering impacts from the COVID-19 pandemic or future global health emergencies as the effects of the disruption are still impacting several industries and future global health emergencies could have similar impacts.

Our customers' failure to receive or maintain regulatory approval for product candidates or products, or our failure to maintain regulatory approvals for manufacturing, could negatively impact our revenue and profitability.

Our business materially depends upon the regulatory approval of the products we manufacture. As such, if our customers experience a delay in, or failure to receive, approval for any of their product candidates or fail to maintain regulatory approval of products, our revenue and profitability could be adversely affected. Additionally, if the FDA or a comparable foreign regulatory authority does not approve of our facilities for the manufacture of a customer product or if it withdraws such approval in the future, our customers may choose to identify alternative manufacturing facilities and/or relationships, which could significantly impact our ability to expand our capacity and capabilities.

We depend on spending and demand from our customers for our contract manufacturing and development services and any reduction in spending or demand could have a material adverse effect on our business.

The amount that our customers spend on the development and manufacture of their products or product candidates, particularly the amount our customers choose to spend on outsourcing these services to us, substantially impacts our revenue and profitability. The outcomes of our customers' research, development and marketing also significantly influence the amount that our customers choose to spend on our services and offerings. Our customers determine the amounts that they will spend on our services based upon, among other things, the clinical and market success of their products, available resources, access to capital and their need to develop new products, which, in turn, depend upon a number of other factors, including their competitors' research, development and product initiatives and the anticipated market for any new products, as well as clinical and reimbursement scenarios for specific products and therapeutic areas. Due to economic developments related to COVID-19 and geopolitical conflicts, such as the conflict between Russia and Ukraine, which continue to have adverse effects on the U.S. and global markets, we anticipate a general slowdown in clinical development activity as a result of clinical failures and/or a lack of adequate funding to go forward, which may cause a reduction in the number of business development opportunities that we will be able to pursue during 2023. Recently, the pharmaceutical industry has experienced pressure with respect to access to capital, which may require some of our customers to limit their spending on research and development as they re-assess budgets. Further, increasing consolidation in the pharmaceutical industry may impact such spending, particularly in the event that any of our customers choose to develop or acquire integrated manufacturing operations. Any reduction in customer spending on development and related services as a result of these and other factors could have a material adverse effect on our business, results of operations and financial condition.

Our future profitability could decline if we cannot sustain current operating conditions, including maintaining our current facility and equipment utilization and product mix.

Our business is complex and depends upon a number of variables to sustain our profitability, including how well we leverage our fixed manufacturing costs and maintain our product sales mix.

We have incurred significant fixed costs to purchase equipment that supports our current and future customer base across a wide range of dosage forms and production scales. For example, in 2022, we launched a new state of the art, aseptic fill/finish and lyophilization suite in our San Diego facility to further our goal of offering end-to-end solutions to our clients. We depend on our workforce to operate our equipment, and we depend on customers to provide orders that will utilize our equipment. If we are not able to fully utilize our manufacturing capacity due to labor shortages, changes in customer or product mix, or changes in volume, our margins could be adversely affected. Further, there can be no assurance that our future revenue will be sufficient to ensure the economical operation of our facilities, in which case our results of operations could be adversely affected.

Some of our commercial products are significantly more profitable than others and may include profit-sharing, royalty or other forms of associated income. As a result, if we experience more growth in products that are less profitable than others, even if our revenues remain consistent or grow overall, we could become less profitable. Achieving and sustaining our profitability depends upon us experiencing a similar or more favorable mix of revenue, that will depend upon the nature of the different products and services that we offer and/or our customers' request. If we recognize less revenue from our most profitable products as a percentage of total revenue, our future profitability could be materially adversely impacted.

Our manufacturing services are highly complex, and if we are unable to provide quality and timely services to our customers, our business could suffer.

The manufacturing services we offer are highly complex, due in part to strict regulatory requirements. A failure of our quality control systems in our facilities could cause problems to arise in connection with facility operations for a variety of reasons, including equipment malfunction, viral contamination, failure to follow specific manufacturing instructions, protocols and standard operating procedures, problems with raw materials or environmental factors. Such problems could affect production of a single manufacturing run or a series of runs, requiring the destruction of products, or could halt manufacturing operations altogether. In addition, our failure to meet required quality standards may result in our failure to timely deliver products to our customers, which in turn could damage our reputation for quality and service. Any such incident could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost drug substance, damage to and possibly termination of existing customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other manufacturing runs. With respect to our commercial manufacturing, if problems are not discovered before the product is released to the market, we may be subject to regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, and criminal actions. In addition, such issues could subject us to litigation, the cost of which could be significant.

If the products we manufacture for our customers do not gain market acceptance, and if there are adverse changes in the healthcare industry, our business, results of operations and financial condition may suffer.

We depend on, and have no control over, consumer demand for the products we manufacture for our customers. Consumer demand for our customers' products could be adversely affected by, among other things, delays in regulatory review or approval, the inability of our customers to demonstrate the efficacy and safety of their products, the loss of patent and other intellectual property rights protection, the emergence of competing or alternative products, including generic drugs, the degree to which private and government payment subsidies for a particular product offset the cost to consumers and changes in the marketing strategies for such products. If the products we manufacture for our customers do not gain market acceptance, our revenues and profitability may be adversely affected.

We believe that continued changes to the healthcare industry, including ongoing healthcare reform, adverse changes in government or private funding of healthcare products and services, legislation or regulations governing the privacy of patient information or patient access to care, or the delivery, pricing or reimbursement of pharmaceuticals and healthcare services or mandated benefits, may cause healthcare industry participants to purchase fewer services from us or influence the price that others are willing to pay for our services. Changes in the healthcare industry's pricing, selling, inventory, distribution or supply policies or practices could also significantly reduce our revenue and profitability.

Our operating results may fluctuate significantly, which could adversely impact our stock price.

Our operating results may be subject to quarterly and annual fluctuations. Our operating results will be affected by numerous factors, including:

- fluctuations in the revenues, including the loss of a major commercial partner or product;
- the timing of purchasing order patterns, safety stock methodology and habits of our commercial partners;
- unsuccessful execution, postponement or cancellation of anticipated formulation, development and manufacturing services related to customer projects,
- variations in the level of expenses related to our production volumes and development programs;
- any intellectual property infringement lawsuit in which we may become involved;
- CDMO or pharmaceutical competitors that introduce new products or take increased positions that may emerge and reduce market share for our existing customer/partner products;
- our execution of any additional collaborative, licensing or similar arrangements, and the timing of payments we may make or receive under these arrangements;
- our acquisition, divestiture, spin-off or in-licensing of new technologies or assets.

Due to the various factors mentioned above, and others, the results of prior periods should not be relied upon as an indication of our future operating performance. If our operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially.

We have a history of losses. If we cannot achieve and maintain profitability and secure additional business, we may have to raise additional capital, which may not be on terms that are acceptable to us.

We have incurred losses of \$19.9 million, \$11.4 million and \$27.5 million for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, we had an accumulated deficit of \$265.6 million. We have financed our operations through the issuance of debt and equity and through operations, and as of December 31, 2022, we had \$41.3 million of outstanding indebtedness, \$36.9 million of which was with Royal Bank of Canada. Although it is difficult to forecast all of our future liquidity requirements, we believe that our cash and cash equivalents on hand combined with our projected cash receipts from services generated under our customer contracts will be sufficient to fund our operations beyond one year after the date our financial statements included in this Annual Report on Form 10-K are issued. In addition, in the event a customer timely cancels its commitments prior to our initiation of manufacturing services, we may be required to refund some or all of the advance payments made to us under those canceled commitments, which would have a negative impact on our liquidity and future revenue.

In the event we are unable to maintain sufficient business to support our current operations, we may need to raise additional capital in the future. There can be no assurance that equity financing will be available on acceptable terms or at all. Our ability to raise additional capital in the equity markets to fund our future operations is dependent on a number of factors, including, but not limited to, the market demand for our common stock. The market demand or liquidity of our common stock is subject to a number of risks and uncertainties, including but not limited to, our financial results and economic and market conditions. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are acceptable to us.

We have incurred significant indebtedness, which could adversely affect our business.

As of December 31, 2022, we had outstanding indebtedness of \$41.3 million. Our indebtedness could have important consequences to our shareholders. For example, it:

- increases our vulnerability to adverse general economic or industry conditions;
- limits our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate;
- reduces proceeds we may receive as a result of any sale;

- makes us more vulnerable to increases in interest rates, as our largest debt instrument with Royal Bank of Canada is at a variable rate;
- limits our ability to obtain additional financing or refinancing in the future for working capital or other purposes; and
- places us at a competitive disadvantage compared to our competitors that have less indebtedness.

Any of the above-listed factors could materially adversely affect our business, financial condition, results of operations and cash flows. Our credit agreement with Royal Bank of Canada also contains certain financial and other covenants, including a minimum liquidity requirement and maximum leverage ratios and includes limitations on, among other things, additional indebtedness, paying dividends in certain circumstances, acquisitions and certain investments. The credit agreement provides for certain mandatory prepayment events, including with respect to the proceeds of asset sales, extraordinary receipts, debt issuances and other specified events, based on the terms of the credit agreement with Royal Bank of Canada. Any failure to comply with the terms, covenants and conditions of the credit agreement may result in an event of default under such agreement, which could have a material adverse effect on our business, financial condition and results of operation. Additionally, pursuant to a related security agreement between us and Royal Bank of Canada, we granted Royal Bank of Canada a security interest in substantially all of our assets to secure their obligations to Royal Bank of Canada under the credit agreement. The security interest granted over our assets could limit our ability to obtain additional debt financing.

We cannot assure you that our business will generate sufficient cash flow from operations or that future financing will be available to us in amounts sufficient to enable us to make required and timely payments on our indebtedness, or to fund our operations.

Our ability to close the sale of land adjacent to our Gainesville, Georgia manufacturing campus, or the Land Sale, is subject to several customary closing conditions, which may impact our ability to complete the Land Sale on the anticipated timeline or at all.

In September 2022, we signed a sales and purchase agreement related to the Land Sale, pursuant to which we agreed to sell approximately 121 acres of land adjacent to our Gainesville, Georgia manufacturing campus for expected proceeds of \$9.1 million. We are obligated to use the proceeds of the Land Sale to repay outstanding balances under our credit agreement with Royal Bank of Canada. We expect to close the Land Sale in the second half of 2023; however, the closing of the Land Sale is subject to customary closing conditions for transactions of this type, including completion of title and environmental due diligence and receipt of certain zoning approvals and permits.

If the closing of the Land Sale does not occur within 12 months of closing under our credit agreement with Royal Bank of Canada, (i) the amortization percentages under the credit agreement will increase by an additional 0.625% for each installment due until such time as such real property is sold and the required payment is made to Royal Bank of Canada and (ii) we will be required to pay a fee equal to 1.00% of the original principal amount of the term loan.

Any delay in the closing of the Land Sale, or failure of the Land Sale to close at all, could have a material adverse effect on our results of operations, cash flows and financing condition, including as a result of the changes under our credit agreement with Royal Bank of Canada as set forth above.

We operate in a highly competitive market and competition may adversely affect our business.

We operate in a market that is highly competitive. Our competition in the contract manufacturing market includes full-service contract manufacturers and large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity. We may also compete with the internal operations of those pharmaceutical companies that choose to source their product offerings internally. In addition, most of our competitors may have substantially greater financial, marketing, technical or other resources than we do. Moreover, additional competition may emerge, particularly in lower-cost jurisdictions such as India and China, which could, among other things, result in a decrease in the fees paid for our services, which may adversely affect our results of operations and financial condition.

Our business, financial condition, and results of operations are subject to risks arising from the international scope of our manufacturing and supply relationships.

Some of our customers source raw materials outside the United States. As such, we are subject to risks associated with such international manufacturing relationships, including:

- unexpected changes in regulatory requirements;

- problems related to markets with different cultural biases or political systems;
- longer payment cycles and shipping lead-times;
- increased risk relating to the transport of products internationally, including damage to our customers' API, shipment delays relating to the import or export of our products or the delivery of products by means of additional third-party vendors;
- difficulties importing or exporting supplies or products;
- unforeseen global instability, including political instability, geopolitical tension, such as between the U.S. and China or the conflict between Russia and Ukraine, including any additional resulting sanctions, export controls or other restrictive actions that may be imposed by the U.S. and/or other countries against governmental or other entities in, for example, Russia, or instability from an outbreak of pandemic or contagious disease (including, for example, the recent coronavirus outbreak);
- compliance with the U.S. Foreign Corrupt Practices Act and other laws and regulations governing international trade;
- changes to U.S. and foreign trade policies, including the enactment of tariffs on goods imported into the United States; and
- imposition of domestic and international customs and tariffs, withholding or other taxes, including any value added taxes.

Additionally, we are subject to periodic reviews and audits by governmental authorities responsible for administering import/export regulations. To the extent that we are unable to successfully defend against an audit or review, we may be required to pay assessments, penalties, and increased duties on products imported into the United States.

Issues with product quality could have a material adverse effect upon our business, subject us to regulatory actions and cause a loss of customer confidence in us or our products.

Our success depends upon the quality of our products. Quality management plays an essential role in meeting customer requirements, preventing defects, improving our customers' product candidates and services and assuring the safety and efficacy of their product candidates. Our future success depends on our ability to maintain and continuously improve our quality management program. A quality or safety issue may result in adverse inspection reports, warning letters, untitled letters, FDA Form 483s, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, costly litigation, refusal of a government to grant approvals and licenses, restrictions on operations or withdrawal of existing approvals and licenses. For example, in January 2023, the FDA completed an inspection of our San Diego facility and is expected to issue a Form 483 to us recommending an improvement to our building management system. An inability to address the Form 483 or any other quality or safety issue in an effective and timely manner may also cause negative publicity, a loss of customer confidence in us or our future products, which may result in difficulty in successfully launching product candidates and loss of sales, which could have a material adverse effect on our business, financial condition, and results of operations.

Our development and formulation services projects are typically for a shorter term than our manufacturing projects, and any failure by us to maintain an adequate volume of development and formulation services projects, including due to lower than expected success rates of the products for which we provide services, could have a material adverse effect on our business, results of operations and financial condition.

Our pharmaceutical development services business contracts are generally shorter in term than our manufacturing contracts and typically require us to provide development services within a designated scope. Since our development and formulation services focus on products that are still in developmental stages, their viability depends on the ability of such products to reach their respective subsequent development phases. In many cases, such products do not reach subsequent development phases and, as a result, the profitability of the related pharmaceutical development service project may be limited. Even if a customer wishes to proceed with a project, the product we are developing on such customer's behalf may fail to receive necessary regulatory approval or may have its development hindered by other factors, such as the development of a competing product.

If we are unable to continue to or timely obtain new projects from existing and new customers, our development and formulation services business could be adversely affected. Furthermore, although our development and formulation services business may act as a pipeline for our manufacturing services business, we cannot predict the conversion rate of our development and formulation services projects to commercial manufacturing services projects, or how successful we will be in winning new projects that lead to a viable product. As such, an increase in the turnover rate of our development and formulation services projects may not benefit our manufacturing services business at a later time.

In addition, our backlog is subject to a number of risks and uncertainties, including risk that a customer timely cancels its commitments, the risk that a customer may experience delays in its program(s) or otherwise, which could result in the postponement or cancellation of anticipated formulation, development and manufacturing services revenue. There is risk that our business development efforts may not materialize as quickly as we have projected, that we may not successfully execute on all customer projects, any of which could have a negative impact on our liquidity, reported backlog and future revenue. Further, the discontinuation of a project as a result of our failure to satisfy a customer's requirements may also affect our ability to obtain future projects from such customer, as well as from new customers. Any failure by us to maintain a high volume of development and formulation services projects could have a material adverse effect on our business, results of operations and financial condition.

If we fail to meet the stringent requirements of governmental regulation in the manufacture of pharmaceutical products, we could incur substantial costs and a reduction in revenues.

We are required to maintain compliance with cGMP and applicable product tracking and tracing requirements, and our manufacturing facilities are subject to inspections by the FDA and other global regulators to confirm such compliance. Changes of suppliers or modifications of methods of manufacturing may require amending application(s) to the FDA and acceptance of the change by the FDA prior to release of our manufactured products. Because we produce multiple products at our manufacturing facilities, there are increased risks associated with cGMP compliance. We can provide no assurance that we will not encounter future inspections resulting in observations not acceptable by the FDA.

Our inability to demonstrate ongoing cGMP compliance could require us to engage in additional lengthy and expensive remediation efforts, withdraw or recall products and/or interrupt commercial supply of any products. Any delay, interruption or other issue that arises in the manufacture, fill/finish, packaging, or storage of any drug product as a result of a failure of our facilities to pass any regulatory agency inspection or maintain cGMP compliance could significantly impair our relationships with our commercial partners, which would substantially harm our business, prospects, operating results and financial condition. Any ongoing or additional findings of non-compliance could also increase our costs and cause us to lose revenue from manufactured products, which could be seriously detrimental to our business, prospects, operating results and financial condition.

Additionally, our manufacturing activities are subject to the Controlled Substances Act of 1970, or CSA, and the regulations of the DEA. Accordingly, we must adhere to a number of requirements with respect to controlled substances, including registration, recordkeeping and reporting requirements; labeling and packaging requirements; security controls, procurement and manufacturing quotas; and certain restrictions on refills. Failure to maintain compliance with applicable requirements can result in an enforcement action that could have a material adverse effect on our business, financial condition, operating results and cash flows. The DEA may seek civil penalties, refuse to renew necessary registrations or initiate proceedings to revoke those registrations. In certain circumstances, violations could result in criminal proceedings.

Manufacturers of drug products and their facilities are subject to payment of substantial user fees and continual review and periodic inspections by the FDA and other regulatory authorities, including equivalent regulatory authorities in other countries, for compliance with cGMP regulations and adherence to commitments made in the NDA or the application for marketing authorization. If we, or a regulatory authority, discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with a facility where the product is manufactured, a regulatory authority may impose restrictions relative to that product or the manufacturing facility, including requiring recall or withdrawal of the product from the market, suspension of manufacturing, or other FDA action or other action by the equivalent regulatory authorities in other countries.

If we use hazardous materials in a manner that causes injury or violates applicable law, we may be liable for damages.

Our operations involve the controlled use of hazardous materials and chemicals. We are subject to federal, state and local laws and regulations in the U.S. governing the use, manufacture, storage, handling and disposal of hazardous materials and chemicals. Although we believe that our procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we may incur significant additional costs to comply with applicable laws in the future. Even if we comply with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials or chemicals. As a result of any such contamination or injury, we may incur liability or local, city, state or federal authorities may curtail the use of these materials and interrupt our business operations. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our contract manufacturing operations, which could materially harm our business, financial condition and results of operations.

We may not be able to successfully offer new services, which could have a material adverse effect on our business, results of operations and financial condition.

In order to successfully compete, we will need to offer and develop new services. Without the timely introduction of enhanced or new services, our services and capabilities may become obsolete over time, in which case, our revenues and operating results would suffer. The related development costs may require a substantial investment before we can determine their commercial viability, and we may not have the financial resources to fund such initiatives.

In addition, the success of enhanced or new services will depend on several factors, including but not limited to our ability to:

- properly anticipate and satisfy customer needs, including increasing demand for lower cost services;
- enhance, innovate, develop and manufacture new offerings in an economical and timely manner;
- differentiate our deliverables from competitors' offerings;
- meet quality requirements, authorization requirements, and other regulatory requirements of government agencies; and
- avoid infringing the proprietary rights of third parties.

Even if we were to succeed in creating enhanced or new services, those services may not result in commercially successful offerings or may not produce revenues in excess of the costs of development and capital investment and may be quickly rendered obsolete by changing customer preferences or by technologies or features offered by our competitors. In addition, innovations may not be accepted quickly in the marketplace due to, among other things, entrenched patterns of clinical practice, the need for regulatory authorization and uncertainty over market access or government or third-party reimbursement. If we are not able to offer new services and effectively compete, our business, financial condition, and results of operations could be negatively impacted.

Technological change may cause our offerings to become obsolete over time. A decrease in our customers' purchases of our offerings could have a material adverse effect on our business, results of operations and financial condition.

The healthcare industry is characterized by rapid technological change. Demand for our services may change in ways that we may not anticipate because of evolving industry standards or as a result of evolving customer needs that are increasingly sophisticated and varied or because of the introduction by competitors of new services and technologies. We may also need to purchase additional equipment, some of which can take several months or more to procure, install and validate, and increase or modify our manufacturing, maintenance, software and computing capabilities to meet changing demand. In addition, we require capital and resources to support the maintenance and improvement of our facilities, including replacing or repairing aging production equipment and updating overall facility master plans. If we are unable to maintain and improve our facilities, we may experience unscheduled equipment downtime and unpredicted machinery failure and become unable to supply our customers with products or services which may affect business continuity. Any such incident or disruption in business continuity could have a material adverse effect on our business, results of operations and financial condition.

We may be adversely affected by natural disasters or other events that disrupt our business operations, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our manufacturing facilities are located in Gainesville, Georgia and San Diego, California, where natural disasters or similar events, like hurricanes, blizzards, tornadoes, fires, floods, earthquakes or explosions or large-scale accidents or power outages, could severely disrupt our operations and have a material adverse effect on our business, prospects, results of operations and financial condition. If a disaster, power outage or other event occurred that prevented us from using all or a significant portion of our Gainesville and/or San Diego facilities, damaged critical infrastructures, such as manufacturing resource planning and enterprise quality systems, or otherwise disrupted operations at that location, it may be difficult or, in certain cases, impossible for us to continue our development, formulation and manufacturing business for a substantial period of time, which could have a material adverse effect on our business, financial condition, and results of operations.

Currently, we maintain insurance coverage against damage to our property and equipment, and to cover business interruption expenses, in an amount we believe is sufficient for our development, formulation and manufacturing operations. However, there can be no assurance that such insurance will continue to be available on acceptable terms or that such insurance will provide adequate protection against actual losses. Even if we maintain adequate insurance coverage, claims could have a material adverse effect on our financial condition, liquidity and results of operations and on our ability to obtain suitable, adequate or cost-effective insurance in the future.

We must comply with environmental and health and safety laws and regulations, which can be expensive and restrict how we do business.

We are subject to federal, state and local laws, rules, regulations and policies concerning the environment and the health and safety of our employees. We may be required to incur significant costs to comply with environmental and health and safety regulations in the future. Current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions, which could have a material adverse effect on our business, financial condition, and results of operations.

In addition, our business involves the use, generation and disposal of hazardous materials, including chemicals, solvents, agents and biohazardous materials. As a result, we are subject to federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials, biological specimens and wastes. We cannot completely eliminate the risk of accidental contamination or injury from these materials. We currently contract with third parties to dispose of these substances that we generate, and we rely on these third parties to properly dispose of these substances in compliance with applicable laws and regulations. If these third parties do not properly dispose of these substances in compliance with applicable laws and regulations, we may be subject to legal action by governmental agencies or private parties for improper disposal of these substances. The costs of defending such actions and the potential liability resulting from such actions are often substantial amounts. In the event we are subject to such legal action or we otherwise fail to comply with applicable laws and regulations governing the use, generation and disposal of hazardous materials and chemicals, we could be held liable for any damages that result, and any such liability could exceed our resources. In addition, we may incur costs and expenses due to injuries to our employees, including those resulting from the use of hazardous materials; workers' compensation insurance may not provide adequate coverage against potential liabilities. If we become subject to any of the foregoing liabilities, our business, financial condition, and results of operations could be materially adversely impacted.

We may be subject to litigation or government investigations for a variety of claims, which could adversely affect our operating results, harm our reputation or otherwise negatively impact our business.

We may be subject to litigation or government investigations. These may include claims, lawsuits, and proceedings involving product liability, labor and employment, wage and hour, commercial and other matters. For example, we were subject to securities class action litigation as discussed in note 7 to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K that was settled in 2022. The outcome of any litigation or government investigation, regardless of its merits, is inherently uncertain. Any lawsuits or government investigations, and the disposition of such lawsuits and government investigations, could be time-consuming and expensive to resolve and divert management attention and resources. Any adverse determination related to litigation or government investigations could adversely affect our operating results, harm our reputation or otherwise negatively impact our business. In addition, depending on the nature and timing of any such dispute, a resolution of a legal matter or government investigation could materially affect our future operating results, our cash flows or both.

Our future success depends on our ability to retain our key executives as well as to attract, retain and motivate other qualified personnel.

We are highly dependent on the principal members of our executive team and, in particular, the services of J. David Enloe, Jr., our President and Chief Executive Officer, and Ryan Lake, our Chief Financial Officer, the loss of whose services would adversely impact the achievement of our objectives. We have entered into employment agreements with each of our executive officers. Recruiting and retaining qualified employees for our business, including business development, scientific and technical personnel, will also be critical to our success. There is currently a shortage of skilled executives in our industry, which is likely to continue. As a result, competition for skilled personnel is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous pharmaceutical companies for individuals with similar skill sets. The inability to recruit or loss of the services of any executive or key employee could impede the progress of our business development, manufacturing, quality, growth and diversification objectives.

We may acquire other assets or businesses, or form collaborations or make investments in other companies or technologies, that could have a material adverse effect on our operating results, dilute our shareholders' ownership, increase our debt or cause us to incur significant expense.

As part of our business strategy, we may pursue acquisitions of assets, including, businesses or strategic alliances and collaborations, to expand our existing technologies and operations. We may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the anticipated benefits of any such transaction, any of which could have a material adverse effect on our financial condition, results of operations and cash flows. Integration of an acquired company or assets may also disrupt ongoing operations, require the hiring of additional personnel and the implementation of additional internal systems and infrastructure, especially the acquisition of commercial assets, and require management resources that would otherwise focus on developing our existing business.

To finance any acquisitions or collaborations, we may choose to issue debt or shares of our common or preferred stock as consideration. Any such issuance of shares would dilute the ownership of our shareholders. If the price of our common stock is low or volatile, we may not be able to acquire other assets or companies or fund a transaction using our stock as consideration. Alternatively, it may be necessary for us to raise additional funds for acquisitions through public or private financings. Additional funds may not be available on terms that are acceptable to us, or at all.

Our employees, partners, independent contractors, consultants and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, partners, independent contractors, consultants and vendors may engage in fraudulent or other illegal activity with respect to our business. Misconduct by these employees, partners, independent contractors, consultants and vendors could include intentional, reckless and/or negligent conduct or unauthorized activity that violates: (1) FDA or DEA regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA; (2) manufacturing standards; (3) federal, state and foreign healthcare fraud and abuse laws and regulations; or (4) laws that require the true, complete and accurate reporting of financial information or data. Activities subject to these laws also involve the improper use of information obtained in the course of clinical trials, or illegal misappropriation of drug product, which could result in regulatory sanctions and serious harm to our reputation. Any incidents or any other conduct that leads to an employee receiving an FDA debarment could result in a loss of business from our partners and severe reputational harm. We have adopted a Code of Business Conduct and Ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business, operating results and financial condition.

We have faced and may continue to face potential product liability claims, and, if such claims are successful, we may incur substantial liability.

The use of our products exposes us to the risk of product liability claims as well as potential toxic tort and other types of product liability claims that are inherent in the manufacture of pharmaceutical products. Product liability claims might be brought against us by consumers, health care providers, pharmaceutical companies or others selling or otherwise coming into contact with our products. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- impairment of our business reputation and negative media attention;
- withdrawal of our customers clinical study participants or adverse effects occurring during such clinical trials;
- costs due to related litigation;
- distraction of management’s attention from our primary business;
- decreased demand for our manufacturing services or loss of any of our commercial partners;
- substantial monetary awards to patients or other claimants;
- the inability of our customers to commercialize their product candidates, if approved; and
- increased scrutiny and potential investigation by, among others, the FDA, the Department of Justice, the Office of Inspector General of the U.S. Department of Health and Human Services, State Attorneys General, members of Congress and the public.

Our current product liability insurance coverage may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2022, we had federal and state net operating loss carry forwards, or NOLs, of approximately \$125.6 million and \$135.4 million, respectively. The federal carry forwards for 2008 through 2017 will expire in 2028. Federal net operating losses incurred in 2018 and onward have an indefinite expiration under the 2017 Tax Cut & Jobs Act. The state carry forwards, including those generated in 2022, will expire in 2028 through 2042. A full allowance for the value of the NOLs is provided for in our consolidated financial statements as of December 31, 2022. We cannot guarantee what the ultimate outcome or amount of the benefit we may receive from the NOLs, if any, will be.

The security of our information technology systems may be compromised in the event of system failures, unauthorized access, cyberattacks or a deficiency in our cybersecurity, and confidential information, including non-public personal information that we maintain, could be improperly disclosed.

We rely extensively on information technology and systems including internet sites, data hosting, physical security, and software applications and platforms. Our information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to computer viruses, attacks by computer hackers, failures during the process of upgrading or replacing software, power outages, user errors or catastrophic events. A significant breakdown, invasion, corruption, destruction or interruption of critical information technology systems, by our employees, others with authorized access to our systems or unauthorized persons could negatively impact or interrupt operations. For example, the loss of data from completed or ongoing clinical trials for product candidates could result in delays in regulatory approval efforts and significantly increase our costs to recover or reproduce the data. The use of technology, including cloud-based computing, creates opportunities for the unintentional dissemination or intentional destruction of confidential information stored in our systems or our third-party systems. We could also experience a business interruption, theft of confidential information or reputational damage from malware or other cyberattacks, which may compromise our systems or lead to data leakage, either internally or at our third-party providers.

As part of our business, we maintain large amounts of confidential information, including non-public personal information on our employees. The maintenance of such information is governed by various rules and regulations in the jurisdictions in which we conduct our business, including by the General Data Privacy Regulation, or GDPR, in the European Union. Breaches in security, either internally or at our third-party providers, could result in the loss or misuse of this information, which could, in turn, result in potential regulatory actions or litigation, including material claims for damages, interruption to our operations, damage to our reputation or otherwise have a material adverse effect on our business, financial condition and operating results. Our information security policies and systems may not prevent unauthorized use or disclosure of confidential information, including non-public personal information.

Any such business interruption, theft of confidential information or reputational damage from malware or other cyberattacks, or violation of personal information laws, could have a material adverse effect on our business, financial condition, and results of operations.

If we fail to comply with data protection laws and regulations, we could be subject to government enforcement actions (which could include civil or criminal penalties), private litigation and/or adverse publicity, which could negatively affect our operating results and business.

We may be subject to laws and regulations that address privacy and data security of patients who use our customers' products in the United States and in states in which we conduct our business. In the United States, numerous federal and state laws and regulations, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act) govern the collection, use, disclosure, and protection of health-related and other personal information. For instance, the Health Insurance Portability and Accountability Act, or HIPAA, imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information and imposes notification obligations in the event of a breach of the privacy or security of individually identifiable health information on entities subject to HIPAA and their business associates that perform certain activities that involve the use or disclosure of protected health information on their behalf. Failure to comply with applicable data protection laws and regulations could result in government enforcement actions and create liability for us, which could include civil and/or criminal penalties, as well as private litigation and/or adverse publicity that could negatively affect our operating results and business.

Our U.S. government contracts require compliance with numerous laws that may present additional risk and liability.

We provide services to the National Institutes of Health, a part of the U.S. Department of Health and Human Services. As a result, we must comply with certain laws and regulations relating to the award, administration, and performance of U.S. government contracts. U.S. government contracts typically contain a number of extraordinary provisions that would not typically be found in commercial contracts and which may create a disadvantage and additional risks to us as compared to competitors that do not rely on government contracts. As a U.S. government service provider and subcontractor, we are subject to increased risks of investigation, audit, criminal prosecution, and other legal actions and liabilities to which purely private sector companies are not. The results of any such actions could adversely impact our business and have an adverse effect on our financial performance.

Additionally, a violation of specific laws and regulations could result in the imposition of fines and penalties or the termination of our contracts, as well as suspension or debarment. The suspension or debarment in any particular case may be limited to the facility, contract or subsidiary involved in the violation or could be applied to our entire enterprise in certain severe circumstances. Even a narrow scope suspension or debarment could result in negative publicity that could adversely affect our ability to renew contracts and to secure new contracts, both with the U.S. government and private customers, which could materially and adversely affect our business and results of operations. Fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices, receiving or paying kickbacks, or filing false claims, among other potential violations. In addition, we could suffer serious reputational harm and the value of our common stock could be negatively affected if allegations of impropriety related to such contracts are made against us.

Risks Related to Our Intellectual Property

Litigation involving patents, patent applications and other proprietary rights is expensive and time-consuming. If we are involved in such litigation, it could interfere with our business.

Our success depends in part on not infringing patents and proprietary rights of third parties. The pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights.

In a patent infringement claim against us, we may assert, as a defense, that we do not infringe the relevant patent claims, that the patent is invalid or both. The strength of our defenses will depend on the patents asserted, the interpretation of these patents and/or our ability to invalidate the asserted patents. However, we could be unsuccessful in advancing non-infringement and/or invalidity arguments in our defense. In the United States, issued patents enjoy a presumption of validity, and the party challenging the validity of a patent claim must present clear and convincing evidence of invalidity, which is a high burden of proof. Conversely, the patent owner need only prove infringement by a preponderance of the evidence, which is a low burden of proof.

If we were found by a court to have infringed a valid patent, we could be prevented from using the patented technology or be required to pay the owner of the patent for the right to license the patented technology. If we decide to pursue a license to one or more of these patents, we may not be able to obtain a license on commercially reasonable terms, if at all, or the license we obtain may require us to pay substantial royalties or grant cross licenses to our patent rights. For example, if the relevant patent is owned by a competitor, that competitor may choose not to license patent rights to us. If we decide to develop alternative technology, we may not be able to do so in a timely or cost-effective manner, if at all.

In addition, because patent applications can take years to issue and are often afforded confidentiality for some period of time, there may currently be pending applications, unknown to us, that later result in issued patents that could cover one or more of our products.

It is possible that we may in the future receive, particularly as a public company, communications from competitors and other companies alleging that we may be infringing their patents, trade secrets or other intellectual property rights, offering licenses to such intellectual property or threatening litigation. In addition to patent infringement claims, third parties may assert copyright, trademark or other proprietary rights against us. We may need to expend considerable resources to counter such claims and may not be able to be successful in our defense. Our business may suffer if a finding of infringement is established.

Competitors can challenge the U.S. patents protecting our commercial partners' product candidates in connection with filing an ANDA for a generic version or a 505(b)(2) NDA for a modified version of our commercial partners' product candidates.

Separate and apart from the protection provided under the U.S. patent laws, drug candidates may be subject to the provisions of the Hatch-Waxman Act, which may provide drug candidates with either a three- or five-year period of marketing exclusivity following receipt of FDA approval. The Hatch-Waxman Act prohibits the FDA from accepting the filing of an ANDA application (for a generic product) or a 505(b)(2) NDA (for a modified version of the product) for three years for active drug ingredients previously approved by the FDA or for five years for active drug ingredients not previously approved by the FDA.

There is an exception, however, for newly approved molecules that allows competitors to challenge a patent beginning four years into the five-year exclusivity period by alleging that one or more of the patents listed in the FDA's list of approved drug products are invalid, unenforceable and/or not infringed and submitting an ANDA for a generic version of the innovator drug or a 505(b)(2) NDA for a modified version of the innovator drug. This patent challenge is commonly known as a Paragraph IV certification. Within the past several years, the generic industry has aggressively pursued approvals of generic versions of innovator drugs at the earliest possible point in time.

If a competitor is able to successfully obtain FDA approval for an ANDA or a 505(b)(2) NDA, the competitor may choose to launch its generic or modified version of the innovator drug. Any launch of a generic or modified version of our commercial partners' products will have a material adverse effect on demand for that product, our revenues and our results of operations.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We may rely on trade secrets to protect our proprietary know-how and technological advances, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. Failure to obtain or maintain trade secret protection could enable competitors to use our proprietary information to develop products that compete with our products or cause additional, material adverse effects on our competitive business position.

Our ability to manufacture products for our commercial partners may be impaired if any of our manufacturing activities, or the activities of third parties involved in our manufacture and supply chain, are found to infringe patents of others.

Our ability to continue to manufacture products for our commercial partners, to utilize third parties to supply raw materials or other products, or to perform fill/finish services or other steps in our manufacture and supply chain, depends on our and their ability to operate without infringing the patents and other intellectual property rights of others. Other parties may allege that our manufacturing activities, or the activities of third parties involved in our manufacturing and supply chain, infringe patents or other intellectual property rights. A judicial decision in favor of one or more parties making such allegations could preclude the manufacture of the products to which those intellectual property rights apply, which could materially harm our business, operating results and financial condition.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to life sciences. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by courts in the United States and foreign countries may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property. If we are unable to adequately enforce our intellectual property rights throughout the world, our business, financial condition, and results of operations could be adversely impacted.

Any trademarks we have obtained or may obtain may be infringed or successfully challenged, resulting in harm to our business.

We expect to rely on trademarks as one means to distinguish any of our products that are approved for marketing from the products of our competitors. Once we select new trademarks and apply to register them, our trademark applications may not be approved. Third parties may oppose or attempt to cancel our trademark applications or trademarks, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our drugs, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our competitors may infringe our trademarks and we may not have adequate resources to enforce our trademarks.

Risks Relating to Our Securities

The market price and trading volume of our common stock have been and may continue to be volatile, which could result in rapid and substantial losses for our shareholders.

The market price for our common stock has been volatile and may continue to fluctuate or may decline significantly in the future. An active, liquid and orderly market for our common stock may not be achieved and sustained, which could depress the trading price of our common stock or cause it to continue to be highly volatile or subject to wide fluctuations. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include, among other things:

- FDA, state or international regulatory actions, including actions on regulatory applications for any of our commercial partners' product candidates;
- noncompliance with applicable state, federal and international data privacy and security laws and regulations including, without limitation, the General Data Protection Regulations (Regulation (EU) 2016/679), as amended, and the California Consumer Privacy Act of 2018, as amended legislative or regulatory changes;
- judicial pronouncements interpreting laws and regulations;
- changes in government programs;

- announcements of new products, services or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- changes in demand for or pricing of our customers' products;
- the sales ramp and trajectory for our formulation, development and manufacturing services;
- market conditions in the pharmaceutical and biotechnology sectors;
- fluctuations in stock market prices and trading volumes of similar companies;
- changes in accounting principles;
- litigation or public concern about the safety of our products or similar products;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant shareholders;
- our announcement of financing transactions, including debt, convertible notes, etc.; and
- actions by institutional or activist shareholders.

These broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and decreases in the market price of a company's securities, securities class action litigation has often been instituted against these companies. Following the decrease in our trading price in May 2018, a securities class action lawsuit was filed against us which settled in 2022. Any other securities class actions that may be brought against us, could result in substantial costs and a diversion of our management's attention and resources.

We have never paid cash dividends on our common stock and do not intend to do so for the foreseeable future, which may make our stock less attractive.

We have never paid cash dividends on our common stock and we do not anticipate that we will pay any cash dividends on our common stock for the foreseeable future. Additionally, our ability to pay cash dividends is currently prohibited by the terms of our credit facility with Royal Bank of Canada. Accordingly, any return on an investment in our common stock will be realized, if at all, only when shareholders sell their shares. In addition, our failure to pay cash dividends may make our stock less attractive to investors, adversely impacting trading volume and price.

Some provisions of our charter documents and Pennsylvania law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our shareholders, and may prevent attempts by our shareholders to replace or remove our current management.

Provisions in our articles of incorporation and amended and restated bylaws could make it more difficult for a third-party to acquire us or increase the cost of acquiring us, even if doing so would benefit our shareholders, or remove our current management. These include provisions that:

- divide our board of directors into three classes with staggered three-year terms;
- provide that a special meeting of shareholders may be called only by a majority of our board of directors;
- establish advance notice procedures with respect to shareholder proposals to be brought before a shareholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of director;
- provide that shareholders may only act at a duly organized meeting; and
- provide that members of our board of directors may be removed from office by our shareholders only for cause by the affirmative vote of 75% of the total voting power of all shares entitled to vote generally in the election of directors.

These provisions may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, who are responsible for appointing the members of our management. Because we are incorporated in Pennsylvania, we are governed by the provisions of the Pennsylvania Business Corporation Law of 1988, which may discourage, delay or prevent someone from acquiring us or merging with us whether or not it is desired by or beneficial to our shareholders. Under Pennsylvania law, a corporation may not, in general, engage in a business combination with any holder of 20% or more of its capital stock unless the holder has held the stock for five years or, among other things, the board of directors has approved the transaction. Any provision of our articles of incorporation or bylaws or Pennsylvania law that has the effect of delaying or deterring a change in control could limit the opportunity for our shareholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

We have a limited number of authorized shares of common stock available for issuance and will need to seek shareholder approval to amend our Second Amended and Restated Articles of Incorporation to effect an increase in the number of authorized shares of our common stock.

Our Second Amended and Restated Articles of Incorporation currently authorizes us to issue up to 95,000,000 shares of common stock. As of December 31, 2022, following our concurrent offerings of common stock and Series A Convertible Preferred Stock, or Series A preferred stock, in December 2022, we had only 10,411,132 authorized but unissued shares of our common stock, of which 9,272,678 are currently reserved for issuance of outstanding options, restricted stock units, and warrants. We currently do not have a sufficient number of authorized and unreserved shares of common stock to permit the conversion of the Series A preferred stock.

The Series A preferred stock is only convertible into common stock upon receipt of shareholder approval of an increase in the number of authorized shares of our common stock. Pursuant to the certificate of designation of preferences, rights and limitations of the Series A preferred stock, or the Certificate of Designations, we have agreed to seek shareholder approval of an amendment to our Second Amended and Restated Articles of Incorporation to effect an increase in the number of authorized shares of common stock in an amount sufficient to permit the conversion in full of the Series A preferred stock. If such shareholder approval is not obtained by June 30, 2023, the then-in-effect conversion rate of the Series A preferred stock shall be increased by 10% and will increase by an additional 10% per year on June 30 of each year for which shareholder approval has not yet been obtained, subject to certain limits. We can offer no assurance that we will be able to obtain such approval by June 2023 or at all.

Furthermore, an increase in the authorized number of shares of common stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in control of our company without further action by our shareholders. Shares of authorized and unissued common stock could, within the limits imposed by applicable law, be issued in one or more transactions which would make a change in control of our company more difficult, and therefore less likely.

General Risk Factors

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities.

If securities or industry analysts do not continue to publish research or reports, or if they publish unfavorable research or reports, about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. We currently have limited research coverage by securities and industry analysts. If additional securities or industry analysts do not commence coverage of our company, the trading price for our stock could be negatively impacted. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our stock, our stock price would likely decline. If one or more of these analysts ceases to cover us or fails to regularly publish reports on us, interest in our stock could decrease, which could cause our stock price or trading volume to decline.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be frequently evaluated. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls and attestations of the effectiveness of internal controls by independent auditors (as a smaller reporting company, the latter requirement does not apply to us). Our failure to maintain the effectiveness of our internal controls in accordance with the requirements of the Sarbanes-Oxley Act could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at 1 E. Uwchlan Ave, Suite 112, Exton, Pennsylvania 19341. We also lease and operate:

- a 97,000 square foot, DEA-licensed facility in Gainesville, Georgia, pursuant to a lease which expires in December 2042;
- a 24,000 square foot development and high-potency product services facility in Gainesville, GA, pursuant to a lease which expires in June 2025; and
- a 24,500 square foot development facility focused on advanced dosage forms in San Diego, California, pursuant to a lease which expires in January 2031.

Item 3. Legal Proceedings

Information regarding legal and regulatory proceedings is set forth in note 7 to our consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K, and is incorporated by reference herein. We are also engaged in various other legal actions arising in the ordinary course of our business (such as, for example, proceedings relating to employment matters or the initiation or defense of proceedings relating to intellectual property rights) and, while there can be no assurance, we believe that the ultimate outcome of these other legal actions will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the Nasdaq Capital Market under the symbol "SCTL."

Holders of Common Stock

As of February 22, 2023, there were 6 holders of record of our common stock. The actual number of holders of our common stock is greater than this number of record holders, and includes shareholders who are beneficial owners, but whose shares are held in street name by brokers or held by other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and our ability to pay cash dividends is currently prohibited by the terms of our credit facility with Royal Bank of Canada. We do not anticipate paying cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, on our common stock will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, anticipated cash needs and plans for expansion.

Recent Sales of Unregistered Offerings

None.

Issuer Repurchases of Equity Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

Other information about our equity compensation plans is incorporated herein by reference to Part III, Item 12 of this Annual Report on Form 10-K.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Our actual results may differ materially from those discussed below. Please see "Forward-Looking Statements" and "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K for factors that could cause or contribute to such differences.

Overview

We are a bi-coastal contract development and manufacturing organization, or CDMO, with capabilities spanning pre-investigational new drug development to commercial manufacturing and packaging for a wide range of therapeutic dosage forms with a primary focus on small molecules. With an expertise in solving complex manufacturing problems, Societal is a leading CDMO providing development, end-to-end regulatory support, clinical and commercial manufacturing, aseptic fill/finish, lyophilization, packaging and logistics services to the global pharmaceutical market. In addition to our experience in handling DEA-controlled substances and developing and manufacturing modified-release dosage forms, Societal has the expertise to deliver on our clients' pharmaceutical development and manufacturing projects, regardless of complexity level. We do all of this in our state-of-the-art facilities that, in the aggregate, total 145,000 square feet, in Gainesville, Georgia and San Diego, California.

We currently manufacture the following key products with our key commercial partners: Ritalin LA®, Focalin XR®, Verelan PM®, Verelan SR®, Verapamil PM, Verapamil SR and Donnatal liquids and tablets. We also support numerous development stage products.

During the third quarter of 2021, we acquired IriSys, LLC, or IriSys, an independent San Diego-based CDMO. The acquisition provided us significant new capabilities beyond oral solid dose, including sterile and non-sterile injectables, liquid and powder filled capsules, tablets, oral liquids, liposomes and nano/micro-particles and topical formulations.

Our manufacturing and development capabilities include product development from formulation through clinical trial and commercial manufacturing, and specialized capabilities for solid oral dosage forms, with specialization in modified release technologies and facilities to handle high potent compounds and controlled substances, liposomes and nano/microparticles, topicals and oral liquids. In September 2022, Societal announced a new state of the art, aseptic fill/finish and lyophilization suite in our San Diego facility to further our goal of offering end-to-end solutions to our clients. In addition to providing manufacturing capabilities, we offer our customers clinical trial support including over-encapsulation, comparator sourcing, packaging, labeling, storage and distribution. We have a bi-coastal footprint from which to better serve clients within the U.S., as well as globally. In a typical collaboration between us and our commercial partners, we continue to work with our partners to develop product candidates or new formulations of existing product candidates. We also typically exclusively manufacture and supply clinical and commercial supplies of these proprietary products and product candidates.

We use cash flow generated by our business primarily to fund the growth of our CDMO business and to make payments under our credit facility. We believe our business will continue to contribute cash to fund our growth, make payments under our credit facility and other general corporate purposes.

Global economic and supply conditions

Global economic conditions, logistics and supply chain issues continue to present obstacles to our business, including challenges related to the COVID-19 pandemic.

We rely on third-party manufacturers to supply our manufacturing components, supplies and related materials, which in some instances are supplied from a single source. Prolonged disruptions in the supply of any of our third-party materials, difficulty implementing new sources of supply or significant price increases could have an adverse effect on our results. While the impact of COVID-19 has lessened in many ways, we are experiencing a higher level of residual supply chain disruptions that we are actively managing to meet our production timelines and that may constrain our ability to capture additional growth opportunities, beyond our established projections, from customers who would otherwise want to increase their safety stock of the products that we produce.

We also continue to closely monitor economic developments related to COVID-19 and other diseases and geopolitical conflicts, such as the conflict between Russia and Ukraine, which continue to have adverse effects on the U.S. and global markets.

We continue to anticipate a general slowdown in clinical development activity as a result of clinical failures and/or a lack of adequate funding to go forward. We are making efforts to adapt to these market changes, including a reconfiguration of our business development team to be better positioned in the longer-term by focusing on account management roles and replacing lost positions in strategic focus areas. The anticipated slowdown and/or the reconfiguration may cause a reduction in the number of business development opportunities that we will be able to pursue in 2023. We also expect to face continuing inflationary pressures on raw materials, labor and logistics during 2023. Finally, we were impacted by higher variable base interest rates on our borrowings under credit agreements during the second half of 2022, and while we believe that we have been able to capture overall interest savings as a result of the December 2022 refinancing, we expect those improvements could be partially offset by variable base interest rate increases in 2023.

Financial overview

Revenues

We recognize three types of revenue: manufacturing, profit-sharing and research and development.

Manufacturing

We recognize manufacturing revenue from the sale of products we manufacture for our commercial partners. Manufacturing revenues are recognized upon transfer of control of a product to a customer, generally upon shipment, based on a transaction price that reflects the consideration we expect to be entitled to as specified in the agreement with the commercial partner, which could include pricing and volume-based adjustments.

Profit-sharing

In addition to manufacturing revenue, certain customers who use our technologies are subject to agreements that provide us intellectual property sales-based profit-sharing and/or royalties consideration, collectively referred to as profit-sharing, computed on the net product sales of the commercial partner. Profit-sharing revenues are generally recognized under the terms of the applicable license, development and/or supply agreement. We have determined that in our arrangements, the license for intellectual property is not the predominant item to which the profit-sharing relates, so we recognize revenue upon transfer of control of the manufactured product. In these cases, significant judgment is required to calculate the estimated variable consideration from such profit-sharing using the expected value method based on historical commercial partner pricing and deductions. Estimated variable consideration is partially constrained due to the uncertainty of price adjustments made by our commercial partners, which are outside of our control. Factors causing price adjustments by our commercial partners include increased competition in the products' markets, mix of volume between the commercial partners' customers, and changes in government pricing.

Research and development

Research and development revenue includes services associated with formulation, process development, clinical trials materials services, as well as custom development of manufacturing processes and analytical methods for a customer's non-clinical, clinical and commercial products. Such revenues are recognized at a point in time or over time depending on the nature and particular facts and circumstances associated with the contract terms.

In contracts that specify milestones, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price using the most likely amount method. Milestone payments related to arrangements under which we have continuing performance obligations are deferred and recognized over the period of performance. Milestone payments that are not within our control, such as submission for approval to regulators by a commercial partner or approvals from regulators, are not considered probable of being achieved until those submissions are submitted by the customer or approvals are received.

In contracts that require revenue recognition over time, we utilize input or output methods, depending on the specifics of the contract, that compare the cumulative work-in-process to date to the most current estimates for the entire performance obligation. Under these contracts, the customer typically owns the product details and process, which have no alternative use. These projects are customized to each customer to meet its specifications, and typically only one performance obligation is included. Each project represents a distinct service that is sold separately and has stand-alone value to the customer. The customer also retains control of its product as the product is being created or enhanced by our services and can make changes to its process or specifications upon request.

Cost of sales and selling, general and administrative expenses

Cost of sales consists of inventory costs, including production wages, material costs and overhead, and other costs related to the recognition of revenue. Selling, general and administrative expenses consists of salaries and related costs for administrative, public company costs, business development personnel as well as legal, patent-related expenses and consulting fees. Public company costs include compliance, auditing services, tax services, insurance and investor relations.

In October 2021, we integrated and reorganized our collective employee base to support a multi-site organization. As a result, certain employees in administrative roles are supporting the entire company instead of plant operations. Costs associated with these employees, including employee compensation and other expenses, are classified in selling, general and administrative expenses prospectively from October 1, 2021.

For the year ended December 31, 2021, we qualified for approximately \$4.4 million of federal employee retention credits, all of which was recognized as an offset to expense. We did not recognize any additional credits during the year ended December 31, 2022, and do not anticipate any additional credits in future periods.

Amortization of intangible assets

Historically, we recognized amortization expense related to an intangible asset for our profit-sharing and contract manufacturing relationships on a straight-line basis over an estimated useful life of six years. Amortization stopped when the intangible asset reached the end of its useful life in April 2021. With the acquisition of IriSys, we are recognizing amortization expense related to acquired customer relationships, backlog and trademarks and trade names on a straight-line basis over estimated useful lives of 7.0, 2.4, and 1.5 years, respectively.

Interest expense

Interest expense for the periods presented primarily relates to the \$100.0 million senior secured term loans with Athyrium Opportunities III Acquisition LP and the amortization of related financing costs, as well as other smaller instruments.

In December 2022, we completed a refinancing that included the repayment of \$100.0 million of outstanding term loans with Athyrium funded in part by \$36.9 million of new term loan borrowings with Royal Bank of Canada and \$39.0 million of gross proceeds from the sale and leaseback of our commercial manufacturing campus in Gainesville, Georgia. We expect that future periods will include a lower amount of aggregate interest expense related to these transactions and the amortization of related financing costs due to lower amount of aggregate principal and lower variable interest margins as compared to the Athyrium borrowings.

Net operating losses and tax carryforwards

As of December 31, 2022, we had federal net operating loss, or NOL, carry forwards of approximately \$125.6 million, substantially all of which have an indefinite carry forward period. We also had \$135.4 million of state NOL carry forwards available to offset future taxable income that will begin to expire at various dates beginning in 2028 if not utilized. We believe that it is more likely than not that our deferred income tax assets will not be realized, and as such, there is a full valuation allowance.

Key indicators of performance

To evaluate our performance, we monitor a number of industry-standard key indicators such as:

- *Safety and human capital management*, as measured by recordable injuries, good saves and employee retention;
- *Operational excellence*, as measured by the percentage of our orders that are delivered on-time and in full;
- *New business growth*, as measured by value of new contracts signed; and
- *Financial operating results*, as measured by revenue and EBITDA, as adjusted.

EBITDA, as adjusted, is a non-GAAP measure that we discuss and reconcile to its nearest GAAP measure elsewhere in our public financial reporting. We believe that supplementing our financial results presented in accordance with GAAP with non-GAAP measures is useful to investors, creditors and others in assessing our performance. These measurements should not be considered in isolation or as a substitute for reported GAAP results because they may include or exclude certain items as compared to similar GAAP-based measurements, and such measurements may not be comparable to similarly-titled measurements reported by other companies. Rather, these measurements should be considered as an additional way of viewing aspects of our operations and gaining an understanding of our business.

Results of operations

Comparison of years ended December 31, 2022 and 2021

(in millions)	Year ended December 31,	
	2022	2021
Revenue	\$ 90.2	\$ 75.4
Operating expenses:		
Cost of sales (excluding amortization of intangible assets)	67.1	55.6
Selling, general and administrative	21.9	18.4
Amortization of intangible assets	0.9	1.0
Total operating expenses	89.9	75.0
Operating income	0.3	0.4
Interest expense	(14.1)	(15.1)
(Loss) gain on extinguishment of debt	(5.0)	3.3
Loss before income taxes	(18.8)	(11.4)
Income tax expense	1.1	—
Net loss	\$ (19.9)	\$ (11.4)

Revenue. The increase of \$14.8 million was primarily driven by an increase in European Ritalin LA demand from our new customer InfectoPharm, as well as an increase in revenue from our largest commercial customer Teva, correlated with pull through in demand resulting from market share gains against the sole competitor for the Verapamil SR products. In addition, there were higher revenues from our clinical trial materials business as well as a full year of revenue resulting from the acquisition of IriSys compared to approximately five months of revenue in 2021. The increase in revenue was partially offset by a decline in revenue from Lannett's commercial sales of the Verapamil PM products.

Cost of sales. The increase of \$11.5 million was primarily due to the acquisition of the San Diego facility and certain 2021 employment incentive tax credits that were not repeated in 2022 resulting in increased expense in 2022. These increases were partially offset by the reallocation of expenses reflecting the post-acquisition organizational structure.

Selling, general and administrative. The increase of \$3.5 million was primarily related to costs associated with the debt refinancing in the fourth quarter of 2022 and increased personnel costs tied to the reallocation of expenses. Specifically, effective October 1, 2021, certain employees who previously supported the our plant operations now support our multi-site organization structure and operations. Accordingly, expenses associated with these employees have been reclassified from cost of sales to selling, general and administrative expenses. These increases were offset by lower IriSys acquisition and integration costs.

Amortization of intangible assets. The decrease of \$0.1 million was primarily the result of amortizing a lower amount of IriSys intangible assets in 2022 as compared to a higher amount of historical intangible assets in the first part of 2021, partially offset by an approximately four-month period in 2021 prior to the IriSys acquisition when no intangible assets were being amortized.

Interest expense. The decrease of \$1.0 million was primarily due to the extension of the maturity date of our prior term loans, which deferred a portion of the interest expense from non-cash amortization of financing expenses until they were written off as loss on extinguishment of debt in December 2022 (see below), as well as increased capitalized interest. These decreases were partially offset by a full period of interest on the debt portion of the IriSys acquisition purchase price and an increase in the variable LIBOR component of interest on prior term loans with Athyrium.

Loss or gain on extinguishment of debt. In December 2022, as a result of fully paying off our loan with Athyrium, we recorded a loss on extinguishment of debt for the write-off of certain deferred financing costs. In June 2021, we received forgiveness of principal and interest on a note issued under a Federal COVID-19 relief program and recorded a gain on extinguishment of debt.

Comparison of years ended December 31, 2021 and 2020

(in millions)	Year ended December 31,	
	2021	2020
Revenue	\$ 75.4	\$ 66.5
Operating expenses:		
Cost of sales (excluding amortization of intangible assets)	55.6	54.1
Selling, general and administrative	18.4	18.1
Amortization of intangible assets	1.0	2.6
Total operating expenses	75.0	74.8
Operating loss	0.4	(8.3)
Interest expense	(15.1)	(19.2)
Gain on extinguishment of debt	3.3	—
Net loss	<u>\$ (11.4)</u>	<u>\$ (27.5)</u>

Revenue. The increase of \$8.9 million was primarily the result of increases in revenue due to the acquisition of IriSys as well as higher revenues from our clinical trial materials business including revenue from a commercial product tech transfer project. Despite the discontinuation of two commercial product lines by our commercial partners announced in the first quarter of 2020, our legacy commercial business has remained relatively flat in 2021 compared to 2020 as our other commercial products saw growth in 2021 compared to 2020 rebounding from lower volumes in 2020 due to impacts to the market from COVID-19.

Cost of sales. The increase of \$1.5 million was primarily due to costs from the San Diego facility due to the acquisition of IriSys and is partially offset by lower costs due to the prior year reduction in force and certain employment incentive tax credits in 2021.

Selling, general and administrative. The increase of \$0.3 million was primarily related to deal and integration costs related to the acquisition of IriSys and administrative expenses associated with the addition of our San Diego team offset by lower public company costs and stock-based compensation expense. Specifically, effective October 1, 2021, certain employees who previously supported our plant operations now support our multi-site organization structure and operations. Accordingly, expenses associated with these employees have been reclassified from cost of sales to selling, general and administrative expenses.

Amortization of intangible assets. The decrease of \$1.6 million was the result of amortizing a lower amount of IriSys intangible assets in 2021, as compared to a higher amount of historical intangible assets in 2020 and the first part of 2021, as well as an approximately four-month period in 2021 prior to the IriSys acquisition when no intangible assets were being amortized.

Interest expense. The decrease of \$4.1 million was primarily due to reduced term loan borrowings under the Athyrium Credit Agreement as well as a decrease in the LIBOR base rate of interest on our term loans under the Athyrium Credit Agreement. This decrease was partially offset by an increase in interest from the sellers note which was a component of the IriSys acquisition purchase price.

Gain on extinguishment of debt. In June 2021, we received forgiveness of principal and interest on a note issued under a Federal COVID-19 relief program and recorded a gain on extinguishment of debt.

Liquidity and capital resources

At December 31, 2022, we had \$15.0 million in cash and cash equivalents.

Since our inception, we have financed our operations and capital expenditures primarily from results of operations, the issuance of equity and debt, and recently to a lesser extent real estate transactions. During the year ended December 31, 2022, our capital expenditures were \$8.4 million to scale and support our expansion of capabilities.

In December 2022, we completed a refinancing that included the repayment of \$100.0 million of outstanding term loans with Athyrium, funded by entering into three transactions: (i) we raised gross proceeds of \$39.0 million through the sale and subsequent leaseback of our commercial manufacturing campus located in Gainesville, Georgia (see below); (ii) we raised net proceeds of \$32.9 million from the issuance of common and preferred stock; and (iii) we borrowed \$36.9 million under a new term loan with Royal Bank of Canada. Among other things, the refinancing has resulted in a reduction to our leverage ratio, a reset of our financial covenants and a reduction in the amount of cash payable for interest in future periods.

We are currently party to a credit agreement with Royal Bank of Canada, or the Credit Agreement, for a term loan with a principal amount of \$36.9 million. The outstanding principal amount will be repaid in equal quarterly payments totaling \$1.8 million in 2023, \$2.8 million 2024 and \$3.7 million in 2025, with the remaining principal balance due December 16, 2025. If the Company completes a sale of certain real property by December 14, 2023 and makes the \$10.0 million principal repayment disclosed below, the quarterly principal payments will be reduced proportionately to the reduction in principal.

Subject to certain exceptions, we are required to make mandatory prepayments with the cash proceeds received in respect of asset sales, extraordinary receipts and debt issuances, upon a change of control and specified other events. Additionally, we are obligated to repay \$10.0 million of principal by December 14, 2023 upon the sale of certain real property adjacent to its Gainesville, Georgia manufacturing campus. If that property is not sold by December 14, 2023, we will be required to pay a fee of \$0.4 million and increase each of our quarterly principal payments by \$0.2 million until that property is sold and the \$10,000 principal payment is made.

The Credit Agreement also includes certain financial covenants that the Company will need to satisfy on a quarterly basis, including: (i) maintaining a net leverage ratio less than 3.75:1.00, stepping down to 2.75:1.00 over time; (ii) maintaining a fixed charge coverage ratio greater than 1.15:1.00; and (iii) maintaining no less than \$4.0 million cash and cash equivalents on hand, stepping up to \$5.0 million over time.

In September 2022, we signed a sales and purchase agreement to sell approximately 121 acres of land adjacent to our Gainesville, Georgia manufacturing campus for expected proceeds of \$9.1 million, which we are obligated to use to repay outstanding balances on the Credit Agreement. The land sale is expected to close in the second half of 2023. Until closing, the sale of the land is subject to customary closing conditions for transactions of this type, including completion of title and environmental due diligence and receipt of certain zoning approvals and permits.

In August 2021, we acquired IriSys for \$50.2 million by paying \$24.0 million in cash, net of cash acquired, and issuing a note and equity with fair values of \$5.3 million and \$20.9 million, respectively, to the former equity holders of IriSys.

We may require additional financing or choose to refinance certain of these instruments, which could include strategic development, licensing activities and/or marketing arrangements, public or private sales of equity or debt securities or debt refinancing. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could materially adversely impact our growth plans and our financial condition or results of operations. If and until we are able to obtain shareholder approval to increase the number of shares of common stock authorized under our articles of incorporation, we will be limited in the number of additional shares we will be able to issue in future periods. Further, our ability to access capital market or otherwise raise capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the United States and worldwide resulting from COVID-19 and other diseases and geopolitical conflicts. Additional debt or equity financing, if available, may be dilutive to the holders of our common stock, may involve significant cash payment obligations and covenants that restrict our ability to operate our business or to access capital, and may further restrict dividend payments.

Sources and uses of cash

(amounts in millions)	Year ended December 31,		
	2022	2021	2020
Net cash (used in) provided by:			
Operating activities	\$ (3.6)	\$ 10.9	\$ 9.2
Investing activities	(8.4)	(29.3)	(7.6)
Financing activities	1.8	19.9	4.1
Total	<u>\$ (10.2)</u>	<u>\$ 1.5</u>	<u>\$ 5.7</u>

Cash flows from operating activities represents our net loss as adjusted for stock-based compensation expense, non-cash interest expense, depreciation expense, impairment expense, amortization of intangible assets, deferred income tax expense and gains and losses on extinguishment of debt as well as changes in operating assets and liabilities. The \$14.5 million decrease in cash flows from operations in 2022 compared to 2021 was primarily due changes in operating assets and liabilities, including a \$4.8 million effect from changes in accrued interest due to the timing of the fourth quarter 2021 interest payment on the prior Athyrium credit agreement that was not paid until 2022. Additionally, we experienced changes to inventory, accrued expenses and accounts receivable collectively resulting in a \$10.0 million decrease in cash flows, primarily caused by accrued costs related to the December 2022 debt refinancing that will be paid in 2023, growth in our development business and changes to customer ordering patterns. The increase in cash flows from operations in 2021 compared to 2020 was primarily due to the decrease in net loss, net of various non-cash items described above, an increase in accrued interest for the same reasons described above, and an increase in accrued expenses, partially offset by increases in accounts receivable and contract assets.

Net cash used in investing activities for each of the three years includes capital expenditures to scale and support our expansion of capabilities. In 2021, net cash used in investing activities also included \$24.0 million paid to acquire IriSys.

Net cash provided by financing activities included:

- During 2022, net proceeds from the issuance of preferred and common stock of \$33.0 million, \$36.9 million from the term loan with Royal Bank of Canada, and \$37.3 from the sale-leaseback of our commercial manufacturing campus in Gainesville, Georgia, partially offset by debt repayments of \$103.0 million, financing costs of \$2.2 million, and \$0.2 million to pay employee tax withholdings upon vesting of equity awards.
- During 2021, net proceeds from an issuance of common stock of \$32.1 million, partially offset by debt repayments of \$10.1 million, financing costs of \$1.4 million paid in connection with the debt amendments and common stock issuances, and \$0.7 million to pay employee tax withholdings upon vesting of equity awards.
- During 2020, net proceeds of \$11.1 million from issuance of common stock in an at-the-market offering and \$4.4 million from a note issued under a Federal COVID-19 relief program, partially offset by a \$1.1 million repayment of the note, \$10.1 million to repay term loans with Athyrium and \$1.1 million to pay employee tax withholdings upon vesting of equity awards.

Forward-looking factors

Our future use of operating cash and capital requirements will depend on many forward-looking factors, including the following:

- the extent to which we in-license, acquire or invest in products, businesses and technologies;
- the timing and extent of our manufacturing and capital expenditures;
- our ability to maintain or expand our relationships and contracts with our commercial partners;
- our ability to grow and diversify our business with new customers, including our ability to meet desired project outcomes with development customers;
- our ability to regain profitability;
- our ability to comply with stringent U.S. & foreign government regulation in the manufacture of pharmaceutical products, including cGMP and DEA requirements;
- our ability to raise additional funds through equity or debt financings or sale of real-estate or other assets;
- the costs of maintaining, enforcing and defending intellectual property claims;
- the extent to which health epidemics and other outbreaks of communicable diseases, including the COVID-19 pandemic, could disrupt our operations or materially and adversely affect our business and financial conditions; and
- the extent to which inflation, global instability, including political instability and any resulting sanctions, export controls or other restrictive actions that may be imposed by the U.S. and/or other countries against governmental

or other entities may disrupt our business operations or financial condition or the financial condition of our customers and suppliers.

We might use existing cash and cash equivalents on hand, additional debt, equity financing, sale of real-estate or other assets or out-licensing revenue or a combination thereof to fund our operations or acquisitions. If we increase our debt levels, we might be restricted in our ability to raise additional capital and might be subject to financial and restrictive covenants. If and until we are able to obtain shareholder approval to increase the number of shares of common stock authorized under our articles of incorporation, we will be limited in the number of additional shares we will be able to issue in future periods. If we do issue additional equity in future periods, our shareholders may experience dilution. This dilution may be significant depending upon the amount of equity or debt securities that we issue and the prices at which we issue any securities.

Contractual commitments

The table below reflects our contractual commitments as of December 31, 2022:

(in millions)	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt obligations (1):					
Principal	\$ 41.3	\$ 7.6	\$ 33.4	\$ 0.1	\$ 0.2
Interest	9.9	3.5	6.3	0.1	—
Purchase obligations (2)	9.7	9.2	0.5	—	—
Operating leases (3)	9.4	1.2	2.4	2.2	3.6
Other long-term liabilities (4)(5)	94.5	3.5	7.4	7.8	75.8
Total	<u>\$ 164.8</u>	<u>\$ 25.0</u>	<u>\$ 50.0</u>	<u>\$ 10.2</u>	<u>\$ 79.6</u>

(1)Debt obligations consist of principal and interest on \$36.9 million of an outstanding term loan under our credit facility with Royal Bank of Canada, \$4.1 million of notes issued to the former members of IriSys and a small finance lease. Because the Royal Bank of Canada term loan bears interest at a variable rate based on SOFR, we estimated future interest commitments utilizing the SOFR rate as of December 31, 2022. In accordance with U.S. GAAP, the future interest obligations are not recorded on our consolidated balance sheet.

(2)Purchase obligations consist of cancelable and non-cancelable purchase commitments related to inventory, capital expenditures and other goods or services. In accordance with U.S. GAAP, these obligations are not recorded on our consolidated balance sheets.

(3)We are party to two operating leases for development facilities in California and Georgia that end in 2031 and 2025, respectively. The leases each include options to extend at our discretion.

(4)We are party to a lease for a DEA-licensed facility in Georgia that ends in 2042. The lease includes the option to extend at our discretion. The principal component of this obligation is classified as a liability under U.S. GAAP, therefore we did not present it as an operating or capital lease in the table.

(5)We have entered into employment agreements with each of our named executive officers that provide for, among other things, severance commitments of up to \$1.3 million should we terminate the named executive officers for convenience or if certain events occur following a change in control. In addition, we would be subject to other contingencies of up to \$3.8 million in the aggregate if certain events occur following a change in control. Because these obligations are contingent, the amounts are not included in the table above.

Critical accounting policies and estimates

This management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have determined that certain accounting policies and estimates are critical to the preparation of the financial statements. We have prepared the following additional disclosures to supplement our summary of significant accounting policies located in note 2 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Business combinations

Business acquisitions are accounted for in accordance with Accounting Standards Codification, or ASC, Topic 805, *Business Combinations*. In purchase accounting, identifiable assets acquired and liabilities assumed, are recognized at their estimated fair values at the acquisition date, and any remaining purchase price is recorded as goodwill. In determining the fair values of the consideration transferred, the assets acquired and the liabilities assumed, we make significant estimates and assumptions, particularly with respect to long-lived tangible and intangible assets. Critical estimates used in valuing tangible and intangible assets include, but are not limited to, future expected cash flows, discount rates, market prices and asset lives.

While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business acquisition date, our estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price allocation period, which is generally one year from the business acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. For changes in the valuation of intangible assets between preliminary and final purchase price allocation, the related amortization is adjusted in the period it occurs. Subsequent to the purchase price allocation period any adjustment to assets acquired or liabilities assumed is included in operating results in the period in which the adjustment is determined.

Although our estimates of fair value are based upon assumptions believed to be reasonable, actual results may differ. See note 15 to the consolidated financial statements beginning on page F-1 of this report for more information related to the acquisition of IriSys.

Revenue recognition for variable consideration in sales-based profit-sharing arrangements

For sales-based profit-sharing where the license for intellectual property is not deemed to be the predominant item to which the profit-sharing relates, we recognize revenue upon transfer of control of the manufactured product. In these cases, significant judgment is required to calculate the estimated variable consideration from such profit-sharing using the expected value method based on historical commercial partner pricing and deductions.

We are required to exercise significant judgment to estimate the value of the variable consideration, which we partially constrain due to the uncertainty of price adjustments made by our commercial partners, which are outside of our control. Factors causing price adjustments by our commercial partners include increased competition in the products' markets, mix of volume between the commercial partners' customers, and changes in government pricing. If we were to increase or decrease the percentage value of the constraint by 5%, we would recognize a corresponding decrease or increase, respectively, to revenue and earnings of \$0.5 million.

Impairment of goodwill

We are required to review, on an annual basis, the carrying value of goodwill to determine whether impairment may exist. The impairment analysis for goodwill consists of an optional qualitative assessment potentially followed by a quantitative analysis. If we determine that the carrying value of our reporting unit exceeds its fair value, an impairment charge to goodwill is recorded for the excess.

The critical judgments involved in our annual qualitative test include an assessment of unfavorable events and a judgment whether those events put our goodwill at risk of impairment, which if determined to be at risk would require us to perform a quantitative test. The critical judgments and estimates in our quantitative test include selection and weighting of available valuation methods and the selection of assumptions that may be used in those methods.

In 2022, we concluded qualitatively that our goodwill was not at risk of impairment due to the substantial excess of fair value over the carrying value of our reporting unit that we observed in prior period quantitative testing. The carrying value of our goodwill was \$41.1 million at December 31, 2022. Any changes to our judgments or estimates could result in a goodwill impairment of up to that amount in a future period.

Item 7A. Quantitative and qualitative disclosures about market risk

We are exposed to market risks in the ordinary course of our business. These market risks are principally limited to interest rate fluctuations. At December 31, 2022, we had approximately \$6.0 million invested in money market instruments. We believe our policy of investing in highly-rated securities, whose liquidities are, at December 31, 2022, all less than two months, minimizes such risks. Due to the short-term duration of our investment portfolio and the low-risk profile of our investments, an immediate increase in interest rates would not have a material effect on the fair market value of our portfolio. Accordingly, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our investment portfolio. We do not enter into investments for trading or speculative purposes. Our Royal Bank of Canada term loan interest expense is currently based on the current committed rate of three-month forward SOFR plus 4.5%. An increase in SOFR of 1% would result in additional interest expense of \$0.4 million annually.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and the report of our independent registered public accounting firm are included at the end of this Annual Report on Form 10-K beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of December 31, 2022. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. However, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of December 31, 2022, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance of the reliability of financial reporting and of the preparation of financial statements for external reporting purposes, in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures included in such controls may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. Management’s assessment included extensive documentation, evaluating and testing the design and operating effectiveness of its internal controls over financial reporting.

Based on management’s processes and assessment, as described above, management has concluded that, as of December 31, 2022, our internal control over financial reporting was effective.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information with respect to this item will be set forth in the Proxy Statement for the 2023 Annual Meeting of Shareholders, or the Proxy Statement, under the headings “Board of Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance and Risk Management” and is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

Information with respect to this item will be set forth in the Proxy Statement under the headings “Director Compensation,” “Executive Compensation,” and “Corporate Governance and Risk Management” is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information with respect to this item will be set forth in the Proxy Statement under the headings “Security Ownership of Directors, Certain Beneficial Owners and Management,” “Executive Compensation,” and “Director Compensation,” and is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information with respect to this item will be set forth in the Proxy Statement under the headings “Certain Relationships and Related Party Transactions” and “Corporate Governance and Risk Management” and is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

Information with respect to this item will be set forth in the Proxy Statement under the heading “Independent Registered Public Accounting Firm,” and is incorporated herein by reference. The Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Consolidated Financial Statement Schedules

(a)(1) Consolidated Financial Statements.

The following consolidated financial statements are filed as a part of this Annual Report on Form 10-K:

- Consolidated Balance Sheets as of December 31, 2022 and 2021
- Consolidated Statements of Operations for the three years in the period ended December 31, 2022
- Consolidated Statements of Shareholders' Equity or Deficit for the three years in the period ended December 31, 2022
- Consolidated Statements of Cash Flows for the three years in the period ended December 31, 2022

(a)(2) Consolidated Financial Statement Schedules.

Not applicable.

(a)(3); (b) Exhibits:

Exhibit No.	Description	Method of filing
2.1	<u>Separation Agreement dated as of November 20, 2019 by and between Recro Pharma, Inc. and Baudax Bio, Inc.</u>	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 26, 2019 (File No. 001-36329).
3.1	<u>Second Amended and Restated Articles of Incorporation of Recro Pharma, Inc.</u>	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 13, 2014 (File No. 001-36329).
3.2	<u>Articles of Amendment to Second Amended and Restated Articles of Incorporation of Recro Pharma, Inc.</u>	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 21, 2022 (File No. 001-36329).
3.3	<u>Fourth Amended and Restated Bylaws of Societal CDMO, Inc.</u>	Incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on March 21, 2022 (File No. 001-36329).
3.4	<u>Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of the Company.</u>	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 13, 2022 (File No. 001-36329).
4.1†	<u>Common Stock Purchase Warrant, dated November 17, 2017, in favor of Athyrium Opportunities III Acquisition LP.</u>	Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 20, 2017 (File No. 001-36329).
4.2†	<u>Common Stock Purchase Warrant, dated November 17, 2017, in favor of Athyrium Opportunities II Acquisition LP.</u>	Incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 20, 2017 (File No. 001-36329).
4.3	<u>Description of Securities</u>	Filed herewith.
10.1†	<u>Amended and Restated License and Supply Agreement, dated June 26, 2003, by and among Elan Corporation, plc (predecessor-in-interest to Recro Gainesville LLC) and Watson Laboratories, Inc.</u>	Incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2015 (File No. 001-36329).

10.2	<u>Supplemental Agreement, dated December 8, 2004, to Amended and Restated License and Supply Agreement, dated June 26, 2003, by and among Elan Corporation, plc (predecessor-in-interest to Recro Gainesville LLC) and Watson Laboratories, Inc.</u>	Incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2015 (File No. 001-36329).
10.3	<u>Supplemental Agreement No. 2, dated January 17, 2014, to Amended and Restated License and Supply Agreement, dated June 26, 2003, by and among Elan Corporation, plc (predecessor-in-interest to Recro Gainesville LLC) and Watson Laboratories, Inc.</u>	Incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2015 (File No. 001-36329).
10.4†	<u>Supplemental Agreement No. 3, dated April 15, 2019, to Amended and Restated License and Supply Agreement, dated June 26, 2003, by and among Elan Corporation, plc (predecessor-in-interest to Recro Gainesville LLC) and Watson Laboratories, Inc.</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 18, 2019 (File No. 001-36329).
10.5•	<u>Asset Transfer and License Agreement, dated April 10, 2015, between Alkermes Pharma Ireland Limited and DV Technology, Inc.</u>	Incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 12, 2015 (File No. 001-36329).
10.6•	<u>Amendment to Asset Transfer and License Agreement, dated December 23, 2015, between Alkermes Pharma Ireland Limited and Recro Gainesville LLC.</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 23, 2015 (File No. 001-36329).
10.7•	<u>Second Amendment to Asset Transfer and License Agreement, dated December 20, 2018, between Alkermes Pharma Ireland Limited and Recro Gainesville LLC.</u>	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 28, 2018 (File No. 001-36329).
10.8†	<u>Manufacturing and Supply Agreement, dated as of February 8, 2019, by and between Recro Gainesville LLC and Novartis Pharma AG.</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on March 6, 2019 (File No. 001-3632).
10.9	<u>License and Supply Agreement, dated as of January 1, 2014, by and between Alkermes Pharma Ireland Limited and Kremers Urban Pharmaceuticals, Inc.</u>	Incorporated herein by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K filed on March 4, 2020 (File No. 001-36329).
10.10	<u>Amendment No. 1 to License and Supply Agreement, dated as of September 6, 2018, by and between Recro Gainesville LLC and Kremers Urban Pharmaceuticals, Inc.</u>	Incorporated herein by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K filed on March 4, 2020 (File No. 001-36329).
10.11	<u>Amendment No. 2 to License and Supply Agreement, dated as of November 5, 2020 by and among Recro Gainesville LLC, Kremers Urban Pharmaceuticals, Inc. and Lannett Company, Inc.</u>	Incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2020 (File No. 001-36329).
10.12	<u>Amendment No. 3 to License and Supply Agreement, dated as of July 1, 2022 by and among Societal CDMO Gainesville LLC and Lannett Company, Inc.</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 10, 2022 (File No. 001-36329).
10.13	<u>Stock Issuance Agreement, dated as of February 19, 2021 by and between Recro Pharma, Inc., Athyrium Opportunities II Acquisition LP and Athyrium Opportunities III Acquisition LP.</u>	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 23, 2021 (File No. 001-36329).

10.14	<u>Unit Purchase Agreement, dated August 13, 2021, by and among Recro Pharma, Inc., IriSys, LLC, the Sellers (as defined therein), and IriSys, Inc. as the Seller's Representative</u>	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 13, 2021 (File No. 001-36329).
10.15	<u>Form of Subordinated Promissory Note</u>	Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 13, 2021 (File No. 001-36329).
10.16	<u>Purchase and Sale Agreement and Joint Escrow Instructions dated August 11, 2022, by and among Societal CDMO Gainesville, LLC, a Massachusetts limited liability company and Weekley Homes, LLC, a Delaware limited liability company.</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 16, 2022 (File No. 001-36329).
10.17	<u>Purchase and Sale Agreement, dated as of December 9, 2022, by and between Societal CDMO Gainesville, LLC and Tenet Equity Funding SPE Gainesville, LLC</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 12, 2022 (File No. 001-36329).
10.18	<u>Lease Agreement dated December 14, 2022, by and between Societal CDMO Gainesville, LLC and Tenet Equity Funding SPE Gainesville, LLC</u>	Filed herewith.
10.19	<u>Credit Agreement, dated as of December 12, 2022, by Societal CDMO, Inc. in favor of RBC Capital Markets, LLC</u>	Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 12, 2022 (File No. 001-36329).
10.20•	<u>Recro Pharma, Inc. 2018 Amended and Restated Equity Incentive Plan.</u>	Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2018 (File No. 001-36329).
10.21•	<u>Form of Non-Qualified Stock Option Inducement Award Agreement</u>	Incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2021 (File No. 001-36329).
10.22•	<u>Form of Inducement Award Agreement for Restricted Stock Units</u>	Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2021 (File No. 001-36329).
10.23•	<u>Form of Non-Qualified Stock Option Award Agreement</u>	Incorporated herein by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on February 26, 2021 (File No. 001-36329).
10.24•	<u>Form of Award Agreement for Restricted Stock Units</u>	Incorporated herein by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed on February 26, 2021 (File No. 001-36329).
10.25•	<u>Form of Award Agreement for Restricted Stock Units (performance-based)</u>	Incorporated herein by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on February 26, 2021 (File No. 001-36329).
10.26•	<u>Employment Agreement between Recro Pharma, Inc. and J. David Enloe, Jr., dated December 15, 2020.</u>	Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2020 (File No. 001-36329).
10.27•	<u>Employment Agreement between Recro Pharma, Inc. and Ryan Lake, dated December 15, 2020.</u>	Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 21, 2020 (File No. 001-36329).

21.1	Subsidiaries of Societal CDMO, Inc.	Filed herewith.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.	Filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) certification of Principal Executive Officer.	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) certification of Principal Financial Officer.	Filed herewith.
32.1	Section 1350 certification, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101 SCH	Inline XBRL Taxonomy Extension Schema	Filed herewith.
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed herewith.
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed herewith.
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed herewith.
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith.

- Management contract or compensatory plan or arrangement.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 406 under the Securities Act of 1933.

(c) Not applicable

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 1, 2023

SOCIETAL CDMO, INC.

By: /s/ J. David Enloe, Jr.
J. David Enloe, Jr.
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Annual Report on Form 10-K has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
/s/ J. David Enloe, Jr. J. David Enloe, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2023
/s/ Ryan D. Lake Ryan D. Lake	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2023
/s/ William L. Ashton William L. Ashton	Director	March 1, 2023
/s/ Michael Berelowitz Michael Berelowitz	Director	March 1, 2023
/s/ Elena Cant Elena Cant	Director	March 1, 2023
/s/ Winston J. Churchill Winston J. Churchill	Director	March 1, 2023
/s/ James C. Miller James C. Miller	Director	March 1, 2023
/s/ Laura L. Parks Laura L. Parks	Director	March 1, 2023
/s/ Bryan M. Reasons Bryan M. Reasons	Director	March 1, 2023
/s/ Wayne B. Weisman Wayne B. Weisman	Director	March 1, 2023

SOCIETAL CDMO, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Societal CDMO, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Societal CDMO, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Variable consideration for profit-sharing revenue

As discussed in Note 2 to the consolidated financial statements, the Company earns sales-based profit-sharing or royalty consideration, collectively referred to as profit-sharing revenue, which is computed based on the net product sales of the commercial partner. For arrangements that include product sales and sales-based profit-sharing where the license for intellectual property is not deemed to be the predominant item to which the profit-sharing relates, the profit-sharing is variable consideration and the Company recognizes revenue, including an estimate of profit-sharing, upon transfer of control of the manufactured product. In these cases, significant judgment is required to calculate the estimated variable consideration from such profit-sharing using the expected value method based on historical commercial partner pricing and deductions. Estimated variable consideration is partially constrained due to the uncertainty of price adjustments made by the Company's commercial partners, which are outside of the Company's control. Factors causing price adjustments by the Company's commercial partners include increased competition in the products' markets, mix of volume between the commercial partners' customers, and changes in government pricing. The Company reported total revenue of \$90.2 million for the year ended December 31, 2022, which included profit-sharing revenue.

We identified the evaluation of the estimate of the variable consideration for arrangements that include sales-based profit-sharing where the license for intellectual property is not deemed to be the predominant item as a critical audit matter. A high degree of auditor judgment was required to evaluate the Company's determination of the constraint due to the uncertainty of price adjustments made by the Company's commercial partners in response to market conditions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the determination of the constraint used to estimate variable consideration. We evaluated the Company's ability to estimate variable consideration by comparing the actual amount of profit-sharing revenue realized by the Company to its historical estimates. We obtained and inspected third party market data regarding the effect of market conditions on the commercial partners and potential price adjustments they may offer with respect to their products, and assessed how the Company considered such market conditions in its determination of the constraint.

/s/ KPMG LLP

We have served as the Company's auditor since 2009.

Philadelphia, Pennsylvania

March 1, 2023

SOCIETAL CDMO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(amounts in thousands, except share and per share data)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,995	\$ 25,217
Accounts receivable, net	15,950	11,913
Contract assets	8,724	8,565
Inventory	10,301	8,917
Prepaid expenses and other current assets	2,848	2,917
Assets held for sale	2,768	—
Total current assets	55,586	57,529
Property, plant and equipment, net	50,365	51,708
Operating lease asset	5,491	5,924
Intangible assets, net	2,928	3,833
Goodwill	41,077	41,077
Other assets	1,996	246
Total assets	<u>\$ 157,443</u>	<u>\$ 160,317</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 1,466	\$ 2,085
Current portion of debt	7,577	2,039
Current portion of operating lease liability	1,079	1,055
Accrued expenses and other current liabilities	12,686	12,556
Total current liabilities	22,808	17,735
Debt, net of current portion	30,967	95,496
Operating lease liability, net of current portion	4,584	4,932
Other liabilities	39,225	90
Total liabilities	97,584	118,253
Commitments and contingencies (note 7)		
Shareholders' equity:		
Convertible preferred stock, \$0.01 par value. 10,000,000 shares authorized, 450,000 shares issued and outstanding at December 31, 2022, none issued or outstanding at December 31, 2021	4,350	—
Common stock, \$0.01 par value. 95,000,000 shares authorized, 84,588,868 and 46,681,453 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	846	467
Additional paid-in capital	320,298	287,351
Accumulated deficit	(265,635)	(245,754)
Total shareholders' equity	59,859	42,064
Total liabilities and shareholders' equity	<u>\$ 157,443</u>	<u>\$ 160,317</u>

See accompanying notes to consolidated financial statements.

SOCIETAL CDMO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(amounts in thousands, except share and per share data)	Year ended December 31,		
	2022	2021	2020
Revenue	\$ 90,214	\$ 75,360	\$ 66,499
Operating expenses:			
Cost of sales (excluding amortization of intangible assets)	67,076	55,537	54,134
Selling, general and administrative	21,954	18,374	18,124
Amortization of intangible assets	905	1,037	2,583
Total operating expenses	89,935	74,948	74,841
Operating income (loss)	279	412	(8,342)
Interest expense	(14,059)	(15,134)	(19,159)
(Loss) gain on extinguishment of debt	(4,996)	3,352	—
Loss before income taxes	(18,776)	(11,370)	(27,501)
Income tax expense	1,105	—	—
Net loss	<u>\$ (19,881)</u>	<u>\$ (11,370)</u>	<u>\$ (27,501)</u>
Loss per share, basic and diluted	\$ (0.34)	\$ (0.26)	\$ (1.16)
Weighted average shares outstanding, basic and diluted	57,877,920	44,117,473	23,744,313

See accompanying notes to consolidated financial statements.

SOCIETAL CDMO, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity (Deficit)

(amounts in thousands, except share data)	Convertible preferred stock		Common stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2019	—	\$ —	23,312,928	\$ 233	\$ 199,938	\$ (206,883)	\$ (6,712)
Issuance of stock, net of costs	—	—	4,690,972	47	10,686	—	10,733
Stock-based compensation expense	—	—	—	—	10,068	—	10,068
Exercise of stock options, net	—	—	142,669	1	273	—	274
Vesting of restricted stock units, net	—	—	454,789	5	(1,141)	—	(1,136)
Revaluation of warrants	—	—	—	—	174	—	174
Net loss	—	—	—	—	—	(27,501)	(27,501)
Balance, December 31, 2020	—	—	28,601,358	286	219,998	(234,384)	(14,100)
Fair value of shares issuable to former equity holders of IriSys, net of costs	—	—	—	—	20,328	—	20,328
Issuance of stock, net of costs	—	—	17,535,752	175	41,268	—	41,443
Stock-based compensation expense	—	—	—	—	6,514	—	6,514
Vesting of restricted stock units, net	—	—	544,263	6	(757)	—	(751)
Exercise of stock options, net	—	—	80	—	—	—	—
Net loss	—	—	—	—	—	(11,370)	(11,370)
Balance, December 31, 2021	—	—	46,681,453	467	287,351	(245,754)	42,064
Issuance of stock, net of costs	450,000	4,350	37,144,455	371	27,694	—	32,415
Stock-based compensation expense	—	—	—	—	5,426	—	5,426
Vesting of restricted stock units, net	—	—	762,444	8	(173)	—	(165)
Exercise of stock options, net	—	—	516	—	—	—	—
Net loss	—	—	—	—	—	(19,881)	(19,881)
Balance, December 31, 2022	<u>450,000</u>	<u>\$ 4,350</u>	<u>84,588,868</u>	<u>\$ 846</u>	<u>\$ 320,298</u>	<u>\$ (265,635)</u>	<u>\$ 59,859</u>

See accompanying notes to consolidated financial statements.

SOCIETAL CDMO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(amounts in thousands)	2022	Year ended December 31, 2021	2020
Cash flows from operating activities, continuing operations:			
Net loss	\$ (19,881)	\$ (11,370)	\$ (27,501)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities, continuing operations:			
Stock-based compensation expense	5,426	6,514	10,068
Non-cash interest expense	4,845	5,815	5,510
Depreciation expense	7,413	6,531	5,964
Impairment expense	—	—	966
Amortization of intangible assets	905	1,037	2,583
Deferred income tax expense	1,015	—	—
Loss (gain) on extinguishment of debt	4,996	(3,352)	—
Changes in operating assets and liabilities:			
Accounts receivable	(4,037)	(1,971)	5,356
Contract assets	(159)	(730)	1,521
Inventory	(1,384)	3,380	3,460
Prepaid expenses and other assets	305	120	4
Accrued interest	(2,278)	2,505	—
Accounts payable, accrued expenses and other liabilities	(810)	2,379	1,308
Net cash (used in) provided by operating activities, continuing operations	(3,644)	10,858	9,239
Cash flows from investing activities:			
Acquisition of IriSys, net of cash required	—	(24,002)	—
Purchases of property and equipment	(8,351)	(5,289)	(7,603)
Net cash used in investing activities	(8,351)	(29,291)	(7,603)
Cash flows from financing activities:			
Proceeds from issuance of stock, net of costs	33,030	32,103	11,094
Proceeds from issuance of debt	36,900	—	4,416
Proceeds from sale-leaseback liability (see note 9)	37,250	—	—
Payment of debt principal	(103,039)	(10,100)	(10,190)
Payment of financing costs	(2,203)	(1,362)	(310)
Net payments related to vesting of restricted stock units	(165)	(751)	(1,136)
Net proceeds related to exercise of stock options	—	—	274
Net cash provided by financing activities	1,773	19,890	4,148
Net (decrease) increase in cash and cash equivalents from continuing operations	(10,222)	1,457	5,784
Cash flows used in operating activities, discontinued operations	—	—	(1,172)
Cash and cash equivalents, beginning of period	25,217	23,760	19,148
Cash and cash equivalents, end of period	<u>\$ 14,995</u>	<u>\$ 25,217</u>	<u>\$ 23,760</u>
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 12,574	\$ 7,238	\$ 13,945
Purchases of property, plant and equipment included in accrued expenses and accounts payable	1,384	1,045	1,244
Deferred financing costs included in accounts payable and accrued expenses	1,359	—	—
Offering costs included in accounts payable and accrued expenses	527	—	—
Reclassification of deferred financing costs to equity	88	—	361
Fair value of shares issuable to former equity holders of IriSys	—	20,931	—
Fair value of note issued to former equity holders of IriSys	—	5,240	—
Issuance of common stock to reduce debt principal and accrued exit fees	—	6,060	—
Issuance of common stock to settle interest obligations	—	3,211	—

See accompanying notes to consolidated financial statements.

SOCIETAL CDMO, INC. AND SUBSIDIARIES
Notes to consolidated financial statements
(amounts in thousands, except share and per share data)

(1) Background

Societal CDMO, Inc. (the “Company”) was incorporated in the Commonwealth of Pennsylvania on November 15, 2007 as Recro Pharma, Inc. Effective March 21, 2022, Recro Pharma, Inc changed its name to Societal CDMO, Inc. to reflect the corporate transformation that had taken place primarily as a result of its acquisition and successful integration of IriSys, LLC (“IriSys”) into the organization. The Company is a bi-coastal contract development and manufacturing organization with capabilities spanning pre-investigational new drug development to commercial manufacturing and packaging for a wide range of therapeutic dosage forms with a primary focus in the area of small molecules. With an expertise in solving complex manufacturing problems, the Company provides therapeutic development, end-to-end regulatory support, clinical and commercial manufacturing, aseptic fill/finish, lyophilization, packaging and logistics services to the global pharmaceutical market.

The Company has incurred net losses since inception and has an accumulated deficit of \$265,635 as of December 31, 2022, which is primarily related to the activities of its former research and development business, which was spun-out in 2019. The Company’s future operations are highly dependent on the profitability of its development and manufacturing operations. Management believes that it is probable that the Company will be able to meet its obligations as they become due within at least one year after the date financial statements included herein are issued.

(2) Summary of significant accounting principles

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The Company’s consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The Company has determined that it operates in a single segment.

Reclassification

The Company reclassified certain prior year amounts on the consolidated balance sheet to conform to the current year presentation. These reclassifications had no impact on the previously reported total assets, liabilities or shareholders’ equity.

Use of estimates

The preparation of financial statements and the notes to the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

Business combinations

The Company measures the purchase price paid for acquired companies based on fair value and allocates that purchase price to the assets acquired and liabilities assumed based on their estimated fair values. Valuations are performed to assist in determining the fair values of assets acquired and liabilities assumed, which requires management to make estimates and assumptions, in particular with respect to intangible assets. Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based in part on historical experience and information obtained from the acquired companies and expectations of future cash flows. Costs associated with business combinations are expensed as incurred as selling, general and administrative expenses.

Cash and cash equivalents

Cash and cash equivalents represent cash in banks and highly liquid short-term investments that have maturities of three months or less when acquired. These highly liquid short-term investments are both readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value due to changes in interest rates.

Accounts receivable, net

Accounts receivable generally represent amounts billed for services provided under our customer contracts and are recorded at the invoiced amount net of an allowance for credit losses, if necessary. We apply judgment in assessing the ultimate realization of our receivables, and we estimate an allowance for credit losses based on various factors, such as the aging of our receivables, historical experience, and the financial condition of our customers. The allowance for credit losses was not material as of the balance sheet dates presented.

Inventory

Inventory is stated at the lower of cost or net realizable value. Included in inventory are raw materials and work-in-process used in the production of commercial products. Items are issued out of inventory using the first-in, first-out method.

Adjustments to inventory are determined at the raw materials, work-in-process, and finished good levels to reflect obsolescence or impaired balances. Factors influencing inventory obsolescence include changes in demand, product life cycle, product pricing, physical deterioration and quality concerns.

Property, plant and equipment, net

Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are as follows: three to ten years for furniture, office and computer equipment; six to ten years for manufacturing equipment; 40 years for buildings; and the shorter of the lease term or useful life for leasehold improvements. Repairs and maintenance costs are expensed as incurred. The Company reviews the carrying value of property, plant and equipment for recoverability whenever events occur or changes in circumstances indicate that the carrying amount of individual assets or asset groups may not be recoverable.

The Company considers assets to be held for sale when (i) management commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition; (iii) the asset is actively being marketed for sale at a price that is reasonable given the estimate of current market value; and (iv) the sale is probable and will be completed within one year. Upon designation of an asset as held for sale, the Company records the asset's value at the lower of its carrying value plus selling costs or its estimated net realizable value.

Goodwill and intangible assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired by the Company in a business combination. Goodwill is not amortized but assessed for impairment on an annual basis or more frequently if impairment indicators exist.

The impairment analysis for goodwill consists of an optional qualitative assessment potentially followed by a quantitative analysis. If the Company determines that the carrying value of its reporting unit exceeds its fair value, an impairment charge is recorded for the excess.

The Company performs its annual goodwill impairment test as of November 30th, or whenever an event or change in circumstance occurs that would require reassessment of the impairment of goodwill. In performing the evaluation, the Company assesses qualitative factors such as overall financial performance, actual and anticipated changes in industry and market conditions, and competitive environments. As a result of the most recent annual goodwill impairment test, the Company determined that there was no impairment of goodwill.

Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful life. The Company is required to review the carrying value of definite-lived intangible assets for recoverability whenever events occur or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

Contingencies

The Company's business exposes it to various contingencies including compliance with regulations, legal exposures and other matters. Loss contingencies are reflected in the financial statements based on management's assessments of their expected outcome or resolution:

- They are recognized as liabilities on the balance sheet if the potential loss is probable and the amount can be reasonably estimated.
- They are disclosed if the potential loss is material and considered at least reasonably possible.

Significant judgment is required to determine probability and whether the amount can be reasonably estimated. Due to uncertainties related to these matters, accruals are based only on the information available at the time. As additional information becomes available, the Company reassesses potential liabilities and may revise previous estimates.

Revenue recognition

The Company generates revenues from manufacturing, packaging, research and development and related services for multiple pharmaceutical companies.

Manufacturing

Manufacturing and other related services revenue is recognized upon transfer of control of a product to a customer, generally upon shipment, based on a transaction price that reflects the consideration the Company expects to be entitled to as specified in the agreement with the commercial partner, which could include variable consideration such as pricing and volume-based adjustments.

Profit-sharing

In addition to manufacturing and packaging revenue, certain customers who use our technologies are subject to agreements that provide us intellectual property sales-based profit-sharing and/or royalties consideration, collectively referred to as profit-sharing, computed on the net product sales of the commercial partner. Profit-sharing revenues are generally recognized under the terms of the applicable license, development and/or supply agreement. The Company has determined that in its arrangements, the license for intellectual property is not the predominant item to which the profit-sharing relates, so the Company recognizes revenue upon transfer of control of the manufactured product. In these cases, significant judgment is required to calculate the estimated variable consideration from such profit-sharing using the expected value method based on historical commercial partner pricing and deductions. Estimated variable consideration is partially constrained due to the uncertainty of price adjustments made by the Company's commercial partners, which are outside of the Company's control. Factors causing price adjustments by the Company's commercial partners include increased competition in the products' markets, mix of volume between the commercial partners' customers, and changes in government pricing.

Research and development

Research and development revenue includes services associated with formulation, process development, clinical trials materials services, as well as custom development of manufacturing processes and analytical methods for a customer's non-clinical, clinical and commercial products. Such revenues are recognized at a point in time or over time depending on the nature and particular facts and circumstances associated with the contract terms.

In contracts that specify milestones, the Company evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. Milestone payments related to arrangements under which the Company has continuing performance obligations are deferred and recognized over the period of performance. Milestone payments that are not within the Company's control, such as submission for approval to regulators by a commercial partner or approvals from regulators, are not considered probable of being achieved until those submissions are submitted by the customer or approvals are received.

In contracts that require revenue recognition over time, the Company utilizes input or output methods, depending on the specifics of the contract, that compare the cumulative work-in-process to date to the most current estimates for the entire performance obligation. Under these contracts, the customer typically owns the product details and process, which have no alternative use. These projects are customized to each customer to meet its specifications, and typically only one performance obligation is included. Each project represents a distinct service that is sold separately and has stand-alone value to the customer. The customer also retains control of its product as the product is being created or enhanced by the Company's services and can make changes to its process or specifications upon request.

Contract assets represent revenue recognized for performance obligations completed or in process before an unconditional right to payment exists, and therefore invoicing or associated reporting from the customer regarding the computation of the net product sales has not yet occurred. Contract liabilities represent payments received from customers prior to the completion of associated performance obligations.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company manages its cash and cash equivalents based on established guidelines relative to diversification and maturities to maintain safety and liquidity.

The Company's accounts receivable balances are primarily concentrated among two customers with balances of 64%. If any of these customers' receivable balances should be deemed uncollectible, it could have a material adverse effect on the Company's results of operations and financial condition.

The Company is dependent on its relationships with a small number of commercial partners. The Company's four largest customers generated 77% of revenues in 2022 while the Company's three largest customers generated 82% of revenues in 2021.

Stock-based compensation expense

The Company measures employee stock-based awards at grant-date fair value and recognizes employee compensation expense on a straight-line basis over the vesting period of the award. The Company accounts for forfeitures as they occur.

Determining the appropriate fair value of stock options requires the use of subjective assumptions, including the expected life of the option and expected stock price volatility. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and/or management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the "simplified method," which is based on the average of the vesting tranches and the contractual life of each grant. For stock price volatility, the Company uses the historical volatility of its publicly traded stock in order to estimate future stock price trends. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option.

Upon exercise of stock options or vesting of restricted stock units, the holder may elect to cover tax withholdings by forfeiting shares of an equivalent value. In such cases, the Company issues net new shares to the holder, pays the tax withholding on behalf of the participant and presents the payment similar to a capital distribution: a reduction to additional paid-in-capital and a financing cash outflow in the consolidated financial statements.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

In assessing the realizability of net deferred tax assets, the Company considers all relevant positive and negative evidence in determining whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of the gross deferred tax assets is dependent on several factors, including the generation of sufficient taxable income prior to the expiration of the net operating loss carryforwards. A full valuation allowance was recorded as of December 31, 2022 and December 31, 2021.

Unrecognized income tax benefits represent income tax positions taken on income tax returns that have not been recognized in the consolidated financial statements. The Company recognizes the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company does not anticipate significant changes in the amount of unrecognized income tax benefits over the next year.

Leases

The Company determines under U.S. GAAP if an arrangement is a lease at inception. The arrangement is a lease if it conveys the right to the Company to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Options to extend the lease are included in the lease term if the options are reasonably certain to be exercised. Operating lease expense is recognized on a straight-line basis over the lease term. In a sale-leaseback transaction, the Company determines under U.S. GAAP if the transaction meets the requirements of a sale and purchase. If the Company determines that it did not relinquish control of the assets to the buyer-lessor, it does not qualify for sale-leaseback accounting.

Operating lease balances are presented as separate captions on the balance sheets. Finance lease assets are included in property, plant and equipment. Finance lease liabilities are included in other liabilities.

Income or loss per share

Net loss per common share is computed using the two-class method required due to the participating nature of the Series A Convertible Preferred Stock (as defined and discussed in note 10) given the rights to participate in dividends if declared on common stock. The two-class method is an earnings allocation formula that treats participating securities as having rights to earnings that would otherwise have been available to common stockholders. In addition, as these securities are participating securities, the Company is required to calculate diluted net income or loss per share under the if-converted and treasury stock method in addition to the two-class method and utilize the most dilutive result. In periods where there is a net loss, no allocation of undistributed net loss to the Series A Convertible Preferred stockholders is performed as the holders of these securities are not contractually obligated to participate in the Company's losses.

Basic income or loss per share is determined by dividing net income or loss (the numerator) by the weighted average common shares outstanding during the period (the denominator). Additionally, the weighted average common shares outstanding for the year ended December 31, 2021 include 9,302,718 shares issuable to the former equity holders of IriSys, since the acquisition date.

To calculate diluted income or loss per share, the numerator and denominator are adjusted to eliminate the income or loss and the dilutive effects on shares, respectively, caused by outstanding common stock options, warrants and unvested restricted stock units, using the treasury stock method, if the inclusion of such instruments would be dilutive.

For all years presented, the Company incurred a net loss. In periods of net loss, the inclusion of dilutive securities would be antidilutive because it would reduce the amount of loss incurred per share. As a result, no additional dilutive shares were included in diluted loss per share, and there were no differences between basic and diluted loss per share.

The following table presents the potentially dilutive securities that were excluded from the computations of diluted loss per share:

	Year ended December 31,		
	2022	2021	2020
Restricted stock units	1,583,469	731,525	684,852
Stock options	7,317,274	4,645,109	3,577,605
Warrants	362,030	348,664	348,664

Amounts in the table above reflect the common stock equivalents of the noted instruments.

(3) Inventory

The following table presents the components of inventory:

	December 31, 2022	December 31, 2021
Raw materials	\$ 4,318	\$ 3,038
Work in process	3,689	3,363
Finished goods	2,294	2,516
Inventory	<u>\$ 10,301</u>	<u>\$ 8,917</u>

(4) Goodwill and other intangible assets

The following table presents the rollforward of goodwill:

Balance, December 31, 2020	\$ 4,319
Acquisition of IriSys	36,758
Balance, December 31, 2021 and 2022	<u>\$ 41,077</u>

The following table presents the components of other intangible assets:

	December 31, 2022			December 31, 2021		
	Gross value	Accumulated amortization	Carrying value	Gross value	Accumulated amortization	Carrying value
Customer relationships	\$ 18,900	\$ 16,188	\$ 2,712	\$ 18,900	\$ 15,685	\$ 3,215
Backlog	460	261	199	460	73	387
Trademarks and tradenames	310	293	17	310	79	231
Total	<u>\$ 19,670</u>	<u>\$ 16,742</u>	<u>\$ 2,928</u>	<u>\$ 19,670</u>	<u>\$ 15,837</u>	<u>\$ 3,833</u>

The following table presents estimated future amortization of other intangible assets:

Twelve months ending December 31,	
2023	\$ 687
2024	501
2025	486
2026	486
2027	486
Thereafter	282
Total	<u>\$ 2,928</u>

(5) Property, plant and equipment, net

The following table presents the components of property, plant and equipment:

	December 31, 2022	December 31, 2021
Land	\$ 604	\$ 3,263
Building and improvements	22,751	22,717
Furniture, office and computer equipment	6,388	6,213
Manufacturing equipment	58,039	49,687
Construction in process	7,024	6,856
Property, plant and equipment, gross	94,806	88,736
Less: accumulated depreciation	(44,441)	(37,028)
Property, plant and equipment, net	<u>\$ 50,365</u>	<u>\$ 51,708</u>

Interest expense capitalized to construction in process was \$1,195 in 2022 and \$424 in 2021.

In September 2022, the Company signed a sales and purchase agreement to sell approximately 121 acres of land adjacent to its Gainesville, Georgia manufacturing campus for expected proceeds of \$9,075. The land was determined to be held for sale at December 31, 2022 and reclassified at cost to other current assets with a carrying value of \$2,659. The sale of the land is subject to customary closing conditions for transactions of this type, including completion of title and environmental due diligence and receipt of certain zoning approvals and permits, which remained to be satisfied at December 31, 2022.

In December 2022, the Company sold its commercial manufacturing campus in Gainesville, Georgia for a purchase price of \$39,000 and the Company entered into a lease agreement under which the Company agreed to lease back the property for an initial term of 20 years. The Company determined that it did not relinquish control of the assets to the buyer-lessor. Therefore, the Company accounted for the transactions as failed sale-leaseback whereby the Company continues to depreciate the assets and recorded a financing obligation for the consideration received from the buyer-lessor. See note 9 for additional information.

(6) Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31, 2022	December 31, 2021
Payroll and related costs	\$ 4,276	\$ 5,717
Accrued transaction costs	3,653	—
Contract liabilities (see note 11)	2,211	2,308
Property, plant and equipment	934	663
Professional and consulting fees	356	552
Accrued interest	227	2,505
Other	1,029	811
Total	<u>\$ 12,686</u>	<u>\$ 12,556</u>

Accrued transaction costs include costs incurred related to the refinancing completed in December 2022 which included the sale and subsequent leaseback of the Company's commercial manufacturing campus located in Gainesville, Georgia (see note 9), the issuance of common and preferred stock, a borrowing of \$36,900 under a new term loan with Royal Bank of Canada (see note 8) and a one-time cash transaction bonus.

(7) Commitments and contingencies

Litigation

The Company is involved, from time to time, in various claims and legal proceedings arising in the ordinary course of its business. Except as disclosed below, the Company is not currently a party to any such claims or proceedings that, if decided adversely to it, would either individually or in the aggregate have a material adverse effect on its business, financial condition or results of operations.

On May 31, 2018, a securities class action lawsuit was filed against the Company and certain of its officers and directors (collectively, the "Defendants") in the U.S. District Court for the Eastern District of Pennsylvania (the "Court") (Case No. 2:18-cv-02279-MMB) that purported to state a claim for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, based on statements made by the Company concerning the New Drug Application ("NDA") for IV meloxicam. The complaint sought unspecified damages, interest, attorneys' fees and other costs. In December 2022, a settlement was reached in the litigation, and the costs of the settlement were covered by Baudax Bio, Inc. pursuant to the terms of the separation agreement covering the spin-out of Baudax Bio, Inc. from our business in 2019.

On July 2, 2022, a product liability lawsuit was filed against the Company and various other defendants in the State Court of Cobb County, Georgia that claimed injuries and damages caused by Plaintiff Jakob Cuble's alleged ingestion of, among other things, Focalin XR. The complaint seeks compensatory and punitive damages. On July 7, 2022, and prior to the Company being served with the Complaint, a co-defendant removed the matter to the United States District Court for the Northern District of Georgia, Atlanta Division. The Company filed its responsive pleading on August 2, 2022. In September 2022, the case was remanded to the State Court of Cobb County, Georgia, where it presently pends. The Company believes that the lawsuit is without merit and intends to vigorously defend against it.

Purchase commitments

As of December 31, 2022, the Company had outstanding cancelable and non-cancelable purchase commitments in the aggregate amount of \$9,732 related to inventory, capital expenditures and other goods and services.

Employment agreements and certain other contingencies

The Company has entered into employment agreements with each of its named executive officers that provide for, among other things, severance commitments of up to \$1,303 should the Company terminate the named executive officers for convenience or if certain events occur following a change in control. In addition, the Company is subject to other contingencies of up to \$3,772 in the aggregate if certain events occur following a change in control.

(8) Debt

The following table presents the components and classification of debt:

	December 31, 2022	December 31, 2021
Debt principal:		
Term loan under Credit Agreement	\$ 36,900	\$ —
Term loans with Athyrium	—	100,000
Note with former equity holder of IriSys	4,078	6,117
Other	339	339
Debt principal	41,317	106,456
Debt adjustments:		
Unamortized deferred issuance costs	(2,476)	—
Unamortized deferred issuance costs with Athyrium	—	(8,896)
Exit fee accretion	—	669
Unamortized original discount	(297)	(694)
Carrying value of debt	<u>\$ 38,544</u>	<u>\$ 97,535</u>
Current portion of debt	\$ 7,577	\$ 2,039
Debt, net of current portion	30,967	95,496
Carrying value of debt	<u>\$ 38,544</u>	<u>\$ 97,535</u>

The following table presents the future maturity of debt principal:

Twelve months ending December 31,	
2023	\$ 7,577
2024	4,823
2025	28,626
2026	39
2027	46
Thereafter	206
Total debt principal	<u>\$ 41,317</u>

Term loan under Credit Agreement

The Company is currently party to a credit agreement (the “Credit Agreement”) with Royal Bank of Canada. The Credit Agreement has been fully drawn in the form of a term loan of \$36,900. The outstanding principal amount will be repaid in equal quarterly payments totaling \$1,845 in 2023, \$2,768 in 2024 and \$3,690 in 2025, with the remaining principal balance due December 16, 2025. If the Company completes a sale of certain real property by December 14, 2023 and makes the \$10,000 principal repayment disclosed below, the quarterly principal payments will be reduced proportionately to the reduction in principal.

Subject to certain exceptions, the Company is required to make mandatory prepayments with the cash proceeds received in respect of asset sales, extraordinary receipts and debt issuances, upon a change of control and specified other events. Additionally, the Company is obligated to repay \$10,000 of principal by December 14, 2023 upon the sale of certain real property adjacent to its Gainesville, Georgia manufacturing campus (see note 5). If that property is not sold by December 14, 2023, the Company will be required to pay a fee of \$369 and increase each of its quarterly principal payments by \$231 until that property is sold and the \$10,000 principal payment is made. Because the Company concluded that the sale of the property is probable as of December 31, 2022, an additional \$3,693 of debt principal has been presented as current, representing the carrying value of the current asset held for sale plus the \$925 excess of the principal payment over the expected proceeds from the asset.

The Credit Agreement also includes certain financial covenants that the Company will need to satisfy on a quarterly basis, including: (i) maintaining a net leverage ratio less than 3.75:1.00, stepping down to 2.75:1.00 over time; (ii) maintaining a fixed charge coverage ratio greater than 1.15:1.00; and (iii) maintaining no less than \$4,000 cash and cash equivalents on hand, stepping up to \$5,000 over time. As of December 31, 2022, the Company was in compliance with its covenants under the Credit Agreement.

In connection with the Credit Agreement, the Company has paid financing costs. These costs are being recognized in interest expense using the effective interest method over the term of the Credit Agreement, resulting in non-cash interest expense of \$35 in 2022.

The Credit Agreement bears interest at a floating rate equal to the three-month term Secured Overnight Financing Rate, or SOFR, with an initial floor of 1.00%, plus an applicable margin that is equal to 4.50% per annum for the first year, 5.00% for the second year and 5.50% for the third year, with quarterly interest payments due until maturity. At December 31, 2022, the overall effective interest rate, including cash paid for interest and non-cash interest expense, was 11.7%.

Historical term loans with Athyrium

The Company was previously party to a credit agreement with Athyrium Opportunities III Acquisition LP ("Athyrium Credit Agreement"). The Athyrium Credit Agreement was fully drawn in the form of \$100,000 of term loans at an interest rate equal to the three-month LIBOR rate, with a 1% floor plus 8.25% per annum and maturing on December 31, 2023.

The Company used the proceeds from the Credit Agreement, along with the proceeds from the sale-leaseback transaction (see note 9) and the issuance of preferred and common stock (see note 10) to repay in full all outstanding indebtedness under the Athyrium Credit Agreement, including accrued and unpaid interest and the required exit fee.

The Athyrium Credit Agreement was amended numerous times with the Company paying various financing costs, incurring costs to record and subsequently to adjust the value of warrants issued to Athyrium (see note 10) and accreting the exit fee described above. These costs were recognized in interest expense using the effective interest method over the term of the Athyrium Credit Agreement, resulting in non-cash interest expense of \$4,411 in 2022, \$5,558 in 2021 and \$5,510 in 2020. As a result of fully paying off the terms loans under the Athyrium Credit Agreement, the Company recorded a loss on extinguishment of debt of \$4,996 for the write-off of the remaining unamortized deferred financing costs.

The overall effective interest rate, including cash paid for interest and non-cash interest expense, immediately prior to repayment was 16.4%.

Note with former equity holder of IriSys

In connection with the acquisition of IriSys (see note 15), the Company issued a subordinated promissory note to a former equity holder of IriSys in the aggregate principal amount of \$6,117 (the "Note"). The Note is unsecured, has a three-year term, and bears interest at a rate of 6% per annum. The Note must be repaid in three equal annual installments through its maturity date, August 13, 2024. The Note may be prepaid in whole or in part at any time prior to the maturity date. The Note is expressly subordinated in right of payment and priority to the term loan under the Credit Agreement with Royal Bank of Canada.

The Note was initially recognized at fair value as part of the consideration paid for the acquisition of IriSys, resulting in an original discount recognized of \$877 that is being recognized as interest expense using the effective interest method over the term of the Note. At December 31, 2022, the overall effective interest rate, including the amortization of the original discount, was 13.0%.

The Company paid interest of \$367 to the note holder during the year ended December 31, 2022 and has accrued interest of \$94 in 2022 that will become payable to the former equity holder of IriSys on August 13, 2023.

Other

In connection with the acquisition of IriSys (see note 15), the Company assumed a loan with a principal amount of \$339.

In May 2020, the Company entered into a \$4,416 promissory note issued under a Federal COVID-19 relief program and shortly after prepaid \$1,100 of principal to comply with emerging Federal guidance. The note had a two-year term and accrued interest at a rate of 1.0% per annum, payable upon maturity. In June 2021, the Company received forgiveness of principal and interest on the note and recorded a gain on extinguishment of debt of \$3,352, consisting of forgiveness of \$3,316 of principal and \$36 of accrued interest.

(9) Other liabilities

At December 31, 2022, other liabilities include a sale-leaseback liability of \$38,168 and other liabilities of \$1,057.

Sale-leaseback liability

In December 2022, the Company concurrently entered into sale and lease agreements with Tenet Equity Funding SPE Gainesville, LLC (“Tenet”) related to its commercial manufacturing campus in Gainesville, Georgia. The selling price was \$39,000, of which \$1,750 was retained by Tenet as a lease deposit and classified within other assets, resulting in cash proceeds to the Company of \$37,250 in 2022. The lease is for an initial term of 20 years with four renewal options of ten years each. Rent under the lease will be payable monthly at a rate of \$3,510 per year, increasing annually by 3%, except for the first year where annual base rent will increase by the change in the consumer price index, not to exceed 5%, if greater. The Company is responsible for the payment of all operating expenses, property taxes and insurance for the property. Pursuant to the terms of the lease, the Company will have a purchase option every ten years and a right of first offer and a right of first refusal to purchase the property should the buyer-lessor intend to sell the property to a third party.

The Company determined that it did not relinquish control of the assets to the buyer-lessor. Therefore, the assets were not derecognized, and the selling price was recorded as a financial liability. As of December 31, 2022, the Company has recognized a liability of \$38,168, that is net of \$869 of deferred financing costs. The Company will recognize interest expense at a 10.95% imputed rate of interest over a term of 20 years. The deferred financing costs will also be amortized and recognized as interest expense using the effective interest method over the term of the lease. The gross liability balance will increase through 2034, at which point it will decrease through the end of lease term on December 31, 2042.

(10) Shareholders' equity or deficit

Convertible preferred stock

In December 2022, the Company issued 450,000 shares of Series A Convertible Preferred Stock for proceeds of \$11.00 per share. Each share is convertible into ten shares of common stock automatically upon approval by the Company's shareholders to increase the number of authorized shares of common stock. If the approval is not obtained by June 30, 2023, the conversion rate will be immediately increased by 10% and annually thereafter until approval has been obtained. Shares of Series A Convertible Preferred Stock feature a liquidation preference over common shares, have no voting rights and are entitled to receive dividends equally with shares of common stock on an as-if-converted basis.

Warrants

At December 31, 2022, warrants to purchase 402,126 shares of common stock were outstanding. The warrants are held by Athyrium, equity-classified, exercisable at \$1.50 per share and expire in November 2024. See note 8 for additional details.

(11) Revenue recognition

The following table presents changes in contract assets and liabilities:

	Contract assets	Contract liabilities
Balance at December 31, 2021	\$ 8,565	\$ (2,308)
Changes to the beginning balance arising from:		
Reclassification to receivables as the result of rights to consideration becoming unconditional	(11,298)	—
Reclassification to revenue as the result of performance obligations satisfied	1,078	2,022
Changes in estimate	1,869	17
Net change to contract balance recognized since beginning of period due to recognition of revenue, amounts billed and changes in estimate	8,510	(1,942)
Balance at December 31, 2022	<u>\$ 8,724</u>	<u>\$ (2,211)</u>

Contract assets and contract liabilities are reported at the contract level. Contracts with multiple performance obligation are reported as a net contract asset or contract liability on the consolidated balance sheet. The reclassification to revenue appearing in the contract assets column results from the recognition of revenue on contract liabilities that are presented as a net contract asset at the beginning of the year.

The following table disaggregates revenue by timing of revenue recognition:

	Year ended December 31,					
	2022		2021		2020	
Point in time	\$	70,325	\$	60,992	\$	61,616
Over time		19,889		14,368		4,883
Total	<u>\$</u>	<u>90,214</u>	<u>\$</u>	<u>75,360</u>	<u>\$</u>	<u>66,499</u>

The Company's payment terms for manufacturing revenue and development services are typically 30 to 45 days. Profit-sharing revenue is recorded to accounts receivable in the quarter that the product is sold by the commercial partner upon reporting from the commercial partner and payment terms are generally 45 days after quarter end.

(12) Retirement Plan

The Company has a voluntary 401(k) savings plan in which all employees are eligible to participate. The Company's policy is to match 100% of the employee contributions up to a maximum of 5% of employee compensation. Total Company contributions to the 401(k) plan were \$1,348 for 2022, \$915 for 2021 and \$941 for 2020.

(13) Stock-based compensation

In October 2013, the Company established an equity incentive plan that has been subsequently amended and restated to become the 2018 Amended and Restated Equity Incentive Plan (the "A&R Plan"). At December 31, 2022, a total of 3,237,642 shares were available for future grants under the A&R Plan. On December 1st of each year, pursuant to an "evergreen" provision of the A&R Plan, the number of shares available under the A&R Plan may be increased by the board of directors by an amount equal to 5% of the outstanding common stock on December 1st of that year.

Stock options

Stock options are exercisable generally for a period of ten years from the date of grant and generally vest over four years.

The following table presents information about the fair value of stock options granted:

	Year ended December 31,			
	2022	2021	2020	
Weighted average grant date fair value	\$ 1.02	\$ 1.77	\$ 5.14	
Assumptions used to determine fair value:				
Range of expected option life	5.5 - 6.0 years	5.5 - 6.0 years	5.5 - 6.0 years	
Expected volatility	79 - 81%	79 - 81%	75 - 81%	
Risk-free interest rate	1.5 - 4.0%	0.7 - 1.4%	0.3 - 1.4%	
Expected dividend yield	—	—	—	

The intrinsic value of options exercised were negligible in 2022 and 2021, and \$1,058 in 2020.

The following table presents information about stock option balances and activity:

	Number of shares	Weighted average exercise price	Aggregate intrinsic value	Weighted average remaining contractual life
Balance, December 31, 2021	5,267,567	\$ 6.47		5.7 years
Granted	4,055,633	1.49		
Exercised	(516)	1.32		
Exchanged	(668,009)	9.79		
Forfeited or expired	(604,338)	3.75		
Balance, December 31, 2022	8,050,337	3.89	\$ —	6.6 years
Exercisable	4,054,697	6.01	—	4.4 years

Included in the table above are 1,210,552 options outstanding as of December 31, 2022 that were granted outside the A&R Plan. The grants were made pursuant to the inducement grant exception in accordance with Nasdaq Listing Rule 5635(c)(4).

The Company issued an offer to certain employees to cancel options that met defined eligibility requirements in exchange for RSUs. Pursuant to the exchange offer, the Company cancelled 668,009 stock options and granted 167,094 RSUs that will vest in two equal annual installments.

Restricted stock units

Restricted stock units ("RSUs") vest over six months to four years depending on the purpose of the award and sometimes include performance conditions in addition to service conditions. The fair value of RSUs on the date of grant is measured as the closing price of the Company's common stock on that date. The weighted average grant-date fair value of RSUs awarded to employees was \$1.32 in 2022, \$3.49 in 2021 and \$5.34 in 2020. The fair value of RSUs vested was \$897 in 2022, \$2,663 in 2021 and \$4,039 in 2020.

The following table presents information about recent RSU activity:

	Number of shares	Weighted average grant date fair value
Balance, December 31, 2021	990,065	\$ 3.63
Granted	1,552,590	1.32
Exchanged	167,094	0.80
Vested	(587,895)	3.56
Forfeited	(59,988)	2.44
Balance, December 31, 2022	2,061,866	1.71

Included in the table above are 77,256 time-based RSUs outstanding at December 31, 2022 that were granted outside of the A&R Plan. The grants were made pursuant to the inducement grant exception in accordance with Nasdaq Listing Rule 5635(c)(4).

Other information

The following table presents the classification of stock-based compensation expense:

	Year ended December 31,		
	2022	2021	2020
Cost of sales	\$ 1,868	\$ 2,797	\$ 3,754
Selling, general and administrative expenses	3,558	3,717	6,314
Total	<u>\$ 5,426</u>	<u>\$ 6,514</u>	<u>\$ 10,068</u>

For the year ended December 31, 2020, stock-based compensation expense included awards issued to the Company's employees as well as Baudax Bio employees that provided services to the Company through the transition services agreement and certain other related agreements. In accordance with the terms of those agreements, the Societal equity grants held by such former employees continued to vest in accordance with their respective vesting schedules. Any stock-based compensation expense with respect to former employees who continue to vest based on their employment service at Baudax Bio but no longer provide services to the Company is not reflected in the Company's financial statements.

As of December 31, 2022, there was \$7,108 of unrecognized compensation expense related to unvested options and RSUs that are expected to vest and will be expensed over a weighted average period of 2.1 years.

(14) Income Taxes

All of the Company's income from continuing operations is domestic. The components of the income tax provision from continuing operations are as follows:

	Year ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ 33	\$ —	\$ —
State	57	—	—
Total current	90	—	—
Deferred:			
Federal	1,399	(2,396)	(5,539)
State	4,266	(677)	(1,596)
Total deferred	5,665	(3,073)	(7,135)
Change in valuation allowance	(4,650)	3,073	7,135
Income tax expense	<u>\$ 1,105</u>	<u>\$ —</u>	<u>\$ —</u>

In 2022, the Company entered into a sale-leaseback transaction of its commercial manufacturing campus in Gainesville, Georgia, as discussed further in note 9. This transaction was treated as a sale for federal and state income tax purposes. The sale resulted in a taxable gain of approximately \$25,350 that was mostly offset with net operating loss carryforwards, as discussed further below. Following application payments made in 2022, of net operating loss carryforwards and other tax attributes, the Company estimates a current tax obligation of \$47 for tax year 2022, which is included in accrued expenses and other current liabilities on the consolidated balance sheet. The Company also recognized a deferred tax provision of \$1,015 as discussed further below.

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate is as follows:

	Year ended December 31,		
	2022	2021	2020
U.S. federal statutory income tax rate	21 %	21 %	21 %
State taxes, net of federal benefit	7 %	8 %	6 %
Change in state tax rate	(22) %	(2) %	—
Nondeductible expenses	(5) %	(1) %	(1) %
Research and development credits	(23) %	1 %	—
Change in valuation allowance	16 %	(27) %	(26) %
Other	—	—	—
Effective income tax rate	<u>(6) %</u>	<u>—</u>	<u>—</u>

In 2022, the Commonwealth of Pennsylvania enacted a reduction to its corporate tax rate from 9.9% to 8.9% in 2023. Additionally, the rate will be further reduced by 0.5% each year until 2031 when the rate will be 4.99%. This resulted in a revaluation of outstanding state deferred taxes and the significant rate change above. In 2022, the Company also derecognized its deferred tax assets for research and development credits as discussed further below.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows:

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 33,352	\$ 38,970
Interest expense	12,944	13,960
Sale-leaseback	9,093	—
Stock-based compensation	4,681	4,459
Research and development credits	—	4,581
Other	3,950	4,635
Gross deferred tax asset	64,020	66,605
Valuation allowance	(50,909)	(55,421)
Deferred tax assets, net of valuation allowance	13,111	11,184
Deferred tax liabilities:		
Depreciation	(10,750)	(7,057)
Contract assets	(2,082)	(2,346)
Other	(1,294)	(1,781)
Deferred tax liabilities	(14,126)	(11,184)
Net deferred tax liabilities	<u>\$ (1,015)</u>	<u>\$ —</u>

The net deferred tax liability shown in the table above is recorded in other liabilities on the consolidated balance sheet at December 31, 2022. These net liabilities result from future tax years in which settlements of deferred tax liabilities are forecasted to exceed settlements of deferred tax assets. Beginning December 31, 2022, net operating loss carryforwards that could fully offset such liabilities are no longer available because they were all utilized for the December 2022 sale-leaseback transaction, as discussed further below.

The Company continues to maintain a full valuation allowance against its U.S. and state deferred tax assets based on the available positive and negative evidence available. An important aspect of objective negative evidence evaluated was the Company's historical operating results over the prior three-year period. The Company maintains the valuation allowance as of December 31, 2022 as a result of historical losses, inclusive of discontinued operations, during the most recent three-year period. The Company will re-evaluate the need for a valuation allowance in future periods based on its operating results as a standalone entity.

The following table summarizes carryforwards of net operating losses as of December 31, 2022:

	Amount	Expiration
Federal net operating losses, 2008 to 2017	\$ 76	2028
Federal net operating losses, 2018 to 2022	125,501	No expiration
State net operating losses	135,420	2028 – 2042

Under U.S. federal tax law, the utilization of a corporation's net operating loss and research and development tax credit carryforwards is limited following a greater than 50% change in ownership during a three-year period. Any unused annual limitation may be carried forward to future years for the balance of the carryforward period. The Company has determined that it experienced ownership changes, as defined by the Act, during the 2008, 2014, 2016 and 2022 tax years; accordingly, the Company's ability to utilize the aforementioned carryforwards is subject to various annual limitations. As a result of the 2022 ownership change, the Company further determined its research and development tax credits would not be available in future periods, so the related deferred tax assets were written off in 2022. State net operating loss carryforwards may be further limited, including in Pennsylvania, which has a limitation of 40% of taxable income after modifications and apportionment on state net operating losses utilized in any one year.

At December 31, 2022, the Company had no accrued interest or penalties related to uncertain tax positions, and no amounts have been recognized in the Company's statements of operations. Due to net operating loss and tax credit carry forwards that remain unutilized, income tax returns for tax years since inception remain subject to examination by the taxing jurisdictions.

(15) Acquisition of IriSys

On August 13, 2021, the Company acquired all of the units of IriSys pursuant to a unit purchase agreement. IriSys provides contract pharmaceutical product development and manufacturing services, specializing in formulation research and development and good manufacturing practices of clinical trial materials and specialty pharmaceutical products. The acquisition advances the Company's ongoing growth strategy and leads to key synergies within business development, clinical development and commercial scale-up, as well as a strong cultural alignment and fit between the companies.

The aggregate purchase price consideration was comprised of cash consideration, a subordinated promissory note and a contractual obligation to issue 9,302,718 shares of the Company's common stock, which were issued on February 14, 2022. The following table summarizes the consideration paid:

	August 13, 2021
Cash paid, net of cash acquired	\$ 24,002
Net working capital adjustment receivable	(417)
Fair value of shares issuable to former equity holders of IriSys	20,931
Fair value of note with former equity holder of IriSys	5,240
Total estimated consideration	<u>\$ 49,756</u>

The fair value of the shares issuable was determined by using the price of the Company's common stock on the acquisition date, less a discount for lack of marketability due to the shares being unregistered shares of the Company. The fair value of the note was determined using a discounted cash flow analysis that incorporated an estimate of the market interest rate for debt of similar terms and credit risk on the acquisition date.

The Company incurred \$1,211 in transaction costs related to the acquisition that were expensed as incurred and classified as selling, general and administrative expenses.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	As of August 13, 2021
Assets acquired:	
Accounts receivable	\$ 909
Contract assets	505
Inventory	685
Prepaid expenses and other current assets	91
Property and equipment	9,304
Operating lease asset	5,648
Intangible assets	4,170
Goodwill	36,758
Other assets	146
Total assets acquired	<u>\$ 58,216</u>
Liabilities assumed:	
Accounts payable	\$ 730
Accrued expenses and other current liabilities	1,556
Operating lease liability	5,648
Debt from finance loan	339
Other liabilities	187
Total liabilities assumed	<u>\$ 8,460</u>
Net assets acquired	<u>\$ 49,756</u>

The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their acquisition date estimated fair values. The identifiable intangible assets are subject to amortization on a straight-line basis. The following table presents information about the acquired identifiable intangible assets:

	Fair value	Weighted average amortization period
Customer relationships	\$ 3,400	7.0 years
Backlog	460	2.4 years
Trademarks and tradenames	310	1.5 years
Total	<u>\$ 4,170</u>	6.1 years

The fair value of property, plant and equipment was determined using a cost approach valuation method. The customer relationships and acquired backlog were valued using the multi-period excess earnings method and trademarks and trade names were valued using the relief from royalty method. These methods require several judgments and assumptions to determine the fair value of intangible assets, including revenue growth rates, discount rates, EBITDA margins, and tax rates, among others. These nonrecurring fair value measurements are Level 3 measurements within the fair value hierarchy.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The goodwill related to the acquisition was attributable to expected synergies, the value of the assembled workforce as well as the collective experience of the management team with regards to its operations, customers, and industry. The goodwill is deductible for tax purposes.

Results for 2021 included revenue of \$5,955 and net income of \$440 from IriSys. The following table presents unaudited supplemental pro forma financial information as if the IriSys acquisition had occurred on January 1, 2020:

	Year ended December 31,	
	2021	2020
Revenue	\$ 83,045	\$ 78,881
Net income (loss)	(11,809)	(28,290)

The pro forma financial information presented above has been prepared by combining the Company's historical results and the historical results of IriSys and adjusting those results to eliminate historical transaction costs and to reflect the effects of the acquisition as if they occurred on January 1, 2020. The effects of the acquisition on the historical pro forma financial information include additional depreciation and amortization expense from the increase of asset carrying values to fair value, the adoption of new accounting standards, additional interest expense from the issuance of the subordinated promissory note and the elimination of interest expense related to indebtedness of IriSys prior to the acquisition. These results do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on the date indicated above, or that may result in the future, and do not reflect potential synergies or additional costs following the acquisition.

(16) Fair value of financial instruments

The Company follows the provisions of FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*," for fair value measurement recognition and disclosure purposes for its financial assets and financial liabilities that are remeasured and reported at fair value each reporting period. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, short-term investments and certain warrants. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. Categorization is based on a three-tier valuation hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs that are other than quoted prices in active markets for identical assets and liabilities, inputs that are quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are either directly or indirectly observable; and
- Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Items measured at fair value on a recurring basis

Cash equivalents of \$6,034 at December 31, 2022 and \$15,247 at December 31, 2021 consisted entirely of money market mutual funds whose fair value were determined using Level 1 measurements.

Fair value disclosures

The Company follows the disclosure provisions of FASB ASC Topic 825, “*Financial Instruments*” (ASC 825), for disclosure purposes for financial assets and financial liabilities that are not measured at fair value. As of December 31, 2022, the financial assets and liabilities recorded on the consolidated balance sheets that are not measured at fair value on a recurring basis include accounts receivable, accounts payable and accrued expenses. The carrying values of these financial assets and liabilities approximate fair value due to their short-term nature.

The fair value of long-term debt, where a quoted market price is not available, is evaluated based on, among other factors, interest rates currently available to the Company for debt with similar terms, remaining payments and considerations of the Company’s creditworthiness. The Company determined that the recorded book value of its debt, a level 2 measurement, approximated fair value at December 31, 2022 due to the recent issuances of those instruments and taking into consideration management’s current evaluation of market conditions.

(17) Leases

The Company is party to two operating leases for development facilities in California and Georgia that end in 2031 and 2025, respectively, as well as other immaterial operating leases for office space, storage and office equipment. The development facility leases each include options to extend, none of which are included in the lease terms. Short-term and variable lease costs were not material for the periods presented. The development facility leases do not provide an implicit rate, so the Company uses its incremental borrowing rate to discount the lease liabilities.

Undiscounted future lease payments for the two development leases, which were the only material noncancelable leases at December 31, 2022, were as follows:

Twelve months ended December 31,		
2023	\$	1,165
2024		1,193
2025		1,158
2026		1,097
2027		1,127
Thereafter		3,681
Total lease payments		9,421
Less imputed interest		(3,758)
Total operating lease liabilities	\$	<u>5,663</u>

At December 31, 2022, the weighted average remaining lease term was 7.8 years, and the weighted average discount rate was 14.1%. Total lease cost was \$1,980 in 2022, \$814 in 2021 and \$310 in 2020.

(18) Related Party Transactions

The former equity holder of IriSys beneficially owned more than 10% of the Company’s common stock and became a related party on August 13, 2021 as a result of the acquisition of IriSys (see notes 10 and 15). In December 2022, it ceased to meet the definition of a related party following the issuance of additional common stock.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Societal CDMO, Inc. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's common stock, \$0.01 par value per share ("Common Stock") is registered under Section 12(b) of the Exchange Act. The following description of our Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our second amended and restated articles of incorporation, as amended ("Articles of Incorporation"), and fourth amended and restated bylaws ("Bylaws"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.3 is a part. We encourage you to read our Articles of Incorporation, Bylaws and the applicable provisions of Pennsylvania Business Corporation Law ("PBCL"), for additional information.

References to "Societal," "we," "our" and the "Company" herein are, unless the context otherwise indicates, only to Societal CDMO, Inc. and not to any of its subsidiaries.

Our authorized capital stock consists of 105,000,000 shares, 95,000,000 of which are designated as Common Stock and 10,000,000 of which are designated as preferred stock with a par value of \$0.01 ("Preferred Stock").

Common Stock

Shares of our Common Stock have the following rights, preferences and privileges:

Voting Rights. Except as otherwise provided by the PBCL or our Articles of Incorporation and subject to the rights of holders of any series of Preferred Stock, all of the voting power of our shareholders is vested in the holders of the Common Stock, and each holder of Common Stock has one vote for each share held by such holder on all matters voted upon by our shareholders. No holder of Common Stock is entitled to the right of cumulative voting. At meetings of our shareholders, a plurality of the votes cast is sufficient to elect a director to our board of directors (the "Board").

Dividends. Except as otherwise provided by the PBCL or our Articles of Incorporation, and subject to the powers, rights, privileges, preferences and priorities of holders of any series of Preferred Stock, the holders of Common Stock will share ratably in all dividends payable in cash, stock or otherwise and other distributions, whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise, at such times and in such amounts as our Board in its sole discretion may determine.

No Preemptive or Similar Rights. Holders of our Common Stock have no preemptive, subscription, redemption or conversion rights.

Transfer Agent and Registrar. The transfer agent and registrar for our Common Stock is Broadridge Corporate Issuer Solutions, Inc.

Listing. Our Common Stock is listed on the Nasdaq Capital Market under the symbol "SCTL."

Preferred Stock

Our Board has the authority, without further action by our shareholders, to issue up to 10,000,000 shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the dividend, voting and other rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding. Our Board may authorize the issuance of Preferred Stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our Common Stock. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and may adversely affect the market price of the Common Stock and the voting and other rights of the holders of our Common Stock.

Shares of our Series A Preferred Stock have the following rights, preferences and privileges:

Voting Rights. The Series A Preferred Stock is non-voting stock and does not entitle the holder thereof to vote on any matter submitted our shareholders for their action or consideration, except as otherwise provided by the PBCL or the other provisions of the Articles of Incorporation or the Certificate of Designations.

As long as any shares of Series A Preferred Stock are outstanding, we may not, without the approval of the holders of a majority of the outstanding shares of Series A Preferred Stock, take the following actions: (i) amend, alter or repeal any provision of the Articles of Incorporation, the Certificate of Designations or Bylaws of the Company in a manner that adversely affects the powers, preferences or rights of the Series A Preferred Stock; (ii) create, or authorize the creation of, or issue or obligate itself to issue shares of, any additional class or series of capital stock unless the same ranks junior to the Series A Preferred Stock with respect to the distribution of assets on

the liquidation, dissolution or winding up of the Company, the payment of dividends and rights of redemption, or increase the authorized number of shares of Series A Preferred Stock or increase the authorized number of shares of any additional class or series of capital stock of the Company unless the same ranks junior to the Series A Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends and rights of redemption; (iii) (A) reclassify, alter or amend any existing security of the Company that is pari passu with the Series A Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series A Preferred Stock in respect of any such right, preference, or privilege or (B) reclassify, alter or amend any existing security of the Company that is junior to the Series A Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or pari passu with the Series A Preferred Stock in respect of any such right, preference or privilege; or (iv) purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Company (with exceptions for dividends on the Common Stock solely in the form of additional shares of Common Stock).

Dividends. Holders of Series A Preferred Stock shall be entitled to receive dividends or distributions on shares of Series A Preferred Stock equal (on an as-if-converted-to-common stock basis) to and in the same form as dividends or distributions actually paid on shares of our Common Stock when, as and if such dividends or distributions are paid on shares of our Common Stock. No other dividends or distributions shall be paid on shares of Series A Preferred Stock.

Automatic Conversion Upon Authorized Share Approval. Each share of our Series A Preferred Stock will automatically convert into 10 shares of our Common Stock without any further action or the payment of additional consideration by the holder thereof, subject to and immediately upon, approval by our shareholders of an amendment to our Articles of Incorporation, and filing and effectiveness thereof, to increase the number of shares of Common Stock we are authorized to issue, which we refer to as Authorized Share Approval. We have agreed to use commercially reasonable efforts to obtain Authorized Share Approval. The number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock is determined by multiplying one share of Series A Preferred Stock by the Series A Conversion Rate in effect at the time of conversion. The “Series A Conversion Rate” shall initially be 10 shares of Common Stock for each share of Series A Preferred Stock. The Series A Conversion Rate shall be subject to adjustment as provided in the Certificate of Designation. If Authorized Share Approval is not obtained by June 30, 2023, the Series A Conversion Rate then-in-effect shall be increased by 10% and will increase by an additional 10% per year on June 30 of each year for which the Authorized Share Approval has not yet been obtained, subject to the limits set forth in the Certificate of Designation.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to our shareholders, and in the event of a Deemed Liquidation Event (as defined in the Certificate of Designations) the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the consideration payable to shareholders in such Deemed Liquidation Event or out of the Available Proceeds (as defined in the Certificate of Designations), as applicable, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share, or the Series A Liquidation Amount, equal to the greater of (i) the Series A Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to the Certificate of Designations immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event. The Series A Original Issue Price shall mean \$11.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to Series A Preferred Stock.

Listing. We do not intend to list the Series A Preferred Stock on the Nasdaq Capital Market, any other national securities exchange or any other nationally recognized trading system. We expect the Common Stock issuable upon conversion of the Series A Preferred Stock to be listed on the Nasdaq Capital Market.

Anti-Takeover Effects of Pennsylvania Law and our Articles of Incorporation and Bylaws

Articles of Incorporation and Bylaws

Provisions of our Articles of Incorporation and Bylaws may delay or discourage transactions involving an actual or potential change of control or change in our management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that our shareholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Common Stock. Among other things, our Articles of Incorporation and Bylaws:

- divide our Board into three classes with staggered three-year terms;
 - provide that a special meeting of shareholders may be called only by a majority of our Board;
 - establish advance notice procedures with respect to shareholder proposals to be brought before a shareholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee of the Board;
-

- provide that shareholders may only act at a duly organized meeting; and
- provide that members of our Board of directors may be removed from office by our shareholders only for cause by the affirmative vote of 75% of the total voting power of all shares entitled to vote generally in the election of directors.

Our Bylaws also provide that, unless we consent in writing to the selection of an alternative forum, a state or federal court located within the County of Chester in the Commonwealth of Pennsylvania will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of our Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees or our shareholders, (iii) any action asserting a claim arising pursuant to any provision of the PBCL, or (iv) any action asserting a claim peculiar to the relationships among or between our Company and our officers, directors and shareholders. When there are no federal courts located in the County of Chester, as is currently the case, the exclusive forum provision of our Bylaws establishes exclusive jurisdiction for the matters above in the state courts of the County of Chester. However, such provision does not establish exclusive jurisdiction in the state courts of the County of Chester for claims that arise under the Securities Act, the Exchange Act or other federal securities laws if there is exclusive or concurrent jurisdiction in the federal courts.

Pennsylvania Anti-Takeover Law

Provisions of the PBCL applicable to us provide, among other things, that:

- we may not engage in a business combination with an “interested shareholder,” generally defined as a holder of 20% of a corporation’s voting stock, during the five-year period after the interested shareholder became such except under certain specified circumstances;
- holders of our Common Stock may object to a “control transaction” involving us (a control transaction is defined as the acquisition by a person or group of persons acting in concert of at least 20% of the outstanding voting stock of a corporation), and demand that they be paid a cash payment for the “fair value” of their shares from the “controlling person or group;”
- holders of “control shares” will not be entitled to voting rights with respect to any shares in excess of specified thresholds, including 20% voting control, until the voting rights associated with such shares are restored by the affirmative vote of a majority of disinterested shares and the outstanding voting shares of the Company; and
- any “profit,” as defined, realized by any person or group who is or was a “controlling person or group” with respect to us from the disposition of any equity securities of within 18 months after the person or group became a “controlling person or group” shall belong to and be recoverable by us.

Pennsylvania-chartered corporations may exempt themselves from these and other anti-takeover provisions. Our Articles of Incorporation do not provide for exemption from the applicability of these or other anti-takeover provisions in the PBCL.

The provisions noted above may have the effect of discouraging a future takeover attempt that is not approved by our Board but which individual shareholders may consider to be in their best interests or in which shareholders may receive a substantial premium for their shares over the then current market price. As a result, shareholders who might wish to participate in such a transaction may not have an opportunity to do so. The provisions may make the removal of our Board or management more difficult. Furthermore, such provisions could result our Company being deemed less attractive to a potential acquiror and/or could result in our shareholders receiving a lesser amount of consideration for their shares of our Common Stock than otherwise could have been available either in the market generally and/or in a takeover.

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT (this “**Lease**”) is made as of December 14, 2022 (the “**Effective Date**”), by and between TENET EQUITY FUNDING SPE GAINESVILLE, LLC, a Delaware limited liability company (“**Lessor**”), whose address is 7332 E. Butherus Drive, Suite 100, Scottsdale, Arizona 85260, and SOCIETAL CDMO GAINESVILLE, LLC, a Massachusetts limited liability company (“**Lessee**”), whose address is 1300 Gould Drive, Gainesville, Georgia 30504.

The terms contained in this Lease shall apply to and be effective as of the Effective Date, without novation, replacement or substitution of this Lease, and the leasehold estate of Lessee shall mean the leasehold estate commencing under this Lease.

In consideration of the mutual covenants and agreements herein contained, Lessor and Lessee hereby covenant and agree to the terms and provisions set forth in this Lease.

Basic Lease Terms

Adjustment Date.	December 1, 2023 and annually thereafter during the Lease Term (including any Extension Term).
Base Annual Rental.	Initially \$3,510,000.00, as described in <u>Article III</u> .
Extension Options.	Four (4) extension(s) of ten (10) year(s) each, as described in <u>Section 2.02</u> .
Guarantor.	Societal CDMO, Inc., a Pennsylvania corporation.
Initial Term Expiration Date.	December 31, 2042.
Lessee Tax Identification No.	04-3903487.
Lessor Tax Identification No.	87-333144.
Properties.	The street addresses and legal descriptions of the Properties are set forth on <u>Exhibit A</u> attached hereto and incorporated herein.
Rental Adjustment.	Upon the first anniversary of the Effective Date, at the greater of: (a) 3.00% or (b) the change in the Price Index, not to exceed 5.00% Thereafter, on each successive anniversary of the Effective Date, a 3.00% annual increase.
Term Expiration Date (if fully extended).	December 31, 2082

DEFINED TERMS

The following terms shall have the following meanings for all purposes of this Lease:

“**Additional Rental**” has the meaning set forth in Section 3.03.

“**Adjustment Date**” has the meaning set forth in the Basic Lease Terms.

“**Affiliate**” means any Person which directly or indirectly controls, is under common control with or is controlled by any other Person. For purposes of this definition, “controls,” “under common control with,” and “controlled by” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise.

“**Anti-Money Laundering Laws**” means all applicable Laws, regulations and government guidance on the prevention and detection of money laundering, including, without limitation, (a) 18 U.S.C. §§ 1956 and 1957; and (b) the Bank Secrecy Act, 31 U.S.C. §§ 5311 et seq., and its implementing regulations, 31 CFR Part 103.

“**Base Annual Rental**” has the meaning set forth in the Basic Lease Terms.

“**Base Monthly Rental**” means an amount equal to 1/12 of the applicable Base Annual Rental.

“**Business Day**” means any weekday other than a day on which banks located in New York, New York are required or authorized to remain closed.

“**Casualty**” means any loss of or damage to any property included within or related to the Properties or arising from an adjoining property caused by an Act of God, fire, flood or other catastrophe.

“**Capital Lease**” shall mean all leases of any Properties, whether real, personal or mixed, by a Person, which leases would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of such Person. The term Capital Lease shall not include any operating lease.

“**CFCCR**” means with respect to the twelve-month period of time immediately preceding the date of determination, the ratio calculated for such period of time of (i) EBITDAR to (ii) the sum of Operating Lease Expense and Interest Expense (excluding non-cash interest expense and amortization of non-cash financing expenses).

“**Code**” means the Internal Revenue Code of 1986, as the same may be amended from time to time.

“**Condemnation**” means a Taking.

“Costs” means all reasonable costs and expenses incurred by a Person, including, without limitation, reasonable attorneys’ fees and expenses, court costs, expert witness fees, costs of tests and analyses, travel and accommodation expenses, deposition and trial transcripts, copies and other similar costs and fees, brokerage fees, escrow fees, title insurance premiums, appraisal fees, stamp taxes, recording fees and transfer taxes or fees, as the circumstances require.

“Debt” shall mean with respect to a Person, and for the period of determination (i) indebtedness for borrowed money, (ii) subject to the limitation set forth in sub item (iv) below, obligations evidenced by bonds, indentures, notes or similar instruments, (iii) obligations under leases which should be, in accordance with GAAP, recorded as Capital Leases, and (iv) obligations under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above, except for guaranty obligations of such Person, which, in conformity with GAAP, are not included on the balance sheet of such Person.

“Default Rate” means ten percent (10%) per annum or the highest rate permitted by Law, whichever is less.

“EBITDA” means for the twelve (12) month period ending on the date of determination, the sum of a Person’s net income (loss) for such period plus, in each case to the extent previously deducted in calculating net income (loss): (i) income taxes, (ii) principal and interest payments on all of its debt obligations (including any borrowings under short term credit facilities), (iii) all non-cash charges and expenses including depreciation and amortization, and (iv) Non-Recurring Items.

“EBITDAR” means the sum of a Person’s EBITDA and its total land and building rent for the preceding twelve (12) month period ending on the date of determination.

“Effective Date” has the meaning set forth in the introductory paragraph of this Lease.

“Environmental Laws” means federal, state and local Laws, ordinances, common law requirements and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees having the effect of Law in effect now or in the future and including all amendments, that relate to Hazardous Materials, Regulated Substances, USTs, and/or the protection of human health or the environment, or relating to liability for or Costs of Remediation or prevention of Releases, and apply to Lessee and/or the Properties expense.

“Environmental Liens” means any liens and other encumbrances imposed pursuant to any Environmental Law.

“Environmental Policy” means a pollution legal liability insurance policy issued by Environmental Insurer to Lessor and Lessor’s lender, which Environmental Policy shall be in form and substance reasonably satisfactory to Lessor.

“Event of Default” has the meaning set forth in Section 11.01.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Extension Option” has the meaning set forth in Section 2.02.

“Extension Term” has the meaning set forth in Section 2.02.

“Force Majeure” has the meaning set forth in Section 15.01.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statement and pronouncement of the Financial Accounting Standards Board, consistently applied and as in effect from time to time.

“Governmental Authority” means any governmental authority, agency, department, commission, bureau, board, instrumentality, court or quasigovernmental authority of the United States, any state or any political subdivision thereof with authority to adopt, modify, amend, interpret, give effect to or enforce any federal, state and local Laws, statutes, ordinances, rules or regulations, including common law, or to issue court orders.

“Guaranty” means the Unconditional Guaranty Agreement made by Societal CDMO, Inc., a Pennsylvania corporation, for the benefit of Lessor dated as of the date hereof.

“Hazardous Materials” includes: (a) oil, petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other materials, contaminants or pollutants, the presence of which causes any of the Properties to be in violation of any local, state or federal Law or regulation, or Environmental Law, or are defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “toxic substances,” “contaminants,” “pollutants,” or words of similar import under any applicable local, state or federal Law or under the regulations adopted, orders issued, or publications promulgated pursuant thereto, including, but not limited to: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; (ii) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 5101, et seq.; (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq.; and (iv) regulations adopted and publications promulgated pursuant to the aforesaid Laws; (b) asbestos in any form which is friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million; (c) underground storage tanks; and (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Governmental Authority.

“Indemnified Parties” means Lessor and its members, managers, officers, directors, shareholders, partners, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns, including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of the assets and business of Lessor.

“Initial Term” has the meaning set forth in Section 2.01.

“Insolvency Event” means (a) a Person’s (i) failure to generally pay its debts as such debts become due; (ii) admitting in writing its inability to pay its debts generally; or (iii) making a general assignment for the benefit of creditors; (b) any proceeding being instituted by or against any Person (i) seeking to adjudicate it bankrupt or insolvent; (ii) seeking liquidation, dissolution, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any Law relating to bankruptcy, insolvency, or reorganization or relief of debtors; or (iii) seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, and in the case of any such proceeding instituted against any Person, either such proceeding shall remain undismissed for a period of one hundred eighty (180) days or any of the actions sought in such proceeding shall occur; or (c) any Person taking any corporate action to authorize any of the actions set forth above in this definition.

“Interest Expense” shall mean for any period of determination, the sum of all interest accrued or which should be accrued in respect of all Debt of a Person, as determined in accordance with GAAP.

“Law(s)” means any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, policy, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted Governmental Authority, court or agency, now or hereafter enacted or in effect.

“Lease” has the meaning set forth in the introductory paragraph of this document.

“Lease Adjusted Leverage” means with respect to a Person, as of any applicable date, the sum of (i) ten (10) times such Person’s total land and building rent for the preceding twelve (12) month period ending on the date of determination, and (ii) the total current balance of such Person’s total debt obligations (including any borrowings under short term credit facilities and excluding any obligations associated with this Lease) on such date, divided by EBITDAR.

“Lease Rate” means a percentage equal to (a) the then-current Base Monthly Rental multiplied by twelve (12), divided by (b) the aggregate purchase price of all of the Properties paid by Lessor (or Lessor’s predecessor-in-interest).

“Lease Term” has the meaning described in Section 2.01.

“Legal Requirements” means the requirements of all present and future Laws (including, without limitation, Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals), all judicial and administrative interpretations thereof, including any judicial order, consent, decree or judgment, and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Lessee or to any of the Properties, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of any of the Properties, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of any of the Properties.

“Lender” means any lender in connection with any loan secured by Lessor’s interest in any or all of the Properties, and any servicer of any loan secured by Lessor’s interest in any or all of the Properties.

“Lessee Entity” or “Lessee Entities” means individually or collectively, as the context may require, Lessee and all Affiliates thereof.

“Lessee’s Information” has the meaning set forth in Section 15.05(b).

“Lessor Entity” or “Lessor Entities” means individually or collectively, as the context may require, Lessor and all Affiliates of Lessor.

“Losses” means any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, Costs, diminutions in value, fines, penalties, interest, charges, fees, judgments, awards, amounts paid in settlement and damages of whatever kind or nature, inclusive of bodily injury and property damage to third parties (including, without limitation, attorneys’ fees and other Costs of defense), but in no event shall Losses include punitive, special or consequential damages; provided, however, if and to the extent that Lessor or Indemnified Parties shall be required to pay any amount in connection with the Property to any third party on account of punitive, special or consequential damages, then such amount shall be deemed to constitute actual damages incurred by such Person and the same shall be payable hereunder).

“Material Adverse Effect” means a material adverse effect on (a) any Property, including without limitation, the operation of any Property as a Permitted Facility and/or the value of any Property; (b) Lessee’s ability to perform its obligations under this Lease; (c) Lessor’s interests in any of the Properties, this Lease or the other Transaction Documents or (d) Guarantor’s ability to perform any and all obligations under the Guaranty.

“Monetary Obligations” means all Rental and all other sums payable, including without limitation, replenishment of the Security Deposit, or reimbursable by Lessee under this Lease to Lessor, to any third party on behalf of Lessor, or to any Indemnified Party.

“Mortgages” means, collectively, the mortgages, deeds of trust or deeds to secure debt, assignments of rents and leases, security agreements and fixture filings executed by Lessor for the benefit of Lender with respect to any or all of the Properties, as such instruments may be amended, modified, restated or supplemented from time to time and any and all replacements or substitutions.

“Net Award” means (a) the entire award payable with respect to a Property by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise; or (b) the entire proceeds of any insurance required under Section 5.03(a)(i) payable with respect to a Property, as the case may be, and in either case, less any Costs incurred by Lessor or Lessee in collecting such award or proceeds.

“Non-Recurring Items” shall mean with respect to a Person, items of the sum (whether positive or negative) of revenue minus expenses that are unusual in nature, occur infrequently and are not representative of the ongoing or future earnings or expenses of such Person, including any losses in such period resulting from any disposition outside of the ordinary course of business, including any net loss from discontinued operations.

“OFAC Laws” means Executive Order 13224 issued by the President of the United States, and all regulations promulgated thereunder, including, without limitation, the Terrorism Sanctions Regulations (31 CFR Part 595), the Terrorism List Governments Sanctions Regulations (31 CFR Part 596), the Foreign Terrorist Organizations Sanctions Regulations (31 CFR Part 597), and the Cuban Assets Control Regulations (31 CFR Part 515), and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists (including, without limitation, the Specially Designated Nationals and Blocked Persons List) and any other requirements of any Governmental Authority (including without limitation, the U.S. Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as supplemented, amended or modified from time to time after the Effective Date, and the present and future rules, regulations and guidance documents promulgated under any of the foregoing, or under similar Laws, ordinances, regulations, policies or requirements of other states or localities.

“Operating Lease Expense” shall mean the sum of all payments and expenses incurred by a Person, under any operating leases during the period of determination, as determined in accordance with GAAP.

“Partial Condemnation” has the meaning set forth in Section 10.03.

“Permitted Amounts” shall mean, with respect to any given level of Hazardous Materials or Regulated Substances, that level or quantity of Hazardous Materials or Regulated Substances in any form or combination of forms which does not constitute a violation of any Environmental Laws.

“Permitted Facility” or **“Permitted Facilities”** or **“Permitted Use”** means a pharmaceutical services, development, and manufacturing facility, all related purposes such as ingress, egress and parking, and uses incidental thereto.

“Permitted Use” has the meaning set forth in Section 7.01.

“Person” means any individual, partnership, corporation, limited liability company, trust, unincorporated organization, Governmental Authority or any other form of entity.

“Personalty” means any and all “goods” (excluding “inventory,” and including, without limitation, all “equipment,” “fixtures,” appliances and furniture (as “goods,” “inventory,” “equipment” and “fixtures” are defined in the applicable Uniform Commercial Code then in effect in the applicable jurisdiction)) from time to time situated on or used in connection with any of the Properties, whether now owned or held or hereafter arising or acquired, together with all replacements and substitutions therefore.

“Price Index” means the Consumer Price Index which is designated for the applicable month of determination as the United States City Average for All Urban Consumers, All Items, Not Seasonally Adjusted, with a base period equaling 100 in 1982, as published by the United States Department of Labor’s Bureau of Labor Statistics or any successor agency. In the event that the Price Index ceases to be published, its successor index measuring cost of living as published by the same Governmental Authority which published the Price Index shall be substituted and any necessary reasonable adjustments shall be made by Lessor and Lessee in order to carry out the intent of Section 3.02. In the event there is no successor index measuring cost of living, Lessor shall reasonably select a comparable price index measuring cost of living that will constitute a reasonable substitute for the Price Index.

“Property” or **“Properties”** means those parcels of real estate legally described on Exhibit A attached hereto, all rights, privileges, and appurtenances associated therewith, and all buildings, fixtures and other improvements owned by Lessee now or hereafter located on such real estate (whether or not affixed to such real estate).

“Real Estate Taxes” has the meaning set forth in Section 5.04.

“Regulated Substances” means “petroleum” and “petroleum based substances” or any similar terms described or defined in any of the Environmental Laws and any applicable federal, state, county or local Laws applicable to or regulating USTs.

“REIT” means a real estate investment trust as defined under Section 856 of the Code.

“Release” means any presence, release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials, Regulated Substances or USTs in violation of Environmental Laws.

“Remediation” means any response, remedial, removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain or otherwise remediate any Hazardous Materials, Regulated Substances or USTs, any actions to prevent, cure or mitigate any Release and any action to correct existing non-compliance with any Environmental Laws or with any permits issued pursuant thereto.

“Rental” means, collectively, the Base Annual Rental and the Additional Rental.

“Rental Adjustment” means: (a) for the first Adjustment Date, the amount set forth in the Basic Lease Terms table in this Lease multiplied by the then current Base Annual Rental. The change in Price Index shall be calculated as the percentage change between the Price Index for the month which is two months prior to the first Adjustment Date and the Price Index used for the two months preceding the Effective Date in the case of the first Adjustment Date. By way of example, if the Adjustment Date is January 1, 2023, the change in Price Index shall be the percentage change between the Price Index for November 2022 and the Price Index for November 2021; provided, however, in no event shall the Rental Adjustment for the first Adjustment Date exceed five percent (5.00%), and (b) for each Adjustment Date thereafter, an amount equal to three percent (3.00%).

“Reserve” has the meaning in Section 5.04.

“Securities” has the meaning set forth in Section 16.09.

“Securities Act” means of the Securities Act of 1933, as amended.

“Security Deposit” such sums as shall be deposited by Lessee with Lessor for the full and faithful performance of Lessee’s obligations to be performed under this Lease.

“Securitization” has the meaning set forth in Section 16.09.

“Sublease” has the meaning set forth in Section 13.04.

“Successor Lessor” has the meaning set forth in Section 12.03.

“Taking” means (a) any taking or damaging of all or a portion of the Properties (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special; or (ii) by reason of any agreement with any Governmental Authority condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding; or (b) any de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the Law applicable to the Properties.

“Temporary Taking” has the meaning set forth in Section 10.04.

“Threatened Release” means a substantial likelihood of a Release which requires action to prevent or mitigate damage to the soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata, ambient air or any other environmental medium comprising or surrounding any Property which may result from a Release.

“Total Condemnation” has the meaning set forth in Section 10.02.

“Transaction” has the meaning set forth in Section 13.01.

“Transaction Documents” means this Lease, the Guaranty, and all documents related thereto.

“U.S. Publicly Traded Entity” means an entity whose securities are listed on a national securities exchange or quoted on an automated quotation system in the United States or a wholly owned subsidiary of such an entity.

“USTs” means any one or combination of tanks and associated product piping systems used in connection with storage, dispensing and general use of Regulated Substances.

Article I

Lease of Properties

Section 1.01. Lease. In consideration of Lessee's payment of the Rental and other Monetary Obligations and Lessee's performance of all other obligations hereunder, Lessor hereby leases to Lessee, and Lessee hereby takes and hires, the Properties, "AS IS" and "WHERE IS" without representation or warranty by Lessor, and subject to the existing state of title, the parties in possession, any statement of facts which an accurate survey or physical inspection might reveal, and all Legal Requirements now or hereafter in effect.

Section 1.02. Quiet Enjoyment. So long as Lessee shall pay the Rental and other Monetary Obligations provided in this Lease and shall keep and perform all of the terms, covenants and conditions on its part contained herein, Lessee shall have, subject to the terms and conditions set forth herein, the right to the peaceful and quiet enjoyment and occupancy of the Properties.

Article II

Lease Term; Extension

Section 2.01. Initial Term. The initial term of this Lease ("**Initial Term**") shall commence on the Effective Date and shall expire at midnight on November 30, 2042 unless terminated sooner as provided in this Lease and as may be extended as provided herein. The time period during which this Lease shall actually be in effect, including any Extension Term, is referred to as the "**Lease Term**."

Section 2.02. Extensions. Unless this Lease has expired or has been sooner terminated, or an Event of Default has occurred and is continuing at the time any extension option is exercised, Lessee shall have the right and option (each, an "**Extension Option**") to extend the Initial Term for all and not less than all of the Properties for four (4) additional successive periods of ten (10) years each (each, an "**Extension Term**"), pursuant to the terms and conditions of this Lease then in effect.

Section 2.03. Notice of Exercise. Lessee may only exercise the Extension Options by giving written notice thereof to Lessor of its election to do so no later than one hundred twenty (120) days prior to the expiration of the then-current Lease Term. If written notice of the exercise of any Extension Option is not received by Lessor by the applicable dates described above, then this Lease shall terminate on the last day of the Initial Term or, if applicable, the last day of the Extension Term then in effect. Upon the request of Lessor or Lessee, the parties hereto will, at the expense of the requesting party, execute and exchange an instrument in recordable form setting forth the extension of the Lease Term in accordance with this Section 2.03.

Section 2.04. Removal of Personalty. Upon the expiration of the Lease Term, and if Lessee is not then in breach hereof, Lessee may remove from the Properties all personal property belonging to Lessee. Lessee shall repair any damage caused by such removal and shall leave all of the Properties clean and in good and working condition and repair inside and out, subject to normal wear and tear, casualty and condemnation. Any property of Lessee left on the Properties on the tenth day following the expiration of the Lease Term shall, at Lessor's option, be deemed abandoned by Lessee and automatically and immediately become the property of Lessor. Lessee shall be responsible for the cost of removal of any personal property of Lessee not removed by Lessee at the expiration of the Lease Term.

Article III

Rental and Other Monetary Obligations

Section 3.01. Base Monthly Rental. During the Lease Term, on or before the first day of each calendar month, Lessee shall pay in advance the Base Monthly Rental then in effect. Lessee understands, acknowledges and agrees that if the first day of a given calendar month is not a Business Day, then Base Monthly Rental for that month shall be due and payable on last Business Day before such day. If the Effective Date is a date other than the first day of the month, Lessee shall pay to Lessor on the Effective Date the Base Monthly Rental prorated by multiplying the Base Monthly Rental by a fraction, the numerator of which is the number of days remaining in the month (including the Effective Date) for which Rental is being paid, and the denominator of which is the total number of days in such month.

Section 3.02. Adjustments. During the Lease Term (including any Extension Term), on the first Adjustment Date and on each Adjustment Date thereafter, the Base Annual Rental shall increase by an amount equal to the Rental Adjustment.

Section 3.03. Additional Rental. Lessee shall pay and discharge, as additional rental ("**Additional Rental**"), all sums of money required to be paid by Lessee under this Lease which are not specifically referred to as Base Annual Rental. Lessee shall pay and discharge any Additional Rental when the same shall become due, provided that amounts which are billed to Lessor or any third party, but not to Lessee, shall be paid within thirty (30) days, after Lessor's delivery or presentation of an invoice to Lessee and demand for payment thereof or, if earlier, when the same are due, provided, if the invoice for such amount has been delivered to Lessor, Lessor has forwarded the same to Lessee within three (3) Business Days following receipt. In no event shall Lessee be required to pay to Lessor any item of Additional Rental that Lessee is obligated to pay and has paid to any third party pursuant to any provision of this Lease.

Section 3.04.Rentals to be Net to Lessor. The Base Annual Rental payable hereunder shall be net to Lessor, so that this Lease shall yield to Lessor the Rentals specified during the Lease Term, and all Costs incurred by Lessee and obligations of every kind and nature whatsoever relating to the Properties to be performed by Lessee pursuant to this Lease shall be performed and paid by Lessee. Lessee shall perform all of its obligations under this Lease at its sole cost and expense. All Rental and other Monetary Obligations, which Lessee is required to pay hereunder shall be the unconditional obligation of Lessee and shall be payable in full when due and payable, without notice or demand, and without any setoff, abatement, deferment, deduction or counterclaim whatsoever.

Section 3.05.Security Deposit. After an uncured Event of Default, Lessor may apply, in its sole discretion at any time during the Lease Term, all or any part of any Security Deposit to the payment of any Rental or other expenses for which Lessee is required to pay to Lessor under this Lease. During the continuance of an Event of Default, the Security Deposit (if not already applied as hereinabove provided) shall be deemed to be automatically applied, without waiver of any rights Lessor may have under this Lease or at law or in equity as a result of an Event of Default, to the payment of any Rental not paid when due, the repair of damage to the Premises or the payment of any other amount which Lessor may spend or become obligated to spend by reason of an Event of Default, or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of an Event of Default, to the full extent permitted by law. If any portion of the Security Deposit is so applied, Lessee shall, within two (2) Business Days after written demand therefor, deposit cash with Lessor in an amount sufficient to restore the Security Deposit to its original amount. Lessor shall not be required to keep the Security Deposit separate from its general funds.

Section 3.06.ACH Authorization. Upon execution of this Lease, Lessee shall deliver to Lessor a complete Authorization Agreement - Pre-Arranged Payments in the form of Exhibit B attached hereto and incorporated herein by this reference, together with a voided check for account verification, establishing arrangements whereby payments of the Base Monthly Rental are transferred by Automated Clearing House Debit initiated by Lessor from an account established by Lessee at a United States bank or other financial institution to such account as Lessor may designate. Lessee shall continue to pay all Rental by Automated Clearing House Debit unless otherwise directed by Lessor.

Section 3.07.Late Charges; Default Interest. Any payment not made within three (3) days of the date due shall, in addition to any other remedy of Lessor, incur a late charge of five percent (5%) (which late charge is intended to compensate Lessor for the cost of handling and processing such delinquent payment and should not be considered interest). Any payment not made within five (5) days of the due date shall also bear interest at the Default Rate, such interest to be computed from and including the date such payment was due through and including the date of the payment; *provided, however*, in no event shall Lessee be obligated to pay a sum of late charge and interest higher than the maximum legal rate then in effect.

Section 3.08.Holdover. IF LESSEE REMAINS IN POSSESSION OF THE PROPERTIES AFTER THE EXPIRATION OF THE TERM HEREOF, LESSEE, AT LESSOR'S OPTION AND WITHIN LESSOR'S SOLE DISCRETION, MAY BE DEEMED A LESSEE ON A MONTH TO MONTH BASIS AND SHALL CONTINUE TO PAY RENTALS AND OTHER MONETARY OBLIGATIONS IN THE AMOUNTS HEREIN PROVIDED, EXCEPT THAT THE BASE MONTHLY RENTAL SHALL BE AUTOMATICALLY INCREASED TO ONE HUNDRED FIFTY PERCENT (150%) OF THE LAST BASE MONTHLY RENTAL PAYABLE UNDER THIS LEASE, AND LESSEE SHALL COMPLY WITH ALL THE TERMS OF THIS LEASE; *PROVIDED THAT* NOTHING HEREIN NOR THE ACCEPTANCE OF RENTAL BY LESSOR SHALL BE DEEMED A CONSENT TO SUCH HOLDING OVER. LESSEE SHALL DEFEND, INDEMNIFY, PROTECT AND HOLD THE INDEMNIFIED PARTIES HARMLESS FROM AND AGAINST ANY AND ALL LOSSES RESULTING FROM LESSEE'S FAILURE TO SURRENDER POSSESSION UPON THE EXPIRATION OF THE LEASE TERM.

Article IV

Representations and Warranties of Lessee

The representations and warranties of Lessee contained in this Article IV are being made to induce Lessor to enter into this Lease, and Lessor has relied and, except with respect to the representation set forth in Section 4.03 below, will continue to rely, upon such representations and warranties. Lessee represents and warrants to Lessor as of the Effective Date as follows:

Section 4.01.Organization, Authority and Status of Lessee. Lessee has been duly organized or formed, is validly existing and in good standing under the laws of its state of formation and is qualified as a foreign corporation to do business in any jurisdiction where such qualification is required. All necessary corporate action has been taken to authorize the execution, delivery and performance by Lessee of this Lease and of the other documents, instruments and agreements provided for herein. Lessee is not, and if Lessee is a "disregarded entity," the owner of such disregarded entity is not, a "nonresident alien," "foreign corporation," "foreign partnership," "foreign trust," "foreign estate," or any other "person" that is not a "United States Person" as those terms are defined in the Code and the regulations promulgated thereunder. The Person who has executed this Lease on behalf of Lessee is duly authorized to do so.

Section 4.02.Enforceability. This Lease constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms.

Section 4.03.Litigation. There are no suits, actions, proceedings or investigations pending, or to the best of its knowledge, threatened against or involving any Lessee Entity or the Properties before any arbitrator or Governmental Authority which might reasonably result in any Material Adverse Effect.

Section 4.04.Absence of Breaches or Defaults. Lessee is not in default under any document, instrument or agreement to which Lessee is a party or by which Lessee, the Properties or any of Lessee's property is subject or bound, which has had, or could reasonably be expected to result in, a Material Adverse Effect. The authorization, execution, delivery and performance of this Lease and the documents, instruments and agreements provided for herein will not result in any breach of or default under any document, instrument or agreement to which Lessee is a party or by which Lessee, the Properties or any of Lessee's property is subject or bound.

Section 4.05.Franchise and License Agreements. Lessee is not in default under any franchise or license agreement applicable to the operation of the Properties and each such franchise or license agreement is valid, binding, and in full force and effect permitting Lessee to operate a Permitted Facility on each of the Properties.

Section 4.06.Compliance with OFAC Laws. None of the Lessee Entities, and no individual or entity owning directly or indirectly any interest in any of the Lessee Entities, is an individual or entity whose property or interests are subject to being blocked under any of the OFAC Laws or is otherwise in violation of any of the OFAC Laws; *provided, however*, that the representation contained in this sentence shall not apply to any Person to the extent such Person's interest is in or through a U.S. Publicly Traded Entity.

Section 4.07.Solvency. There is no contemplated, pending or, to Lessee's knowledge, threatened Insolvency Event or similar proceedings, whether voluntary or involuntary, affecting Lessee or any Lessee Entity. Lessee does not have unreasonably small capital to conduct its business.

Section 4.08.Ownership. None of (i) Lessee, (ii) any Affiliate of Lessee, or (iii) any Person owning ten percent (10%) or more of Lessee, owns, directly or indirectly, ten percent (10%) or more of the total voting power or total value of capital stock in Tenet Equity Holdings, LP, Tenet Equity Partners, Inc.

Article V

Taxes and Assessments; Utilities; Insurance

Section 5.01.Taxes.

(a)**Payment.** Subject to the provisions of Section 5.01(b) below, Lessee shall pay, prior to the earlier of delinquency or the accrual of interest on the unpaid balance, all taxes and assessments of every type or nature assessed by applicable Governmental Authorities having jurisdiction over the Properties against or imposed upon the Properties, Lessee or Lessor during the Lease Term related to or arising out of this Lease and the activities of the parties hereunder, including without limitation, (i) all taxes or assessments upon the Properties or any part thereof and upon any personal property, trade fixtures and improvements located on the Properties, whether belonging to Lessor or Lessee, or any tax or charge levied in lieu of such taxes and assessments; (ii) all taxes, charges, license fees and or similar fees imposed by reason of the use of the Properties by Lessee; (iii) all excise, franchise, transaction, privilege, sales, use and other taxes upon the Rental or other Monetary Obligations hereunder, the leasehold estate of either party or the activities of either party pursuant to this Lease; and (iv) all franchise, privilege or similar taxes of Lessor calculated on the value of the Properties or on the amount of capital apportioned to the Properties provided, however, taxes shall not include net income (measured by the income of Lessor from all sources or from sources other than solely rent), capital stock or franchise taxes of Lessor, unless levied or assessed against Lessor in whole or in part in lieu of, as a substitute for, or as an addition to any other taxes. Additionally, in no event shall Lessee be liable for any taxes or assessment arising out of or otherwise due in connection with any transaction described in Section 13.01 or 16.09 of this Lease.

(b)***Right to Contest.*** Within five (5) Business Days of the date by which each tax and assessment payment is required by this Section 5.01 to be paid, Lessee shall provide Lessor with receipts or other evidence reasonably satisfactory to Lessor that each tax and assessment has been timely paid by Lessee. In the event Lessor receives a tax bill, Lessor shall use commercially reasonable efforts to forward said bill to Lessee within five (5) Business Days of Lessor's receipt thereof. Lessee may, at its own expense, contest or cause to be contested (in the case of any item involving more than \$10,000, after prior written notice to Lessor, which shall be given prior to contesting any matter as permitted herein), by appropriate legal proceedings conducted in good faith and with due diligence, any above described item or lien with respect thereto, including, without limitation, the amount or validity or application, in whole or in part, of such item, provided that (i) neither the Properties nor any interest therein would be in any danger of being sold, forfeited or lost by reason of such proceedings; (ii) no Event of Default has occurred and is continuing; (iii) if and to the extent required by the applicable taxing authority and/or Lessor or Lessor's lender, Lessee posts a bond or takes other steps acceptable to such taxing authority and/or Lessor or Lessor's lender that removes such lien or stays enforcement thereof; (iv) Lessee shall promptly provide Lessor with copies of all material notices received or delivered by Lessee and filings made by Lessee in connection with such proceeding; and (v) upon termination of such proceedings, it shall be the obligation of Lessee to pay the amount of any such tax and assessment or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including attorneys' fees and disbursements), interest, penalties or other liabilities in connection therewith. Lessor shall at the request of Lessee, execute or join in the execution of any instruments or documents necessary in connection with such contest or proceedings, but Lessor shall incur no cost or obligation thereby.

Section 5.02. Utilities. Lessee shall contract, in its own name, for and pay when due all charges for the connection and use of water, gas, electricity, telephone, garbage collection, sewer use and other utility services supplied to the Properties during the Lease Term. Under no circumstances shall Lessor be responsible for any cost or interruption of any utility service.

Section 5.03. Insurance and Indemnification.

(a)***Coverage.*** Throughout the Lease Term, Lessee shall maintain, with respect to each of the Properties, at its sole expense, the following types and amounts of insurance, in addition to such other insurance as Lessor may reasonably require from time to time:

(i) Insurance against loss or damage to real property and personal property under an “all risk” or “special form” insurance policy, which shall include coverage against all risks of direct physical loss, including but not limited to loss by fire, lightning, wind, terrorism, and other risks normally included in the standard ISO special form (and shall also include earthquake insurance if any Property is located within a moderate to high earthquake hazard zone as determined by an approved insurance company set forth in Section 5.03(b)(x) below). Such policy shall also include soft costs, a joint loss agreement, coverage for ordinance or law covering the loss of value of the undamaged portion of the Properties, costs to demolish and the increased costs of construction if any of the improvements located on, or the use of, the Properties shall at any time constitute legal non-conforming structures or uses. Ordinance or law limits shall be in an amount equal to the full replacement cost for the loss of value of the undamaged portion of the Properties and no less than 25% of the replacement cost for costs to demolish and the increased cost of construction, or in an amount otherwise reasonably specified by Lessor and approved by Lessee’s insurance broker. Such insurance shall be in amounts not less than 100% of the full insurable replacement cost values (without deduction for depreciation), with an agreed amount endorsement or without any coinsurance provision, and with sublimits satisfactory to Lessor, as determined from time to time at Lessor’s request but not more frequently than once in any 12-month period.

(ii) Commercial general liability insurance covering Lessor and Lessee against bodily injury liability, property damage liability and personal and advertising injury, liquor liability coverage if liquor is sold at any of the Properties, including without limitation any liability arising out of the ownership, maintenance, repair, condition or operation of every Property or adjoining ways, streets, parking lots or sidewalks. Such insurance policy or policies shall contain a broad form contractual liability endorsement under which the insurer agrees to insure Lessee’s obligations under Article IX hereof to the extent insurable, and a “severability of interest” clause or endorsement which precludes the insurer from denying the claim of Lessee or Lessor because of the negligence or other acts of the other, and terrorism coverage, shall be in amounts of \$10,000,000 per occurrence for bodily injury and property damage, and \$10,000,000 general aggregate, or such higher limits as Lessor may reasonably require from time to time, and shall be of form and substance satisfactory to Lessor. Such limits of insurance can be acquired through Commercial General liability and Umbrella liability policies.

(iii) Workers’ compensation in the amount required by state statute and Employers Liability insurance in the amount of \$1,000,000, covering all persons employed by Lessee on the Properties in connection with any work done on or about any of the Properties for which claims for death or bodily injury could be asserted against Lessor, Lessee or the Properties.

(iv) Business interruption insurance including Rental Value Insurance payable to Lessor at all locations for a period of not less than twelve (12) months. Such insurance is to follow the form of the real property “all risk” or “special form” coverage and is not to contain a co-insurance clause. Such insurance is to have a minimum of 180 days of extended period of indemnity.

(v)Automobile liability insurance, including owned, non-owned and hired car liability insurance for combined limits of liability of \$5,000,000 per occurrence. The limits of liability can be provided in a combination of an automobile liability policy and an umbrella liability policy.

(vi)Comprehensive Boiler and Machinery or Equipment Breakdown Insurance against loss or damage from explosion of any steam or pressure boilers or similar apparatus, if any, and other building equipment including HVAC units located in or about each Property.

(vii)Products and clinical trial liability insurance in an amount of \$5,000,000.

(viii)Cyber liability insurance in an amount of \$5,000,000.

(b)**Insurance Provisions.** All insurance policies shall:

(i)provide for a waiver of subrogation by the insurer as to claims against Lessor, its employees and agents;

(ii)be primary and provide that any “other insurance” clause in the insurance policy shall exclude any policies of insurance maintained by Lessor and the insurance policy shall not be brought into contribution with insurance maintained by Lessor;

(iii)contain deductibles not to exceed \$100,000, except for property insurance and workers’ compensation insurance which may have a deductible up to \$250,000;

(iv)contain a standard noncontributory mortgagee clause or endorsement in favor of any Lender designated by Lessor;

(v)provide that the policy of insurance shall not be terminated, cancelled or amended without at least thirty (30) days’ prior written notice to Lessor and to any Lender covered by any standard mortgagee clause or endorsement;

(vi)provide that the insurer shall not have the option to restore the Properties if Lessor elects to terminate this Lease in accordance with the terms hereof;

(vii)be in amounts sufficient at all times to satisfy any coinsurance requirements thereof;

(viii)except for workers’ compensation insurance referred to in Section 5.03(a)(iii) above, include Lessor and any Lessor Affiliate or Lender requested by Lessor, as an “additional insured” with respect to liability insurance, and as a “loss payee” with respect to real property and rental value insurance, as appropriate and as their interests may appear;

(ix) be evidenced by delivery to Lessor and any Lender designated by Lessor of an Acord Form 28 for property, business interruption and boiler & machinery coverage and an Acord Form 25 for commercial general liability, workers' compensation and umbrella coverage; provided that in the event that either such form is no longer available, such evidence of insurance shall be in a form reasonably satisfactory to Lessor and any Lender designated by Lessor; and

(x) be issued by insurance companies licensed to do business in the states where the Properties are located and which are rated no less than A- by S&P, A-X by Best's Insurance Guide or are otherwise approved by Lessor.

(c) **Additional Obligations.** It is expressly understood and agreed that (i) if any insurance required hereunder, or any part thereof, shall expire, be withdrawn, become void by breach of any condition thereof by Lessee, or become void or in jeopardy by reason of the failure or impairment of the capital of any insurer, Lessee shall immediately obtain new or additional insurance reasonably satisfactory to Lessor and any Lender designated by Lessor; (ii) the minimum limits of insurance coverage set forth in this Section 5.03, as well as the coverages actually obtained by Lessee and the deductibles owed by Lessee thereunder, shall not limit the liability of Lessee as provided in this Lease for its acts, omissions, or otherwise; (iii) Lessee shall provide to Lessor and any servicer or Lender of Lessor certificates of insurance evidencing that insurance satisfying the requirements of this Lease is in effect at all times; (iv) Lessee shall pay as they become due all premiums for the insurance required by this Section 5.03; (v) in the event that Lessee fails to comply with any of the requirements set forth in this Section 5.03, within ten (10) days of the giving of written notice by Lessor to Lessee, (A) Lessor shall be entitled to procure such insurance; and (B) any sums expended by Lessor in procuring such insurance shall be Additional Rental and shall be repaid by Lessee, together with interest thereon at the Default Rate, from the time of payment by Lessor until fully paid by Lessee immediately upon written demand therefor by Lessor; and (vi) Lessee shall maintain all insurance policies required in this Section 5.03 not to be cancelled, invalidated or suspended on account of the conduct of Lessee, its officers, directors, managers, members, employees or agents, or anyone acting for Lessee or any sublessee or other occupant of the Properties, and shall comply with all policy conditions and warranties at all times to avoid a forfeiture of all or a part of any insurance payment.

(d) **Blanket Policies.** Notwithstanding anything to the contrary in this Section 5.03, any insurance which Lessee is required to obtain pursuant to this Section 5.03 may be carried under a "blanket" policy or policies covering other properties or liabilities of Lessee provided that such "blanket" policy or policies otherwise comply with the provisions of this Section 5.03 and provides for limits that are sufficient, in the reasonable determination of Lessor, to ensure that the Properties are insured in a manner consistent with the insurance provisions set forth herein and that such insurance will not be materially compromised or exhausted by claims against other properties covered by such blanket policy.

(e) *Indemnification and Release.* Lessee hereby assumes all risk of damage to property or injury to persons in, upon or about the Properties from any cause whatsoever and agrees that Lessor Entities shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Lessee or by other persons claiming through Lessee. Lessee shall indemnify, defend, protect, and hold harmless the Lessor Entities from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause in, on or about the Properties, any violation of any applicable laws, including, without limitation, any environmental laws, any acts, omissions or negligence Lessee Entities, in, on or about the Properties, or any injury or damage to the person, property, or business of Lessee Entities or any other person entering upon the Properties under the express or implied invitation of Lessee (whether such injury or damage occurs in the Properties or in, on, or about the Properties), or any breach of the terms of this Lease, either prior to, during, or after the expiration of the Term, provided that the terms of the foregoing indemnity shall not apply to the willful misconduct of Lessor. Should Lessor be named as a defendant in any suit brought against Lessee in connection with or arising out of Lessee's occupancy of the Properties, Lessee shall pay to Lessor its costs and expenses incurred in such suit, including without limitation, its actual professional fees such as appraisers', accountants' and attorneys' fees. Further, Lessee's agreement to indemnify Lessor pursuant to this Section 5.03(e) is not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Lessee pursuant to the provisions of this Lease, to the extent such policies cover the matters subject to Lessee's indemnification obligations; nor shall they supersede any inconsistent agreement of the parties set forth in any other provision of this Lease. The provisions of this Section 5.03(e) shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

Section 5.04. Tax Impound.

(a) Upon the occurrence of an Event of Default which remains uncured, in addition to any other remedies, Lessor may require Lessee to pay to Lessor on the first day of each month the amount that Lessor reasonably estimates will be necessary in order to accumulate with Lessor sufficient funds in an impound account (which shall not be deemed a trust fund) (the “**Reserve**”) for Lessor to pay any and all real estate taxes (“**Real Estate Taxes**”) for the Properties for the ensuing twelve (12) months, or, if due sooner, Lessee shall pay the required amount in equal monthly installments over such short period of time. Lessor shall, upon prior written request of Lessee, provide Lessee with evidence reasonably satisfactory to Lessee that payment of the Real Estate Taxes was made in a timely fashion. In the event that the Reserve does not contain sufficient funds to timely pay any Real Estate Taxes, upon Lessor’s written notification thereof, Lessee shall, within five (5) Business Days of such notice, provide funds to Lessor in the amount of such deficiency. Lessor shall pay or cause to be paid directly to the applicable taxing authorities any Real Estate Taxes then due and payable for which there are funds in the Reserve; provided, however, that in no event shall Lessor be obligated to pay any Real Estate Taxes in excess of the funds held in the Reserve, and Lessee shall remain liable for any and all Real Estate Taxes, including fines, penalties, interest or additional costs imposed by any taxing authority (unless incurred as a result of Lessor’s failure to timely pay Real Estate Taxes for which it had funds in the Reserve). Lessee shall cooperate fully with Lessor in assuring that the Real Estate Taxes are timely paid. Lessor may deposit all Reserve funds in accounts insured by any federal or state agency and may commingle such funds with other funds and accounts of Lessor. Interest or other gains from such funds, if any, shall be the sole property of Lessor. Upon an Event of Default, in addition to any other remedies, Lessor may apply all impounded funds in the Reserve against any sums due from Lessee to Lessor. Lessor shall give to Lessee an annual accounting showing all credits and debits to and from such impounded funds received from Lessee.

(b) Notwithstanding Section 5.04(a), Lessor and Lessee shall reasonably cooperate with each other and diligently use commercially reasonable efforts to cause the appropriate Governmental Authority has issued a separate tax parcel identification number for the Property and such tax parcel identification number shall include no other property that is not a part of the Property (the “**New Tax ID**”). Accordingly, from and after the Effective Date until such time as the appropriate Governmental Authority has issued the New Tax ID for the Property and such tax parcel identification number shall include no other property that is not a part of the Property, Lessee shall deposit together with each payment of Base Monthly Rental, an amount equal to 1/12th of the Real Estate Taxes that Lessor or Lessor’s lender estimates will be payable during the next ensuing twelve (12) months. During such period as Lessor’s lender requires a Reserve for Real Estate Taxes, the terms and provisions of Section 5.04(a) shall govern.

Article VI

Maintenance; Alterations

Section 6.01. Condition of Property; Maintenance. Lessee hereby accepts the Properties “AS IS” and “WHERE IS” with no representation or warranty of Lessor as to the condition thereof. Lessee shall, at its sole cost and expense, be responsible for (a) keeping all of the building, structures and improvements erected on each of the Properties in good order and repair, free from actual or constructive waste; (b) the repair or reconstruction of any building, structures or improvements erected on the Properties damaged or destroyed by a Casualty; (c) subject to Section 6.02, making all necessary structural, non-structural, exterior and interior repairs and replacements to any building, structures or improvements (site improvements or otherwise) erected on the Properties; (d) (i) ensuring that no party encroaches upon any Property, and (ii) prosecuting any claims that Lessee seeks to bring against any Person relating to Lessee’s use and possession of any Property; and (e) paying all operating costs of the Properties in the ordinary course of business. Lessee waives any right to require Lessor to maintain, repair or rebuild all or any part of the Properties or make repairs at the expense of Lessor pursuant to any Legal Requirements at any time in effect.

Section 6.02. Alterations and Improvements. During the Lease Term, Lessee shall not materially alter the exterior, structural, plumbing or electrical elements of the Properties in any manner without the consent of Lessor, which consent shall not be unreasonably withheld, delayed or conditioned; provided, however, Lessee may undertake alterations to the Properties, individually, costing \$750,000.00 or less without Lessor's prior written consent. Notwithstanding the foregoing, any structural or exterior alterations to the Properties shall require the consent of Lessor. Any work at any time commenced by Lessee on the Properties shall be performed by a licensed contractor, prosecuted diligently to completion, shall be of good workmanship and materials and shall comply fully with all the terms of this Lease and all Legal Requirements. Upon completion of any alterations individually costing more than \$750,000.00, Lessee shall promptly provide Lessor with evidence of full payment to all laborers and materialmen contributing to the alterations. Additionally, upon written request and completion of any alterations individually costing more than \$750,000.00, Lessee shall promptly provide Lessor with (a) an architect's certificate certifying the alterations to have been completed in conformity with the plans and specifications (if the alterations are of such a nature as would require the issuance of such a certificate from the architect); (b) a certificate of occupancy (if the alterations are of such a nature as would require the issuance of a certificate of occupancy); and (c) any related documents or information reasonably requested by Lessor. Lessee shall keep the Properties free from any liens arising out of any work performed on, or materials furnished to, the Properties to the extent not being disputed by Lessee. Lessee shall execute and file or record, as appropriate, a "Notice of Non Responsibility," or any equivalent notice permitted under applicable Law in the states where the Properties are located which provides that Lessor is not responsible for the payment of any costs or expenses relating to the additions or alterations. Any addition to or alteration of the Properties, shall be deemed a part of the Properties and belong to Lessor, and Lessee shall execute and deliver to Lessor such instruments as Lessor may require to evidence the ownership by Lessor of such addition or alteration. Lessor and Lessee acknowledge and agree that their relationship is and shall be solely that of "Lessor-Lessee" (thereby excluding a relationship of "owner-contractor," "owner-agent" or other similar relationships). Accordingly, all materialmen, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting with Lessee, any contractor or subcontractor of Lessee or any other Lessee party for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Properties at any time from the date hereof until the end of the Lease Term, are hereby charged with notice that they look exclusively to Lessee to obtain payment for same.

Section 6.03. Encumbrances. During the Lease Term, following reasonable prior notice to Lessee, Lessor shall have the right to grant easements on, over, under and above the Properties, provided that such easements will not interfere with Lessee's use of the Properties as Permitted Facilities for the normal conduct of Lessee's business therefrom. Lessee shall comply with and perform all obligations of Lessor under all easements, declarations, covenants, restrictions and other items of record now or hereafter encumbering the Properties; provided, however, that Lessor shall provide prior written notice to Lessee of any easements, declarations, covenants, and restrictions to which Lessor subjects the Property. Without Lessor's prior written consent, Lessee shall not grant any easements on, over, under or above the Properties.

Article VII

Use of the Properties; Compliance

Section 7.01.Use. During the Lease Term, each of the Properties shall be used solely for the **operation** of a Permitted Facility (a “Permitted Use”).

Section 7.02.Compliance. LESSEE’S USE AND OCCUPATION OF EACH OF THE PROPERTIES, AND THE CONDITION THEREOF, SHALL, AT LESSEE’S SOLE COST AND EXPENSE, COMPLY FULLY WITH ALL LEGAL REQUIREMENTS AND ALL RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD, AND ANY OWNER OBLIGATIONS UNDER SUCH LEGAL REQUIREMENTS, OR RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD, WITH RESPECT TO THE PROPERTIES, IN EITHER EVENT, THE FAILURE WITH WHICH TO COMPLY COULD HAVE A MATERIAL ADVERSE EFFECT. WITHOUT IN ANY WAY LIMITING THE FOREGOING PROVISIONS, LESSEE SHALL COMPLY WITH ALL LEGAL REQUIREMENTS RELATING TO ANTI TERRORISM, TRADE EMBARGOS, ECONOMIC SANCTIONS, ANTI-MONEY LAUNDERING LAWS, AND THE AMERICANS WITH DISABILITIES ACT OF 1990, AS SUCH ACT MAY BE AMENDED FROM TIME TO TIME, AND ALL REGULATIONS PROMULGATED THEREUNDER, AS IT AFFECTS THE PROPERTIES NOW OR HEREAFTER IN EFFECT. LESSEE SHALL OBTAIN, MAINTAIN AND COMPLY WITH ALL REQUIRED LICENSES AND PERMITS, BOTH GOVERNMENTAL AND PRIVATE, TO USE AND OPERATE THE PROPERTIES AS PERMITTED FACILITIES. UPON LESSOR’S WRITTEN REQUEST FROM TIME TO TIME DURING THE LEASE TERM, LESSEE SHALL CERTIFY IN WRITING TO LESSOR THAT LESSEE’S REPRESENTATIONS, WARRANTIES AND OBLIGATIONS UNDER SECTION 4.05 THIS SECTION 7.02 OR SECTION 7.03 REMAIN TRUE AND CORRECT AND HAVE NOT BEEN BREACHED WHICH BREACH REMAINS UNCURED. AT LESSOR’S REQUEST, LESSEE SHALL PROVIDE TO LESSOR COPIES OF ALL NOTICES, REPORTS AND OTHER COMMUNICATIONS EXCHANGED WITH, OR RECEIVED FROM, GOVERNMENTAL AUTHORITIES RELATING TO A BREACH OF THE REPRESENTATIONS AND WARRANTIES AND OBLIGATIONS UNDER SECTION 4.05 THIS SECTION 7.02 OR SECTION 7.03. LESSEE SHALL ALSO REIMBURSE LESSOR FOR ALL COSTS INCURRED BY LESSOR IN: (A) ENFORCING LESSOR’S RIGHTS UNDER THE TRANSACTION DOCUMENTS; OR (B) COMPLYING WITH ALL LEGAL REQUIREMENTS APPLICABLE TO LESSOR AS THE RESULT OF LESSEE’S FAILURE TO COMPLY WITH ANY LEGAL REQUIREMENTS AND ALL RESTRICTIONS, COVENANTS AND ENCUMBRANCES OF RECORD AND FOR ANY PENALTIES OR FINES IMPOSED UPON LESSOR AS A RESULT THEREOF. LESSEE WILL USE GOOD FAITH EFFORTS TO PREVENT ANY ACT OR CONDITION TO EXIST ON OR ABOUT THE PROPERTIES THAT WILL MATERIALLY INCREASE ANY INSURANCE RATE THEREON, EXCEPT WHEN SUCH ACTS ARE REQUIRED IN THE NORMAL COURSE OF ITS BUSINESS AND LESSEE SHALL PAY FOR SUCH INCREASE. LESSEE AGREES THAT IT WILL DEFEND, INDEMNIFY AND HOLD HARMLESS THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES CAUSED BY, INCURRED OR RESULTING FROM LESSEE’S FAILURE TO COMPLY WITH ITS OBLIGATIONS UNDER THIS SECTION 7.02, EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY.

Section 7.03.Environmental.

(a)Covenants.

(i)Lessee covenants to Lessor, subject to the limitations of subsection (ii) below, as follows:

(A)Lessee shall permit no uses or operations on or of the Properties, whether by Lessee or any other Person, that are not in compliance with all Environmental Laws and permits issued pursuant thereto.

(B)Lessee shall permit no Releases in, on, under or from the Properties, except in Permitted Amounts.

(C)Lessee shall permit no Hazardous Materials or Regulated Substances in, on or under the Properties, except in Permitted Amounts. Above and below ground storage tanks shall be properly permitted and only used as permitted. Lessee shall not install any new below ground storage tanks without the written consent of Lessor.

(D)Lessee shall keep the Properties or cause the Properties to be kept free and clear of all Environmental Liens, whether due to any act (other than acts of Lessor, its agents or employees) or omission of Lessee or any other Person.

(E)Lessee shall not act or fail to act or allow any other Lessee, occupant, guest, customer or other user of the Properties to act or fail to act in any way that (1) materially increases a risk to human health or the environment, (2) poses an unreasonable or unacceptable risk of harm to any Person or the environment (whether on or off any of the Properties), (3) has a Material Adverse Effect, (4) is contrary to any material requirement set forth in the insurance policies maintained by Lessee, (5) constitutes a public or private nuisance or constitutes waste, (6) violates any covenant, condition, agreement or easement applicable to the Properties as of the Effective Date, or (7) would result in any reopening or reconsideration of any prior investigation, which prior investigation Lessee or Lessor was aware of as of the Effective Date, or causes a new investigation by a Governmental Authority having jurisdiction over any Property, which could reasonably be anticipated to result in a Release, Threatened Release or Remediation.

(F)Lessee shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to this Section 7.03.

(ii)Notwithstanding any provision of this Lease to the contrary, an Event of Default shall not be deemed to have occurred as a result of the failure of Lessee to satisfy any one or more of the covenants set forth in subsections (A) through (E) above provided that Lessee shall be in compliance with the requirements of any Governmental Authority with respect to the Remediation of any Release by Lessee, its agents or employees at the Properties.

(b)**Notification Requirements.** During the Lease Term, Lessee shall promptly notify Lessor in writing upon Lessee obtaining actual knowledge of (i) any Releases or Threatened Releases in, on, under or from any of the Properties other than in Permitted Amounts, or migrating towards any of the Properties; (ii) any noncompliance with or violation of any Environmental Laws related in any way to any of the Properties; (iii) any actual or potential Environmental Lien or activity use limitation being imposed by a Governmental Authority; (iv) any required or proposed Remediation of environmental conditions relating to any of the Properties required by applicable Governmental Authorities; and (v) any written or oral notice or other communication of which Lessee becomes aware from any source whatsoever (including but not limited to a Governmental Authority) relating in any way to Remediation of Hazardous Materials, Regulated Substances or above or below ground storage tanks, , possible liability of any Person relating to any of the Properties pursuant to any Environmental Law, other environmental conditions in connection with any of the Properties, or any actual or potential administrative or judicial proceedings in connection with anything referred to in this Section 7.03.

(c)**Remediation.** Lessee shall, at its sole cost and expense, and without limiting any other provision of this Lease, effectuate any Remediation required by any Governmental Authority of any condition (including, but not limited to, a Release or Threatened Release) in, on, under or from the Properties and take any other reasonable action deemed necessary by any Governmental Authority for protection of human health or the environment. Should Lessee fail to undertake any required Remediation in accordance with the preceding sentence, Lessor, after reasonable prior written notice to Lessee and Lessee's failure to promptly commence to undertake such Remediation and diligently pursue same to completion, shall be permitted to complete such Remediation, and all Costs incurred in connection therewith shall be paid by Lessee. Any Cost so paid by Lessor, together with interest at the Default Rate, shall be deemed to be Additional Rental hereunder and shall be due from Lessee to Lessor within thirty (30) days following Lessee's receipt of Lessor's written invoice therefor together with reasonable supporting documentation of such Cost.

(d)**Indemnification.** LESSEE SHALL, AT ITS SOLE COST AND EXPENSE, PROTECT, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES, INCLUDING, BUT NOT LIMITED TO, ALL COSTS OF REMEDIATION (WHETHER OR NOT PERFORMED VOLUNTARILY), ARISING OUT OF OR IN ANY WAY RELATING TO ANY ENVIRONMENTAL LAWS, HAZARDOUS MATERIALS, REGULATED SUBSTANCES, ABOVE OR BELOW GROUND STORAGE TANKS, OR OTHER ENVIRONMENTAL MATTERS CONCERNING THE PROPERTIES, WHETHER CAUSED DURING OR PRIOR TO THE LEASE TERM, EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PARTY. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LESSEE'S OBLIGATIONS UNDER THIS SECTION 7.03 SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE FOR ANY REASON PURSUANT TO SUBSECTION 7.03(G) BELOW.

(e)***Right of Entry.*** In the event that Lessor has a reasonable basis to believe that a Release or a violation of any Environmental Law has occurred, Lessor and any other Person designated by Lessor, including but not limited to any receiver, any representative of a Governmental Authority, and any environmental consultant, shall have the right, but not the obligation, to enter upon the Properties during business hours with reasonable prior notice to assess any and all aspects of the environmental condition of any Property and its use, including but not limited to conducting any environmental assessment or audit (the scope of which shall be determined in Lessor's sole and absolute discretion) and taking samples of soil, groundwater or other water, air, or building materials, and conducting other invasive testing; provided, however, that such entry does not unreasonably interfere with Lessee's operations or impose any risk on persons or property on the Properties and shall be in accordance with Lessee's then current security protocol. Lessee shall cooperate with and provide access to Lessor and any other Person designated by Lessor. Any such assessment or investigation shall be at Lessor's sole cost and expense unless it is determined as a result of such assessment or investigation that there then exists a Release or a violation of Environmental Law.

(f)***Environmental Inspection.*** Throughout the Lease Term, upon prior written notice to Lessee, Lessor shall have the right, at its sole cost and expense, to maintain an Environmental Policy with respect to the Properties. Upon expiration of an Environmental Policy, Lessee shall reasonably cooperate with Lessor in connection with Lessor's renewal or replacement of such Environmental Policy. Lessee shall reasonably cooperate with Lessor in connection with r any necessary environmental investigations of the Properties by Lessor.

(g)***Survival.*** The obligations of Lessee and the rights and remedies of Lessor under this Section 7.03 shall survive the termination, expiration and/or release of this Lease.

Article VIII

Additional Covenants

Section 8.01. Performance at Lessee's Expense. Lessee acknowledges and confirms that Lessor may impose and collect its reasonable and actual third party costs and expenses, including without limitation, reasonable attorneys' fees, costs and expenses in connection with (a) any extension, renewal, modification, amendment and termination of this Lease requested by Lessee, excluding any extension right granted Lessee pursuant to the terms of this Lease ; (b) any release or substitution of Properties requested by Lessee; (c) the procurement of consents, waivers and approvals with respect to the Properties or any matter related to this Lease requested by Lessee; (d) the review of any assignment or sublease or proposed assignment or sublease or the preparation or review of any subordination or non-disturbance agreement requested by Lessee; (e) the collection, maintenance and/or disbursement of reserves created under this Lease or the other Transaction Documents (following and during the continuance of an Event of Default); (f) inspections required to make certain determinations under this Lease or the other Transaction Documents following Lessor's reasonable belief of a breach under this Lease or any other Transaction Documents and (g) reimbursement or payment of any reasonable, administrative, processing, and/or servicing fees imposed or charged by Lessor's lender in connection with any of the foregoing items in clauses (a) through (f).

Section 8.02. Inspection. Lessor and its authorized representatives shall have the right, at all reasonable times and upon giving reasonable (at least 24 hours) prior notice (except in the event of an emergency, in which case no prior notice shall be required), to enter the Properties or any part thereof and inspect the same; provided, however, that such inspections shall not unreasonably interfere with the business of Lessee or impose any risk on any people or property at the Properties and shall be in accordance with Lessee's then current security protocol.

Section 8.03. Financial Information.

(a) **Financial Statements.** To the extent not publicly available, within forty five (45) days after the end of each fiscal quarter and within ninety (90) days after the end of each fiscal year of Guarantor, Lessee shall cause Guarantor to deliver to Lessor complete consolidated financial statements that consolidate Lessee and Guarantor, including a balance sheet, profit and loss statement, statement of stockholders' equity and statement of cash flows and all other related schedules for the fiscal period then ended, such statements to detail separately interest expense, income taxes, non-cash expenses, non-recurring expenses, operating lease expense and current portion of long-term debt - capital leases. All such financial statements shall be prepared in accordance with GAAP, and shall be certified to be accurate and complete by an officer or director of Guarantor. Lessee shall deliver to Lessor: (i) income statements for the business at the Properties, and (ii) the supplemental financial information set forth on Schedule 8.03. In the event that Lessee's business at the Properties is ordinarily consolidated with other business for financial statements purposes, a separate profit and loss statement shall be provided showing separately the sales, profits and losses pertaining to each Property with interest expense, income taxes, non-cash expenses, non-recurring expenses and operating lease expense (rent), with the basis for allocation of overhead or other charges being clearly set forth in accordance with Schedule 8.03. The financial statements delivered to Lessor need not be audited, but Lessee shall deliver to Lessor copies of any audited financial statements of Guarantor which may be prepared, as soon as they are available. Lessee shall or shall cause Guarantor to transmit all financial statements and other information required to be provided pursuant to this Section 8.03 to Lessor at financials@tenetequity.com, or to such other address or such other person as Lessor may from time to time hereafter specify to Lessee.

(b) **Other Information.** Notwithstanding any provision contained herein, upon request at any time, Lessee will provide to Lessor, at no additional cost or expense to Lessee, any and all reasonable financial information and/or financial statements of Guarantor as reasonably requested by Lessor including, but not limited to, as requested by Lessor in connection with any Lessor filing or disclosure required by the Securities and Exchange Commission or other Governmental Authority; provided, however, that neither Guarantor nor Lessee shall otherwise be prohibited by applicable Laws from providing same to Lessor.

(c)Confidentiality.

(i) Lessee shall maintain all non-public information and all non-public documentation and information provided to, or obtained by, Lessee relating to Lessor, this Lease and the other Transaction Documents (collectively, the “Lessor Confidential Information”) in strict confidence; provided, that Lessor Confidential Information shall not include: (A) matters of public record; (B) information or materials furnished to Lessee by Lessor or the Lessor Representatives (as defined herein); (C) information or materials that are already in Lessee’s possession or become available to Lessee on a non-confidential basis from a source other than Lessor or any Lessor Representative (as defined herein); or (D) information or materials independently developed by Lessee or Lessee Representatives without violation of this Lease or the other Transaction Documents. Lessee shall make no disclosure of the Lessor Confidential Information, except: (1) to the extent required by any applicable statute, law, regulation, Governmental Authority or court order, (2) any information which was previously or is hereafter publicly disclosed or publicly available (other than in violation of this Lease), or (3) to its attorneys, accountants, lenders, investors, potential lenders or potential investors (collectively, the “Lessee Representatives”). In furtherance of the foregoing, Lessee agrees as follows: (x) Lessee shall advise each of the Lessee Representatives of the confidential nature of any documentation and information disclosed to them and of such party’s obligations under this Section 8.03(c)(i); and (y) Lessee shall be liable for any Lessee Representative’s breach of this Section 8.03(c)(i) (Lessee acknowledging that there may be no adequate remedy at law and that Lessor shall also have the right to seek injunctive relief).

(ii) Lessor shall maintain all non-public documentation and information provided to, or obtained by, Lessor relating to Lessee, Guarantor, this Lease and the other Transaction Documents (collectively, the “Lessee Confidential Information”) in strict confidence; provided, that Lessee Confidential Information shall not include: (A) matters of public record; (B) information or materials furnished to, or obtained through the transactions contemplated under this Lease or the other Transaction Documents by Lessor or the Lessor Representatives; (C) information or materials that are already in Lessor’s possession or become available to Lessor on a non-confidential basis from a source other than Lessee or any Lessee Representative; or (D) information or materials independently developed by Lessor or Lessor Representatives without violation of this Lease or the other Transaction Documents. Lessor shall make no disclosure of the Lessee Confidential Information, except: (1) to the extent required by any applicable statute, law, regulation, Governmental Authority or court order, (2) any information which was previously or is hereafter publicly disclosed or publicly available (other than in violation of this Lease or the other Transaction Documents), or (3) to such brokers, service providers, attorneys, accountants, lenders, lessors, and investors (collectively, the “Lessor Representatives”). In furtherance of the foregoing, Lessor agrees as follows: (x) Lessor shall advise each of the Lessor Representatives of the confidential nature of any documentation and information disclosed to them and of such party’s obligations under this Section 8.03(c)(ii); (y) Lessor shall be liable for any Lessor Representative’s

breach of this Section 8.03(c)(ii) (Lessor acknowledging that there may be no adequate remedy at law and that Lessor shall also have the right to seek injunctive relief).

Section 8.04.OFAC Laws.

(a) Upon receipt of notice or upon actual knowledge thereof, Lessee shall immediately notify Lessor in writing if any Person owning (directly or indirectly) any interest in any of the Lessee Entities, or any director, officer, shareholder, member, manager or partner of any of such holders is a Person whose property or interests are subject to being blocked under any of the OFAC Laws, or is otherwise in violation of any of the OFAC Laws, or is under investigation by any Governmental Authority for, or has been charged with, or convicted of, drug trafficking, terrorist related activities or any violation of the AntiMoney Laundering Laws, has been assessed civil penalties under these or related Laws, or has had funds seized or forfeited in an action under these or related Laws; *provided, however*, that the covenant in this Section 8.04(a) shall not apply to any Person to the extent such Person's interest is in or through a U.S. Publicly Traded Entity.

(b) Upon receipt of notice or upon actual knowledge thereof, Lessor shall immediately notify Lessee in writing if any Person owning (directly or indirectly) any interest in Lessor, or any director, officer, shareholder, member, manager or partner of any of such holders is a Person whose property or interests are subject to being blocked under any of the OFAC Laws, or is otherwise in violation of any of the OFAC Laws, or is under investigation by any Governmental Authority for, or has been charged with, or convicted of, drug trafficking, terrorist related activities or any violation of the AntiMoney Laundering Laws, has been assessed civil penalties under these or related Laws, or has had funds seized or forfeited in an action under these or related Laws; *provided, however*, that the covenant in this Section 8.04(b) shall not apply to any Person to the extent such Person's interest is in or through a U.S. Publicly Traded Entity.

Section 8.05.Agreements and Licenses. Lessee shall maintain any and all franchise or license agreements necessary to operate as a Permitted Facility in full force and effect and comply with all of the terms and requirements thereof.

Section 8.06. Estoppel Certificate.

(a) **By Lessee.** At any time, and from time to time, Lessee shall, promptly and in no event later than ten (10) Business Days after a request from Lessor or any Lender or mortgagee of Lessor, execute, acknowledge and deliver to Lessor or such Lender or mortgagee, as the case may be, a certificate in a commercially reasonable form supplied by Lessor, certifying: (a) that Lessee has accepted the Properties; (b) that this Lease is in full force and effect and has not been modified (or if modified, setting forth all modifications), or, if this Lease is not in full force and effect, the certificate shall so specify the reasons therefor; (c) the commencement and expiration dates of the Lease Term; (d) the date to which the Rentals have been paid under this Lease and the amount thereof then payable; (e) whether to Lessee's knowledge there are then any existing defaults by Lessor in the performance of its obligations under this Lease, and, if there are any such defaults, specifying the nature and extent thereof; (f) that no written notice has been received by Lessee of any default under this Lease which has not been cured, except as to defaults specified in the certificate; (g) the capacity of the Person executing such certificate, and that such Person is duly authorized to execute the same on behalf of Lessee; (h) that neither Lessor nor any Lender or mortgagee has actual involvement in the management or control of decision making related to the operational aspects or the day to day operation of the Properties, including any handling or disposal of Hazardous Materials or Regulated Substances; and (i) any other information reasonably requested by Lessor or any Lender or mortgagee, as the case may be.

(b) **By Lessor.** At any time, and from time to time, Lessor shall, promptly and in no event later than ten (10) Business Days after a request from Lessee or any Lender of Lessee, execute, acknowledge and deliver to Lessee or such Lender, as the case may be, a certificate in a commercially reasonable form supplied by Lessee, certifying: (a) that this Lease is in full force and effect and has not been modified (or if modified, setting forth all modifications), or, if this Lease is not in full force and effect, the certificate shall so specify the reasons therefor; (b) the commencement and expiration dates of the Lease Term; (c) the date to which the Rentals have been paid under this Lease and the amount thereof then payable; (d) whether to Lessor's knowledge there are then any existing defaults by Lessee in the performance of its obligations under this Lease, and, if there are any such defaults, specifying the nature and extent thereof; (e) the capacity of the Person executing such certificate, and that such Person is duly authorized to execute the same on behalf of Lessor; and (f) any other information reasonably requested by Lessee or any Lender, as the case may be.

Article IX

Release and Indemnification

Section 9.01. Release and Indemnification. LESSEE ACKNOWLEDGES THAT IT HAS HAD ADEQUATE OPPORTUNITY TO INSPECT THE PROPERTIES AND THEIR CONDITION (STRUCTURAL, PHYSICAL, AND OTHERWISE) AND AGREES THAT THE PROPERTIES ARE SATISFACTORY TO LESSEE AND SUITABLE FOR THE PERMITTED USE. LESSEE AGREES TO USE AND OCCUPY THE PROPERTIES AT ITS OWN RISK AND HEREBY RELEASES LESSOR AND LESSOR'S AGENTS AND EMPLOYEES FROM ALL CLAIMS FOR ANY DAMAGE OR INJURY TO THE FULL EXTENT PERMITTED BY LAW. LESSEE AGREES THAT LESSOR SHALL NOT BE RESPONSIBLE OR LIABLE TO LESSEE OR LESSEE'S EMPLOYEES, AGENTS, CUSTOMERS, LICENSEES OR INVITEES FOR BODILY INJURY, PERSONAL INJURY OR PROPERTY DAMAGE OCCASIONED BY THE ACTS OR OMISSIONS OF ANY OTHER PERSON OTHER THAN THE INDEMNIFIED PARTIES. LESSEE AGREES THAT ANY EMPLOYEE OR AGENT TO WHOM THE PROPERTIES OR ANY PART THEREOF SHALL BE ENTRUSTED BY OR ON BEHALF OF LESSEE SHALL BE ACTING AS LESSEE'S AGENT WITH RESPECT TO THE PROPERTIES OR ANY PART THEREOF, AND NEITHER LESSOR NOR LESSOR'S AGENTS, EMPLOYEES OR CONTRACTORS SHALL BE LIABLE FOR ANY LOSS OF OR DAMAGE TO THE PROPERTIES OR ANY PART THEREOF UNLESS CAUSED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF LESSOR OR THE INDEMNIFIED PARTIES. LESSEE SHALL INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES (EXCLUDING LOSSES SUFFERED BY AN INDEMNIFIED PARTY ARISING OUT OF THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF ANY INDEMNIFIED PARTY); CAUSED BY, INCURRED OR RESULTING FROM LESSEE'S OPERATIONS OR BY LESSEE'S USE AND OCCUPANCY OF THE PROPERTIES, WHETHER RELATING TO ITS ORIGINAL DESIGN OR CONSTRUCTION, LATENT DEFECTS, ALTERATION, MAINTENANCE, USE BY LESSEE OR ANY PERSON THEREON, SUPERVISION OR OTHERWISE, OR FROM ANY BREACH OF, DEFAULT UNDER, OR FAILURE TO PERFORM, ANY TERM OR PROVISION OF THIS LEASE BY LESSEE. THE INDEMNIFICATION PROVISIONS OF THIS SECTION 9.01 SHALL NOT APPLY TO DAMAGES ARISING OUT OF BODILY INJURY TO PERSONS OR DAMAGE TO PROPERTY CAUSED BY OR RESULTING FROM THE SOLE NEGLIGENCE OF THE INDEMNIFIED PARTY TO THE EXTENT O.C.G.A. SECTION 13-8-2 IS APPLICABLE THERETO. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LESSEE'S OBLIGATIONS UNDER THIS SECTION 9.01 SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE FOR ANY REASON WHATSOEVER.

Article X

Condemnation and Casualty

Section 10.01.Notification. Lessee shall promptly give Lessor written notice of (a) any Condemnation of any of the Properties, (b) Lessee's actual knowledge of the commencement of any proceedings or negotiations which might result in a Condemnation of any of the Properties, and (c) any Casualty to any of the Properties or any part thereof. Such notice shall provide a general description of the nature and extent of such Condemnation, proceedings, negotiations or Casualty, and shall include copies of any documents or written notices received in connection therewith. Thereafter, Lessee shall promptly send Lessor copies of all written notices, correspondence and pleadings relating to any such Condemnation, proceedings, negotiations or Casualty.

Section 10.02.Total Condemnation. In the event of a Condemnation of all or substantially all of any of the Properties, and if as a result of such Condemnation: (i) access to the Property to and from the publicly dedicated roads adjacent to the Property as of the Effective Date is permanently and materially impaired such that Lessee no longer has access to such dedicated road; (ii) there is insufficient parking to operate the Property as a Permitted Facility under applicable Laws; or (iii) the Condemnation includes a portion of the building such that the remaining portion is unsuitable for use as a Permitted Facility, as determined by Lessee in the exercise of good faith business judgment (and Lessee provides to Lessor an officer's certificate executed by an officer of Lessee certifying to the same) (each such event, a "**Total Condemnation**"), then, in such event:

(a)**Termination of Lease.** On the date of the Total Condemnation, all obligations of either party hereunder with respect to the applicable Property shall cease and the Base Annual Rental shall be reduced as set forth in Section 10.03(c) below; *provided, however*, that Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease with respect to such Property and Lessee's obligation to pay Rental and all other Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the date of termination shall survive such termination. If the date of such Total Condemnation is other than the first day of a month, the Base Monthly Rental for the month in which such Total Condemnation occurs shall be apportioned based on the date of the Total Condemnation.

(b)**Net Award.** Subject to Section 10.07 below, Lessor shall be entitled to receive the entire Net Award in connection with a Total Condemnation without deduction for any estate vested in Lessee by this Lease, and Lessee hereby expressly assigns to Lessor all of its right, title and interest in and to every such Net Award and agrees that Lessee shall not be entitled to any Net Award or other payment for the value of Lessee's leasehold interest in this Lease.

Section 10.03.Partial Condemnation or Casualty. In the event of a Condemnation which is not a Total Condemnation (each such event, a "**Partial Condemnation**"), or in the event of a Casualty:

(a)**Net Awards.** All Net Awards shall be paid to Lessor or Lessor's Lender if required by such Lender.

(b)**Continuance of Lease.** This Lease shall continue in full force and effect upon the following terms:

(i) All Rental and other Monetary Obligations due under this Lease shall continue unabated.

(ii) Lessee shall promptly commence and diligently prosecute restoration of such Property to the same condition, as nearly as practicable, as prior to such Partial Condemnation or Casualty as approved by Lessor. Upon the written request of Lessee (accompanied by evidence reasonably satisfactory to Lessor that such amount is due and payable and is properly part of such costs, and that Lessee has complied with the terms of Section 6.02 in connection with the restoration), Lessor shall promptly make available in installments, subject to reasonable conditions for disbursement imposed by Lessor or, as applicable, Lessor's Lender, an amount up to but not exceeding the amount of any Net Award received by Lessor with respect to such Partial Condemnation or Casualty. Prior to the disbursement of any portion of the Net Award with respect to a Casualty, Lessee shall provide evidence reasonably satisfactory to Lessor of the payment of restoration expenses by Lessee up to the amount of the insurance deductible applicable to such Casualty. Lessor shall be entitled to keep any portion of the Net Award which may be in excess of the cost of restoration, and Lessee shall bear all additional Costs of such restoration in excess of the Net Award.

(c)**Right to Termination.** Notwithstanding any other provision to the contrary contained in this Article X, in the event that, as a result of a Casualty in the last two (2) years of the Lease Term, Lessee shall reasonably estimate in the exercise of good faith business judgment that the applicable Property cannot be used for the same purpose and substantially with the same utility as before such Casualty (and Lessee provides to Lessor an officer's certificate executed by an officer of Lessee certifying to the same), then, subject to the terms and conditions set forth in this subsection (c), Lessee shall have the right, exercisable by written notice given to Lessor no later than ninety (90) days following such Casualty, to terminate this Lease with respect to such damaged Property (and in connection with such termination, the Base Annual Rental shall be reduced as set forth in Section 10.03 below). If Lessee elects to terminate, this Lease shall terminate with respect to such Property as of the last day of the month during which Lessee makes such election. Lessee shall vacate and surrender such Property by such termination date, in accordance with the provisions of this Lease, and all obligations of either party hereunder with respect to such Property shall cease as of the date of termination; provided, however, Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease with respect to such Property and Lessee's obligations to pay Rental and all other Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease with respect to such Property prior to the date of termination shall survive such termination subject to, and in accordance with, the terms hereof. In such event, Lessor may retain all Net Awards related to the Casualty, and Lessee shall immediately pay Lessor an amount equal to the insurance deductible applicable to any Casualty.

(d)**Rental.** Solely for the purpose of removal of a Property pursuant to Section 10.02 or Section 10.03, the Base Annual Rental shall be reduced by an amount equal to the Lease Rate multiplied by the Net Award.

Section 10.04. Temporary Taking. In the event of a Condemnation of all or any part of any Property for a temporary use (a “**Temporary Taking**”), this Lease shall remain in full force and effect without any reduction of Base Annual Rental, Additional Rental or any other Monetary Obligation payable hereunder. Except as provided below, Lessee shall be entitled to the entire Net Award for a Temporary Taking, unless the period of occupation and use by the condemning authorities shall extend beyond the date of expiration of this Lease, in which event the Net Award made for such Temporary Taking shall be apportioned between Lessor and Lessee as of the date of such expiration. At the termination of any such Temporary Taking, Lessee will, at its own cost and expense and pursuant to the provisions of Section 6.02, promptly commence and complete restoration of such Property.

Section 10.05. Adjustment of Losses. Any loss under any property damage insurance required to be maintained by Lessee shall be adjusted by Lessor and Lessee. Any Net Award relating to a Total Condemnation or a Partial Condemnation shall be adjusted by Lessor or, at Lessor’s election, Lessee. Notwithstanding the foregoing or any other provisions of this Section 10.05 to the contrary, if at the time of any Condemnation or any Casualty or at any time thereafter an Event of Default shall have occurred and be continuing, Lessor is hereby authorized and empowered but shall not be obligated, in the name and on behalf of Lessee and otherwise, to file and prosecute Lessee’s claim, if any, for a Net Award on account of such Condemnation or such Casualty and to collect such Net Award and apply the same to the curing of such Event of Default and any other then existing Event of Default under this Lease and/or to the payment of any amounts owed by Lessee to Lessor under this Lease, in such order, priority and proportions as Lessor in its discretion shall deem proper.

Section 10.06. Lessee Obligation in Event of Casualty. During all periods of time following a Casualty, Lessee shall take reasonable steps to ensure that the affected Property is secure and does not pose any risk of harm to any adjoining property and Persons (including owners or occupants of such adjoining property).

Section 10.07. Lessee Awards and Payments. Notwithstanding any provision contained in this Article X, Lessee shall be entitled to claim and receive any award or payment from the condemning authority expressly granted for the taking of any personal property owned by Lessee, any insurance proceeds with respect to any personal property owned by Lessee, the interruption of its business and moving expenses (subject, however, to the provisions of Section 5.03(a)(iv) above), but only if such claim or award does not adversely affect or interfere with the prosecution of Lessor’s claim for the Condemnation or Casualty, or otherwise reduce the amount recoverable by Lessor for the Condemnation or Casualty.

Article XI

Default, Conditional Limitations, Remedies and Measure of Damages

Section 11.01.Event of Default. Each of the following shall be an event of default by Lessee under this Lease (each, an “**Event of Default**”):

(a)if any representation or warranty of Lessee set forth in this Lease is false in any material respect when made, or if Lessee renders any materially false statement or account when made;

(b)if any Rental or other Monetary Obligation due under this Lease is not paid when due and such failure continues for more than three (3) Business Days after written notice from Lessor; provided, however, Lessor shall only be required to provide such notice once in any twelve (12) month period;

(c)if Lessee fails to pay, prior to delinquency, any taxes, assessments or other charges the failure of which to pay will result in the imposition of a lien against any of the Properties;

(d)if Lessee vacates, abandons or ceases to conduct business operations at the Property (excluding periods solely related to the installation of equipment or facilitating the changeover of the facilities at the Property to permit the manufacturing or development of products all in the ordinary course of business, where personnel are on site at the Property and are actively working on and pursuing the same to completion); provided that Lessee shall not be deemed to vacate, abandon or cease to conduct business operations at the Property if Lessee: (i) temporarily “goes dark,” vacates, abandons or ceases to conduct business operations at the Property for no more than one (1) month; (ii) ceases operation solely as a result of Casualty or Condemnation and is in compliance with Article X of this Lease; (iii) ceases operation solely as a result of a Force Majeure Event; (iv) is conducting scheduled regular and/or emergency maintenance and repairs to facilities located at the Property, all in the ordinary course of business, where personnel are on site at the Property and are actively working on and pursuing the same to completion; or (v) is constructing permitted alterations, including, without limitation, alterations as set forth in this Lease where personnel are on site at the Property and are actively working on and pursuing the same to completion;

(e)if there is an Insolvency Event affecting Lessee or Guarantor;

(f)if Lessee fails to observe or perform any of the other covenants, conditions or obligations of Lessee in this Lease; *provided, however*, if any such failure does not involve the payment of any Monetary Obligation, does not place any Property or any rights or property of Lessor in immediate jeopardy, and is within the reasonable power of Lessee to cure within thirty (30) days following written notice thereof from Lessor, then such failure shall not constitute an Event of Default hereunder, unless otherwise expressly provided herein, unless and until Lessor shall have given Lessee notice thereof and a period of thirty (30) days shall have elapsed, during which period Lessee may correct or cure such failure, upon failure of which an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required;

(g)if Lessee fails to maintain, or renew prior to the expiration of the Lease Term, any necessary permit or license that is either: (i) applicable to its then current operation of a Permitted Facility or (ii) required to operate in the Properties for the Permitted Use and such failure, in either instance, continues for fifteen (15) days following written notice thereof from Lessor;

(h)if a final, non-appealable judgment is rendered by a court against Lessee or Guarantor which: (i) either (A) fundamentally impairs Guarantor's or Lessee's ability to perform Guarantors or Lessee's obligations under this Lease or the other Transaction Documents; or (ii) is an event of default under any documents that evidence, govern or secure senior financing or credit extended to Guarantor or Lessee and (ii) is not discharged or provision made for such discharge within ninety (90) days from the date of entry thereof;

(i)if Lessee or Guarantor shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution;

(j)if the estate or interest of Lessee in any of the Properties shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be vacated or discharged within ninety (90) days after it is made; or

(k)if there is an Event of Default or other breach or default by Lessee or Guarantor under any of the Transaction Documents, after the passage of all applicable notice and cure or grace periods.

Section 11.02.Remedies. Upon the occurrence of an Event of Default, with or without notice or demand, except as otherwise expressly provided herein or such other notice as may be required by statute and cannot be waived by Lessee, Lessor shall be entitled to exercise, at its option, concurrently, successively, or in any combination, all remedies available at Law or in equity, including, without limitation, any one or more of the following:

(a)to terminate this Lease, whereupon Lessee's right to possession of the Properties shall cease and this Lease, except as to Lessee's liability, shall be terminated;

(b)to the extent not prohibited by applicable Law, to (i) re-enter and take possession of the Properties (or any part thereof) and, subject to the rights of any Persons with a senior security interest or other contractual right to any or all Personalty of Lessee upon the Properties and, to the extent permissible, permits, licenses, and (ii) expel Lessee and those claiming under or through Lessee, without being deemed guilty in any manner of trespass or becoming liable for any loss or damage resulting therefrom, without resort to legal or judicial process, procedure or action. No notice from Lessor hereunder or under a forcible entry and detainer statute or similar Law shall constitute an election by Lessor to terminate this Lease unless such notice specifically so states. If Lessee shall, after default, voluntarily give up possession of the Properties to Lessor, deliver to Lessor or its agents the keys to the Properties, or both, such actions shall be deemed to be in compliance with Lessor's rights and the acceptance thereof by Lessor or its agents shall not be deemed to constitute a termination of this Lease. Lessor reserves the right following any reentry and/or reletting to exercise its right to terminate this Lease by giving Lessee written notice thereof, in which event this Lease will terminate;

(c)to relet the Properties or any part thereof for such term or terms (including a term which extends beyond the Lease Term), at such rentals and upon such other terms as Lessor, in its sole discretion, may determine, with all proceeds received from such reletting being applied to the Rental and other Monetary Obligations due from Lessee in such order as Lessor may, in its sole discretion, determine, which other Monetary Obligations include, without limitation, all reasonable and actual repossession costs, brokerage commissions, attorneys' fees and expenses, alteration, remodeling and repair costs and expenses of preparing for such reletting;

(d)to recover from Lessee all Costs and Losses paid or incurred by Lessor as a result of such breach, regardless of whether or not legal proceedings are actually commenced;

(e)to immediately or at any time thereafter, and with or without notice, at Lessor's sole option but without any obligation to do so, correct such breach or default and charge Lessee all Costs incurred by Lessor therein. Any sum or sums so paid by Lessor, together with interest at the Default Rate, shall be deemed to be Additional Rental hereunder and shall be immediately due from Lessee to Lessor. Any such acts by Lessor in correcting Lessee's breaches or defaults hereunder shall not be deemed to cure said breaches or defaults or constitute any waiver of Lessor's right to exercise any or all remedies set forth herein;

(f)to immediately or at any time thereafter, and with or without notice, except as required herein, set off any money of Lessee held by Lessor under this Lease or any other Transaction Document against any sum owing by Lessee hereunder;

(g)to immediately or at any time thereafter apply any deposit from Lessee held by Lessor to any amounts Lessee owes Lessor;

(h) Without limiting the generality of the foregoing or limiting in any way the rights of Lessor under this Lease or otherwise under applicable Laws, at any time after the occurrence, and during the continuance, of an Event of Default, Lessor shall be entitled to apply for and seek the appointment of a receiver under and subject to applicable Law by a court of competent jurisdiction in any action taken by Lessor to enforce its rights and remedies hereunder in order to protect and preserve Lessor's interest under this Lease or in the Properties and the Personalty; and/or

(i) to seek any equitable relief available to Lessor, including, without limitation, the right of specific performance; or

(j) Lessor agrees to use commercially reasonable efforts to mitigate its damages, subject, however, to the following conditions: (i) such commercially reasonable efforts shall not require Lessor to relet the Property either in whole or in part, nor in preference to any other space at the Property or any other property owned or managed by Lessor or Lessor's direct or indirect parent company, affiliates or subsidiaries; (ii) such reasonable efforts shall not require Lessor to relet the Property to any party that Lessor could reasonably reject as an assignee or sublessee under this Lease; (iii) Lessor shall not be obligated to solicit or entertain negotiations with any other prospective tenants for the Property until Lessor obtains full and complete possession of the Property, free of any occupants and of any right or claim of Lessee (or anyone claiming under or through Lessee) seeking or based on continuation or restoration of possession or occupancy rights; and (iv) Lessor shall not be obligated to relet the Property to a tenant with insufficient credit or financial resources, for a lesser rental, for a different use, or under other terms and conditions that are unacceptable to Lessor under Lessor's then current leasing policies for comparable space. Any reletting by Lessor may be on terms acceptable to Lessor in its sole discretion, for a shorter or longer period of time than the Term, and may include repairs, alterations and improvements, allowances and other concessions. Any failure to accomplish reletting the Property shall not reduce any damages owing by Lessee under this Lease, and Lessor shall not be responsible or liable for any failure to collect any rent due upon such reletting. Lessor may also elect in its sole discretion to sell the Property in lieu of re-letting the Property with any deficiency between Lessor's total investment and the net sale proceeds being realized a liability of Lessee as damages for any breach of this Lease. Lessor's determination of compliance with this Section 11.02 shall be within Lessor's sole and absolute discretion and be binding absent conclusive proof by Lessee of bad faith.

Section 11.03.Cumulative Remedies. All powers and remedies given by Section 11.02 to Lessor, subject to applicable Law, shall be cumulative and not exclusive of one another or of any other right or remedy or of any other powers and remedies available to Lessor under this Lease, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements of Lessee contained in this Lease, and no delay or omission of Lessor to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any other or subsequent Event of Default or impair any rights or remedies consequent thereto. Every power and remedy given by this Section 11.03 or by Law to Lessor may be exercised from time to time, and as often as may be deemed expedient, by Lessor, subject at all times to Lessor's right in its sole judgment to discontinue any work commenced by Lessor or change any course of action undertaken by Lessor.

Section 11.04.Lessee Waiver. Lessee hereby expressly waives, for itself and all Persons claiming by, through and under Lessee, including creditors of all kinds, (a) any right and privilege which Lessee has under any present or future Legal Requirements to redeem the Properties or to have a continuance of this Lease for the Lease Term after termination of Lessee's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease; (b) the benefits of any present or future Legal Requirement that exempts property from liability for debt or for distress for rent; (c) any present or future Legal Requirement relating to notice or delay in levy of execution in case of eviction of a Lessee for nonpayment of rent; and (d) any benefits and lien rights which may arise pursuant to any present or future Legal Requirement.

Article XII

Mortgage, Subordination and Attornment

Section 12.01.No Liens. Lessor's interest in this Lease and/or the Properties shall not be subordinate to any liens or encumbrances placed upon the Properties by or resulting from any act of Lessee, and nothing herein contained shall be construed to require such subordination by Lessor. NOTICE IS HEREBY GIVEN THAT LESSEE IS NOT AUTHORIZED TO PLACE OR ALLOW TO BE PLACED ANY LIEN, MORTGAGE, DEED OF TRUST, DEED TO SECURE DEBT, SECURITY INTEREST OR ENCUMBRANCE OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, EASEMENTS AND SECURITY INTERESTS OF ANY KIND, UPON ALL OR ANY PART OF THE PROPERTIES OR LESSEE'S LEASEHOLD INTEREST THEREIN, AND ANY SUCH PURPORTED TRANSACTION SHALL BE VOID.

Section 12.02.Subordination. This Lease at all times shall automatically be subordinate to the lien of any and all ground leases and Mortgages now or hereafter placed upon any of the Properties by Lessor, provided that, the mortgagee or beneficiary named in the Mortgage, and subject to appropriate provisions for non-disturbance to the extent that an Event of Default under this Lease has not occurred and is continuing, and Lessee agrees to attorn to such mortgagee or beneficiary named in the Mortgage or any purchaser at a sale by foreclosure or power of sale. Lessee covenants and agrees to execute and deliver, upon demand, such further instruments subordinating this Lease to the lien of any or all such ground leases and Mortgages as shall be desired by Lessor, or any present or proposed mortgagees under trust deeds, upon the condition that Lessee shall have the right to remain in possession of the Properties under the terms of this Lease, notwithstanding any default in any or all such ground leases or Mortgages, or after the foreclosure of any such Mortgages, so long as no Event of Default shall have occurred and be continuing.

Section 12.03.Attornment. In the event any purchaser or assignee of any Lender at a foreclosure sale acquires title to any of the Properties, or in the event that any Lender or any purchaser or assignee otherwise succeeds to the rights of Lessor as Lessor under this Lease, Lessee shall attorn to Lender or such purchaser or assignee, as the case may be (a “**Successor Lessor**”), and recognize the Successor Lessor as lessor under this Lease as long as Successor Lessor recognizes Lessee’s rights hereunder and does not disturb Lessee, and, subject to the provisions of this Article XII, this Lease shall continue in full force and effect as a direct lease between the Successor Lessor and Lessee, provided that the Successor Lessor shall only be liable for any obligations of Lessor under this Lease which accrue after the date that such Successor Lessor acquires title. The foregoing provision shall be self-operative and effective without the execution of any further instruments.

Section 12.04.Execution of Additional Documents. Although the provisions in this Article XII shall be self-operative and no future instrument of subordination shall be required, upon request by Lessor, Lessee shall execute and deliver such additional reasonable instruments as may be reasonably required for such purposes.

Section 12.05.Notice to Lender. Lessee shall give written notice to any Lender of which Lessee has been notified of any breach or default by Lessor of any of its obligations under this Lease and give such Lender at least thirty (30) days beyond any notice period to which Lessor might be entitled to cure such default before Lessee may exercise any remedy with respect thereto.

Article XIII

Assignment

Section 13.01. Assignment by Lessor. As a material inducement to Lessor's willingness to enter into the transactions contemplated by this Lease (the "**Transaction**") and the other Transaction Documents, Lessee hereby agrees that Lessor may, from time to time and at any time and without the consent of Lessee but in all cases subject to the terms and conditions of this Lease including Exhibit C attached hereto, engage in all or any combination of the following, or enter into agreements in connection with any of the following or in accordance with requirements that may be imposed by applicable securities, tax or other Laws: (a) the sale, assignment, grant, conveyance, transfer, financing, re financing, purchase or re acquisition of all, less than all or any portion of the Properties, this Lease or any other Transaction Document, Lessor's right, title and interest in this Lease or any other Transaction Document, the servicing rights with respect to any of the foregoing, or participations in any of the foregoing; or (b) a Securitization and related transactions. Without in any way limiting the foregoing, the parties acknowledge and agree that Lessor, in its sole discretion, may assign this Lease or any interest herein to another Person in order to maintain Lessor's or any of its Affiliates' status as a REIT. In the event of any such sale or assignment other than a security assignment, Lessee shall attorn to such purchaser or assignee (so long as Lessor and such purchaser or assignee notify Lessee in writing of such transfer and such purchaser or assignee expressly assumes in writing the obligations of Lessor hereunder from and after the date of such assignment). At the request of Lessor, Lessee will execute such documents confirming the sale, assignment or other transfer and such other agreements as Lessor may reasonably request, provided that the same do not increase the liabilities and obligations of Lessee hereunder and include Successor Lessor's express assumption of all Lessor's obligations hereunder. Lessor shall be relieved, from and after the date of such transfer or conveyance, of liability for the performance of any obligation of Lessor contained herein, except for obligations or liabilities accrued prior to such assignment or sale.

Section 13.02. No Assignment by Lessee. Lessee acknowledges that Lessor has relied both on the business experience and creditworthiness of Lessee and upon the particular purposes for which Lessee intends to use the Properties in entering into this Lease. Lessee shall not assign, transfer, convey, pledge or mortgage this Lease or any interest herein or any interest in Lessee, whether by operation of Law or otherwise, without the prior written consent of Lessor, which may not be unreasonably conditioned, delayed or withheld. At the time of any assignment of this Lease which is approved by Lessor, the assignee shall assume all of the obligations of Lessee under this Lease pursuant to a written assumption agreement in form and substance reasonably acceptable to Lessor. Such assignment of this Lease pursuant to this Section 13.02 shall not relieve Lessee of its obligations respecting this Lease unless otherwise agreed to by Lessor. Any assignment, transfer, conveyance, pledge or mortgage in violation of this Section 13.02 shall be voidable at the sole option of Lessor. Any consent to an assignment given by Lessor hereunder shall not be deemed a consent to any subsequent assignment.

Section 13.03.No Sale of Assets. Without the prior written consent of Lessor, not to be unreasonably withheld, Lessee shall not sell all or substantially all of Lessee's assets located on and used in the operation of the Permitted Facilities at the Properties, except in connection with an assumption of this Lease pursuant to Section 13.05 below; provided, however, that Lessee may sell Lessee's intellectual property, licenses, contracts, or regulatory assets (collectively, the "**Intangible Assets**") to the extent such sale of the Intangible Assets is: (a) at arm's length and (b) in connection with a licensing, royalty, or other contractual or financial arrangement, provided that such licensing, royalty, or other contractual or financial arrangement is in the ordinary course of running its business. Any sale of Lessee's assets in violation of this Section 13.03, shall be voidable at the sole option of Lessor. Any consent to a sale of Lessee's assets given by Lessor hereunder shall not be deemed a consent to any subsequent sale of Lessee's assets.

Section 13.04.Subletting. Provided no Event of Default has occurred and is continuing, Lessee shall have the right to sublease any or all of the Properties; provided, however, (a) the term of any such sublease shall not extend beyond the Lease Term; (b) the sublease shall be for no use other than a Permitted Facility; (c) the sublease shall be subject and subordinate to this Lease and shall not contain any terms inconsistent with this Lease; (d) Lessee shall at all times remain fully and primarily liable under this Lease; (e) the rent due under such sublease shall be fixed rent and shall not be based on the net profits of the sublessee; and (f) the sublease is approved by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed (each, a "**Sublease**"); provided that the terms and provisions of this Section 13.04 are satisfied. As security for the payment and performance by Lessee of its obligations under this Lease, Lessee hereby assigns, transfers, sets over and grants to Lessor, a security interest in any and all of Lessee's right, title and interest, powers, privileges and other benefits as Lessor under the Subleases, including, without limitation: (i) rent and proceeds thereof; (ii) the right to enter upon, take possession of and use any and all Property subleased or granted by Lessee under the Subleases; (iii) the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of any default giving rise to a right in favor of Lessee under the Subleases; and (iv) the right to do any and all other things whatsoever which Lessee is or may become entitled to do under the Subleases. Upon the occurrence of and during the continuance of an Event of Default hereunder, Lessee agrees that, at the option of Lessor and in addition to such other rights and remedies as may be afforded to Lessor under this Lease, Lessor shall have the right, without giving notice to or obtaining the consent of Lessee, to exercise, enforce or avail itself of any of the rights, powers, privileges, authorizations or benefits assigned and transferred to Lessor pursuant to this Section 13.04, including, without limitation, the right to collect all amounts due under the Subleases. From and after the occurrence of an Event of Default, Lessee does hereby irrevocably appoint Lessor as Lessee's true and lawful attorney, with full power (in the name of Lessee or otherwise) to ask, require, demand, receive and give acquittance for every payment under or arising out of the Subleases to which Lessee is or may become entitled. Lessee declares that this appointment is coupled with an interest and shall be irrevocable by Lessee. Lessee further agrees to execute any and all other instruments deemed reasonably necessary by Lessor to further the intent of the foregoing assignment and to vest Lessor in the Subleases. Notwithstanding any provision contained in this Section 13.04, (i) Lessor shall not be obligated to perform or discharge any obligation, duty or liability under the Subleases by reason of the foregoing assignment; and (ii) Lessor shall not be liable or responsible for, and Lessee agrees to indemnify and hold Lessor harmless from and against any liability, loss, cost or damage, claim or demand against Lessor arising, directly or indirectly, from or related to the Subleases.

Section 13.05. Permitted Assignments. Notwithstanding anything herein to the contrary contained in this Lease and provided that no event of default has occurred and is continuing and provided further that any assignee agrees to assume all of Lessee's obligations under this Lease, Lessee shall have the right to assign or otherwise transfer all, but not less than all, of its interest in, to and under this Lease without Lessor's consent to (each, a **"Permitted Assignment"**): (a) an Affiliate of Lessee, (b) any entity which purchases or otherwise acquires all or substantially all of the assets or equity interests of Lessee or Guarantor in a bona fide sale for fair market value, (c) the merger, consolidation or other corporate reorganization of Lessee or Guarantor, (d) any sublease or assignment by Lessee to a separate legal entity so long as the original named Lessee has control of, is controlled by or is in common control with such separate legal entity; or (e) a Qualified Operator. A **"Qualified Operator"** shall mean a Person who, following the consummation of the assignment contemplated herein, (i) operates facilities similar to the Permitted Use; (ii) has a CFCCR of at least 1.25; (iii) generates EBITDA greater than \$15,000,000 during a trailing twelve (12) month period; and (iv) has a Lease Adjusted Leverage of no more than 6.45x (each, a **"QO Permitted Transfer"**); provided, however, that Lessee may satisfy the foregoing conditions of a Qualified Operator by providing, or causing to be provided, a guaranty agreement, in form and substance reasonably acceptable to and approved by Lessor, in writing, which guaranty shall be from an entity that meets the requirements of (i), (ii), (iii), and (iv) set forth in this Section. In the event that Lessee effects a QO Permitted Transfer pursuant to clause (c), Lessee shall be released from any liability arising under this Lease from and after the date of such assignment. In the event that Lessee effects a QO Permitted Transfer pursuant to clauses (a) or (b), Lessee shall not be released from liability under this Lease. Notwithstanding the foregoing or anything to the contrary contained herein, any lender, including any agent (or administrative agent) representing a group of lenders, who extended credit to either Lessee or Guarantor (collectively, a **"Senior Creditor"**), which extension of credit is secured by a lien on all or substantially all of the assets of Lessee or Guarantor, or entity designated by such Senior Creditor, may, directly or indirectly, take an assignment (a **"Lessee Lender Assignment"**) of this Lease (or cause this Lease to be assigned) without violating the limitation on assignments hereunder so long as such Senior Creditor or designee of such Senior Creditor (the **"Lessee Lender Assignee"**) operates the Permitted Facilities in accordance with a Permitted Use or cause the Permitted Facilities to be operated for a Permitted Use. In the event of a Lessee Lender Assignment, any default under Section 11.01(e) shall be deemed cured and waived by Lessor with regard to the financial condition of the prior Lessee; provided that: (1) the Lessee Lender Assignee under the Lessee Lender Assignment shall be bound by Section 11.01(e) from and after the date of such assignment, and (2) the Lessee Lender Assignee satisfies the following upon a request from Lessor or Lessor's lender: (x) Lessee Lender Assignee provides Lessor with (I) reasonably satisfactory evidence that the assets of Lessee Lender Assignee or its parent company or lease guarantor (as applicable) are not (or no longer) subject to the jurisdiction of the bankruptcy court (if applicable), (II) reasonably satisfactory evidence that this Lease or its Guaranty (as applicable) has been affirmed (which evidence shall include a copy of the court order affirming this Lease or its Guaranty, if required by Lessor's lender) or Lessee Lender Assignee reaffirms, in writing, that this Lease or its Guaranty are unmodified and in full force and effect and (III) an updated tenant estoppel certificate from Lessee Lender Assignee that is reasonably acceptable to Lessor and Lessor's lender confirming, among other things, that this Lease is in full force and effect, that the Permitted Facilities are open for business for the Permitted Use and Lessee Lender Assignee is obligated to pay full contractual rent hereunder (without offset or free rent credit), Lessee Lender

Assignee affirms this Lease (on terms identical to this Lease prior to any bankruptcy action) and that there is no default by Lessor under this Lease (or identifying the alleged default); provided, however, delivery of such estoppel by Lessee Lender Assignee shall not be deemed a waiver by Lessee Lender Assignee of any default by Lessor under this Lease that Lessee Lender Assignee first becomes aware of after the date of the assignment.

Article XIV

Lien and Security

Section 14.01.Lessor's Lien and Security Interest. Lessee agrees that Lessor shall have a landlord's lien, in, on and against all of Lessee's right, title and interest in, to and under all Personalty, which lien and security interest shall secure the payment of all Rental and other Monetary Obligations payable by Lessee to Lessor under the terms hereof and all other obligations of Lessee to Lessor under this Lease. Lessee agrees that Lessor may file such documents as Lessor then deems appropriate or necessary to perfect and maintain said lien and security interest, and expressly acknowledges and agrees that, in addition to any and all other rights and remedies of Lessor whether hereunder or at Law or in equity, in the Event of Default of Lessee hereunder, Lessor shall have any and all rights and remedies granted a secured party under the Uniform Commercial Code then in effect in the states where the Properties are located. Lessee covenants to promptly notify Lessor of any changes in Lessee's name and/or organizational structure which may necessitate the execution and filing of additional financing statements; *provided, however*, the foregoing shall not be construed as Lessor's consent to such changes. Upon the written request of Lessee or Lessee's senior lender, Lessor shall agree to subordinate its landlord's lien in Personalty that is collateral for any lien granted by Lessee in favor of Lessee's senior lender; provided, that the subordination agreement shall be in form and substance mutually agreeable to Lessee's senior lender and Lessor.

Lessee hereby ratifies its authorization for Lessor or any of its Affiliates to have filed in any Uniform Commercial Code jurisdiction any initial financing statement and any amendments thereto covering the Personalty pledged herein, if filed prior to the Effective Date.

Article XV

Notices

Section 15.01.Notices. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Lease shall be in writing and given by any one of the following: (a) hand delivery; (b) express overnight delivery service; (c) certified or registered mail, return receipt requested; or (d) email transmission, and shall be deemed to have been delivered upon (i) receipt, if hand delivered; (ii) the next Business Day, if delivered by a reputable express overnight delivery service; (iii) the third Business Day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested; or (iv) transmission, if delivered by email transmission. Notices shall be provided to the parties and addresses (or electronic mail addresses) specified below:

If to Lessee: Societal CDMO, Inc.
1300 Gould Drive
Gainesville, GA 30504
Attention: Chief Financial Officer
Email: ryan.lake@societalcdm.com

With a copy to: Troutman Pepper Hamilton Sanders LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103
Attention: Matthew J. Swett, Esq.
Email: matthew.swett@troutman.com

If to Lessor: Tenet Equity Funding SPE Gainesville, LLC
7332 E. Butherus Dr., Suite 100
Scottsdale, Arizona 85260
Attention: General Counsel
Email: legalnotice@tenetequity.com

With a copy to: Nixon Peabody
One California Plaza
300 S Grand Ave #4100
Los Angeles, CA 90071
Attention: Justin X. Thompson
E-mail: jthompson@nixonpeabody.com

or to such other address or such other person as either party may from time to time hereafter specify to the other party in a notice delivered in the manner provided above.

Article XVI

Miscellaneous

Section 16.01.Force Majeure. Notwithstanding anything to the contrary contained in this Lease, any labor dispute, fire, unusual delay in transportation or delivery, unavoidable casualty, flood, earthquake, governmental restrictions, civil disturbance, war terrorism, freight embargo, riot, sabotage (by persons other than Lessee, Guarantor, or any of their Affiliates), breaches in cybersecurity, unusual industry material shortage or any other similar act or condition, in all cases only to the extent the event in question is beyond the control of and without the fault or negligence of Lessee, Guarantor, or any of their Affiliates; provided, however, that a lack of funds in and of itself shall not be deemed a cause beyond the control of Lessee (collectively, a "**Force Majeure**"), shall excuse the performance of such party only for a period equal to any such prevention, delay or stoppage. If this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure. Notwithstanding anything to the contrary contained in this Lease, no event of Force Majeure shall (i) excuse Lessee's Rental and other Monetary Obligations to be paid hereunder, or (ii) be grounds for Lessee to abate any portion of Rental or other Monetary Obligations to be paid hereunder, or entitle either party to terminate this Lease, except as allowed pursuant to Article X of this Lease.

Section 16.02.No Merger. There shall be no merger of this Lease nor of the leasehold estate created by this Lease with the fee estate in or ownership of any of the Properties by reason of the fact that the same person, corporation, firm or other entity may acquire or hold or own, directly or indirectly, (a) this Lease or the leasehold estate created by this Lease or any interest in this Lease or in such leasehold estate, and (b) the fee estate or ownership of any of the Properties or any interest in such fee estate or ownership. No such merger shall occur unless and until all persons, corporations, firms and other entities having any interest in (i) this Lease or the leasehold estate created by this Lease, and (ii) the fee estate in or ownership of the Properties or any part thereof sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

Section 16.03.Interpretation. Lessor and Lessee acknowledge and warrant to each other that each has been represented by independent counsel and has executed this Lease after being fully advised by said counsel as to its effect and significance. This Lease shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. Whenever in this Lease any words of obligation or duty are used, such words or expressions shall have the same force and effect as though made in the form of a covenant.

Section 16.04.Characterization. The following expressions of intent, representations, warranties, covenants, agreements, stipulations and waivers are a material inducement to Lessor entering into this Lease:

(a)Lessor and Lessee intend that (i) this Lease constitutes an unseverable, unitary and single lease of all, but not less than all, of the Properties, and, if at any time this Lease covers other real property in addition to the Properties, neither this Lease, nor Lessee's obligations or rights hereunder may be allocated or otherwise divided among such properties by Lessee; (ii) this Lease is a "true lease," and is not a financing lease, capital lease, mortgage, equitable mortgage, deed of trust, trust agreement, security agreement or other financing or trust arrangement, and the economic realities of this Lease are those of a true lease; and (iii) the business relationship created by this Lease and any related documents is solely that of a long-term commercial lease between Lessor and Lessee, this Lease has been entered into by both parties in reliance upon the economic and legal bargains contained herein, and none of the agreements contained herein is intended, nor shall the same be deemed or construed, to create a partnership (de facto or de jure) between Lessor and Lessee, to make them joint venturers, to make Lessee an agent, legal representative, partner, subsidiary or employee of Lessor, nor to make Lessor in any way responsible for the debts, obligations or losses of Lessee.

(b)Except as provided in Section 16.04(c)(ii) below, Lessor and Lessee covenant and agree that: (i) each intends to treat this Lease as an operating lease pursuant to Accounting Standards Codification No. 842, as amended, and as a true lease for state Law reporting purposes and for federal income tax purposes; (ii) each party will not, nor will it permit any Affiliate to, at any time, take any action or fail to take any action with respect to the preparation or filing of any statement or disclosure to Governmental Authority, including without limitation, any income tax return (including an amended income tax return), to the extent that such action or such failure to take action would be inconsistent with the intention of the parties expressed in this Section 16.04; (iii) with respect to the Properties, the initial Lease Term is less than seventy-five percent (75%) of the estimated remaining economic life of the Properties; and (iv) the Base Annual Rental is the fair market value for the use of the Properties and was agreed to by Lessor and Lessee on that basis, and the execution and delivery of, and the performance by Lessee of its obligations under, this Lease do not constitute a transfer of all or any part of the Properties.

(c)Lessee waives any claim or defense based upon Lessor's characterization of this Lease as anything other than a true lease and as a master lease of all of the Properties. Lessee stipulates and agrees (i) not to challenge Lessor's determination of the validity, enforceability or characterization of this Lease of the Properties as a true lease and/or as a single, unitary, unseverable instrument pertaining to this Lease of all, but not less than all, of the Properties; and (ii) not to assert or take or omit to take any action inconsistent with the intentions, agreements and understandings set forth in this Section 16.04, except that Lessee may treat this Lease as a failed sale-leaseback for accounting purposes pursuant to Accounting Standards Codification No.'s 606 and 842.

Section 16.05.Disclosures.

(a)*Securities Act or Exchange Act.* The parties agree that, notwithstanding any provision contained in this Lease, any party (and each employee, representative or other agent of any party) may disclose to any and all persons, without limitation of any kind, any matter required under the Securities Act or the Exchange Act.

(b)***Lessor Advertising and Related Publications.*** Lessor may use Lessee's name, trademarks, logos, pictures of stores and signage, and basic Transaction information (collectively "**Lessee's Information**") solely in connection with Lessor's sales, advertising, and press release materials, including on Lessor's website.

(c)***Public Disclosures.*** Lessee may make a public disclosure, including press releases or any form of media release, of this Lease Agreement or any transactions relating hereto.

Section 16.06. Attorneys' Fees. In the event of any judicial or other adversarial proceeding concerning this Lease, to the extent permitted by Law, the prevailing party shall be entitled to recover all of its reasonable attorneys' fees and other Costs in addition to any other relief to which it may be entitled.

Section 16.07. No Brokerage. LESSOR AND LESSEE REPRESENT AND WARRANT TO EACH OTHER THAT THEY HAVE HAD NO CONVERSATION OR NEGOTIATIONS WITH ANY BROKER CONCERNING THE LEASING OF THE PROPERTIES, EXCEPT CRESA ON BEHALF OF LESSEE, WHICH COSTS SHALL BE THE SOLE RESPONSIBILITY OF LESSEE. EACH OF LESSOR AND LESSEE AGREES TO PROTECT, INDEMNIFY, SAVE AND KEEP HARMLESS THE OTHER, AGAINST AND FROM ALL LIABILITIES, CLAIMS, LOSSES, COSTS, DAMAGES AND EXPENSES, INCLUDING ATTORNEYS' FEES, ARISING OUT OF, RESULTING FROM OR IN CONNECTION WITH THEIR BREACH OF THE FOREGOING WARRANTY AND REPRESENTATION.

Section 16.08. Waiver of Jury Trial and Certain Damages. TO THE MAXIMUM EXTENT PERMITTED BY LAW, LESSOR AND LESSEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR ITS SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LESSOR AND LESSEE, LESSEE'S USE OR OCCUPANCY OF THE PROPERTIES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY THE PARTIES HERETO OF ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN. FURTHERMORE, LESSOR AND LESSEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY AND ANY OF THE AFFILIATES, OFFICERS, DIRECTORS, MEMBERS, MANAGERS OR EMPLOYEES OF LESSOR OR LESSEE, AS APPLICABLE, OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE OR ANY DOCUMENT CONTEMPLATED HEREIN OR RELATED HERETO. THE WAIVER BY LESSOR AND LESSEE OF ANY RIGHT EITHER MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY THE PARTIES HERETO AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

Section 16.09. Marketing and Securitizations. As a material inducement to Lessor's willingness to enter into the Transactions contemplated by this Lease and the other Transaction Documents, Lessee hereby acknowledges and agrees that Lessor may, from time to time and at any time (a) advertise, issue press releases, send direct mail or otherwise disclose information regarding the Transaction for marketing purposes; and (b) (i) act or permit another Person to act as sponsor, settler, transferor or depositor of, or a holder of interests in, one or more Persons or other arrangements formed pursuant to a trust agreement, indenture, pooling agreement, participation agreement, sale and servicing agreement, limited liability company agreement, partnership agreement, articles of incorporation or similar agreement or document; and (ii) permit one or more of such Persons or arrangements to offer and sell stock, certificates, bonds, notes, other evidences of indebtedness or securities that are directly or indirectly secured, collateralized or otherwise backed by or represent a direct or indirect interest in whole or in part in any of the assets, rights or properties described in Section 13.01 of this Lease, in one or more Persons or arrangements holding such assets, rights or properties, or any of them (collectively, the "**Securities**"), whether any such Securities are privately or publicly offered and sold, or rated or unrated (any combination of which actions and transactions described in both clauses (i) and (ii) in this paragraph, whether proposed or completed, are referred to in this Lease as a "**Securitization**"). Lessee shall cooperate fully with Lessor with respect to all reasonable requests and due diligence procedures and use reasonable efforts to facilitate such Securitization, provided that such cooperation shall be at no additional cost or expense to Lessee so long as Lessee is not otherwise required to provide such information to Lessor pursuant to the other provisions of this Lease.

Section 16.10. Additional Provisions and State-Specific Provisions. The provisions and/or remedies which are set forth on the attached Exhibit C shall be deemed a part of and included within the terms and conditions of this Lease.

Section 16.11. Time is of the Essence; Computation. Time is of the essence with respect to each and every provision of this Lease. If any deadline provided herein falls on a non-Business Day, such deadline shall be extended to the next day that is a Business Day.

Section 16.12. Waiver and Amendment. No provision of this Lease shall be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by the party against which enforcement of such waiver or amendment is sought. Waiver of any matter shall not be deemed a waiver of the same or any other matter on any future occasion. No acceptance by Lessor of an amount less than the Rental and other Monetary Obligations stipulated to be due under this Lease shall be deemed to be other than a payment on account of the earliest such Rental or other Monetary Obligations then due or in arrears nor shall any endorsement or statement on any check or letter accompanying any such payment be deemed a waiver of Lessor's right to collect any unpaid amounts or an accord and satisfaction.

Section 16.13. Successors Bound. Except as otherwise specifically provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of the respective heirs, successors, executors, administrators and assigns of each of the parties hereto.

Section 16.14.Captions. Captions are used throughout this Lease for convenience of reference only and shall not be considered in any manner in the construction or interpretation hereof.

Section 16.15.Other Documents. Each of the parties agrees to sign such other and further documents as may be necessary or appropriate to carry out the intentions expressed in this Lease.

Section 16.16.Entire Agreement. This Lease and any other instruments or agreements referred to herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

Section 16.17.Forum Selection; Jurisdiction; Venue; Choice of Law. For purposes of any action or proceeding arising out of this Lease, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the state or states where the Properties are located. Lessee and Lessor each consent that it may be served with any process or paper by registered mail or by personal service within or without the state or states where the Properties are located subject to governing Law. Furthermore, Lessee and Lessor waive and agree not to assert in any such action, suit or proceeding that it is not personally subject to the jurisdiction of such courts, that the action, suit or proceeding is brought in an inconvenient forum or that venue of the action, suit or proceeding is improper. This Lease shall be governed by, and construed with, the Laws of the applicable state or states in which the Properties are located, without giving effect to any state's conflict of Laws principles.

Section 16.18.Counterparts. This Lease may be executed in one or more counterparts, each of which shall be deemed an original. Furthermore, the undersigned agree that transmission of this Lease via e-mail in a ".pdf" or other electronic format shall be deemed transmission of this Lease for all purposes.

Section 16.19.Guaranty. Lessor's execution of this Lease is conditioned upon its receipt of a guaranty of Lessee's obligations under this Lease executed by the Guarantor named in the Basic Lease Terms, such guaranty to be in the form and substance as set forth in Exhibit E attached hereto and incorporated herein by this reference, or in any other form or substance reasonably requested by Lessor (the "**Guaranty**"). The execution of the Guaranty is a material inducement to Lessor to enter into this Lease. The obligations hereunder imposed upon Lessee shall be the joint and several obligations of Lessee and the Guarantor, and Lessor need not first proceed against the Lessee hereunder before proceeding against Guarantor, nor shall the Guarantor be released from its Guaranty for any reason whatsoever, including without limitation, in case of any amendments hereto, waivers hereof or failure to give Guarantor any notices hereunder.

[Remainder of page intentionally left blank; signature page(s) to follow]

IN WITNESS WHEREOF, Lessor has entered into this Lease as of the date first above written.

LESSOR:

TENET EQUITY FUNDING SPE GAINESVILLE, LLC
a Delaware limited liability company

By: /s/ Michael J. Zieg
Printed Name: Michael J. Zieg
Title: Chief Operating Officer

IN WITNESS WHEREOF, Lessee has entered into this Lease as of the date first above written.

SOCIETAL CDMO GAINESVILLE, LLC, a Massachusetts limited liability company:

By: /s/ Ryan D. Lake

Printed Name: Ryan D. Lake

Title: Chief Financial Officer

EXHIBITS

Exhibit A: Legal Descriptions and Street Addresses of the Properties

Exhibit B: Authorization Agreement - Pre-Arranged Payments

Exhibit C: Additional Provisions

Exhibit D: Reserved

Exhibit E: Guaranty

Schedule 8.03 Supplemental Financial Information

EXHIBIT A

LEGAL DESCRIPTIONS AND STREET ADDRESSES OF THE PROPERTIES

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF Hall, STATE OF GA, AND IS DESCRIBED AS FOLLOWS:

ALL THAT TRACT OR PARCEL OF LAND LYING AND BEING IN LAND LOT 16 OF THE 8TH LAND DISTRICT, HALL COUNTY, GEORGIA, AND KNOWN AS TRACT 1A, BEING AN APPROXIMATELY 27.312 ACRE TRACT, AS SHOWN ON THAT PLAT RECORDED IN PLAT BOOK 882, PAGE 308, HALL COUNTY, GEORGIA RECORDS.

EXHIBIT B

FORM OF AUTHORIZATION AGREEMENT – PREARRANGED PAYMENTS



ACH / PAC AUTHORIZATION

Dear Tenant:

This form is being provided to you in connection with your Lease Agreement with Tenet Equity. Electronic rent draft is a FREE service for making your scheduled monthly rent payment. Please complete this form and return it to Tenet Equity along with a copy of a voided check. Automatic payment draft will be processed as soon as practical on the next regularly scheduled rent payment date after Situs AMC, our lease servicer, processes the form.

By signing below, you acknowledge that all electronic monthly payments will occur on the due date per your Lease documents. Should the due date occur on a weekend or banking holiday, the transfer will occur on the prior business day. Requests to cancel the PAC must be provided in writing 15 business days prior to the due date.

If your account is subject to Fraud Filter please make arrangements to allow for the debit. Situs's ACH Company ID is 7364032375. If you need more information, please reach out to your Account Manager.

Tenant's Name	
Account Name	
Bank Name	
ABA Number	
Account Number	
Account Type	☐ Checking ☐ Savings ☐ Other:

I hereby authorize Situs Asset Management LLC to initiate electronic monthly payments by means of a Preauthorized Check Payments ("PAC") - formerly named Automated Clearing House ("ACH"). The monthly PAC will be for the rent due under my Lease with Tenet Equity and if for any reason the PAC transfer is returned, I acknowledge that I may be assessed an Insufficient Funds Fee ("NSF"). Upon failure of my PAC due to insufficient funds and/or any requests, prior to written notification to Situs Asset Management LLC to cease my PAC, I further acknowledge that I am responsible for making all payments due under my Lease documents and/or amounts invoiced to me as due under the Lease.

Signature: _____

Name: _____

Title: _____

Date: _____

[ATTACH COPY OF VOIDED CHECK]

EXHIBIT C

ADDITIONAL PROVISIONS

1. Right of First Offer.

(b)Initiation. If at any time during the Lease Term Lessor shall decide to sell Lessor's fee interest in the Property ("**Lessor's Interest**"), provided that an Event of Default shall not have occurred and be continuing under this Lease or any of the Transaction Documents, then Lessor shall give to Lessee prior written notice thereof (a "**Sale Notice**"), which shall set forth the cash price for which Lessor is willing to sell Lessor's Interest (the "**Proposed Cash Price**") and the other material terms and conditions for such sale (the "**Other Material Terms**"), and be deemed an offer by Lessor to sell the Property to Lessee for the Proposed Cash Price and on the Other Material Terms.

(c)Right of First Offer. Upon receipt of a Sale Notice, Lessee shall have the right, exercisable by Lessee giving written notice thereof (a "**ROFO Offer Acceptance**") to Lessor within ten (10) business days after Lessee's receipt of such Sale Notice, to accept the offer to purchase Lessor's Interest. If Lessee delivers to Lessor a ROFO Offer Acceptance, then Lessor and Lessee shall negotiate in good faith to enter into a purchase and sale agreement pursuant to which Lessor and Lessee shall consummate the purchase and sale of the Lessor's Interest on the date that is ninety (90) days after receipt by Lessor of the ROFO Offer Acceptance for the Proposed Cash Price, free and clear of all liens, pledges, security interests and other encumbrances (other than the Permitted Exceptions), and otherwise on the applicable Other Material Terms and such other customary terms and conditions as are reasonably acceptable to Lessor and Lessee.

(d)Right to Sell to Third Parties. If Lessee fails to timely deliver a ROFO Offer Acceptance to Lessor following receipt of a Sale Notice from Lessor, then Lessor shall have the right to consummate a sale of Lessor's Interest to any third party purchaser (a "**Third Party Purchaser**") during the period commencing on the last date Lessee could have delivered such ROFO Offer Acceptance and expiring on the date that is one year after such date (a "**Third Party Sale Period**"), provided that the cash proceeds to Lessor is at least 90% of the applicable Cash Price and otherwise on terms that are not more favorable to the Purchaser than the applicable Other Material Terms. If Lessor elects to sell the Property at less than 90% of the Cash Price, then Section 2 of this Exhibit C shall apply.

(e)Expiration of Third Party Sale Period. If Lessor fails to sell Lessor's Interest to a Third Party Purchaser pursuant to Section 1(c) of this Exhibit C prior to the expiration of the applicable Third Party Sale Period, then, thereafter, Lessor may not sell Lessor's Interest to a Third Party Purchaser without first complying with Section 1 and Section 2 of this Exhibit C, as applicable.

(f)Failure to Close. In the event that Lessor defaults in its obligation to sell Lessor's Interest to Lessee if and when required to do so under this Section 1(e) of this Exhibit C, Lessee, in addition to any other rights or remedies available at law or in equity, shall have the right to seek specific performance of Lessor's obligations hereunder, together with the right to recover Lessee's reasonable legal fees actually incurred in connection with seeking specific performance. In the event Lessee delivers a ROFO Offer Acceptance, and subsequently defaults in its obligation to purchase Lessor's Interest if and when required to do so under this Section 1 of this Exhibit C, then Lessee shall reimburse Lessor for all out of pocket expenses incurred in connection therewith and thereafter have no further rights and Lessor shall have no further obligations under this Exhibit C.

(g)Transfer to Affiliates. Lessee's rights under this Section 1 of this Exhibit C shall not apply to, but shall survive: (i) a transfer of Lessor's Interest to an Affiliate, (ii) a sale of a portfolio of properties including the Property (or interest in Lessor) wherein the Property (or the interest of Lessor therein) constitutes less than fifty percent (50%) of the value of such portfolio, or (iii) a transfer of Lessor's Interest to a Lender for security or upon the foreclosure of such security by such Lender or delivery of a deed-in-lieu of foreclosure or other acquisition of title to the Property by such Lender or to any subsequent sale by such Lender or its designee. For the avoidance of doubt, Lessee's rights under this section shall be binding upon any successor to Lessor's interest in the Property.

1.Right of First Refusal.

(b)Lessor grants to Lessee a right of first refusal (the "**First Refusal Right**"), to purchase on the following terms and conditions; provided, that no Event of Default shall have occurred and be continuing. If at any time after the Effective Date, Lessor receives an offer from a third-party for the sale of Lessor's Interest that Lessor intends to accept (the "**Third Party Offer**"), Lessor shall offer Lessee the right to purchase Lessor's Interest by sending to Lessee a written notice (the "**Offer Notice**") enclosing the material terms of the Third Party Offer. Lessee shall have ten (10) Business Days from the receipt of the Offer Notice within which to exercise such First Refusal Right by written notice of exercise to Lessor on the same terms as the Third Party Offer ("**Lessee's Exercise Notice**"). If Lessor and Lessee do not execute a commercially reasonable binding purchase agreement in a customary form for the proposed transaction for the purchase and sale of Lessor's Interest within fifteen (15) days following Lessee's receipt of same from Lessor, Lessee's Exercise Notice shall be deemed withdrawn and Lessor shall be free to proceed with the Third Party Offer, subject to Section 2(b) of this Exhibit C below.

(c) If the parties fail to execute a binding purchase agreement as provided in Section 2(a) of this Exhibit C above, or if Lessee fails to provide Lessee's Exercise Notice to Lessor within such three (3) Business Day period (which shall be conclusively deemed to be and constitute a rejection of the Offer Notice by Lessee and a waiver of Lessee's First Refusal Right with respect to such Third Party Offer), then in either such event, Lessor shall be free thereafter to sell Lessor's Interest to any third party on the material substantive terms and conditions as set forth in the Third Party Offer, provided such sale occurs within one (1) year of the date of the Offer Notice. If Lessor intends to sell Lessor's Interest on terms materially different than those set forth in the Offer Notice, for a price that is less than ninety-five percent (95%) of the price contained in the Offer Notice to Lessee, or subsequent to the expiration of one (1) year after the Offer Notice, Lessor shall be required to offer Lessor's Interest to Lessee pursuant to the terms hereof.

(d) If an Offer Notice is validly accepted by Lessee, then Lessee shall purchase Lessor's Interest from Lessor on the terms and conditions set forth in the Third Party Offer. If after an Offer Notice is validly accepted by Lessee and Lessee subsequently fails to complete the purchase as specified, (i) Lessee shall reimburse Lessor for its actual costs incurred in connection therewith, and (ii) this First Refusal Right shall terminate and be of no further force or effect.

(e) This is a continuing right of first offer which shall apply during the entire Term, subject to the terms and conditions of this Section 2.

(f) For the avoidance of doubt, the right of first refusal set forth in this Section 1 of this Exhibit C is not be applicable in connection with, but shall survive: (i) a transfer of Lessor's Interest to an Affiliate; (ii) a sale by Lessor or its Affiliates of a larger portfolio of properties that include the Property (or interest in Lessor) wherein the Property (or the interest of Lessor therein) constitutes less than fifty percent (50%) of the value of such portfolio; or (iii) a transfer of Lessor's Interest to a Lender for security or upon the foreclosure of such security by such Lender or delivery of a deed-in-lieu of foreclosure or other acquisition of title to the Property by such Lender or to any subsequent sale by such Lender or its designee.

3. **Purchase Option.** Provided that: (a) (i) no Event of Default shall have occurred and be continuing, and (ii) Lessee has not defaulted in its rights pursuant to Section 1 or 2 of this Exhibit C, then commencing on the first day of the tenth (10th) anniversary of the Effective Date and ending three (3) months thereafter, or (b) (i) Lessee has exercised the applicable Extension Option pursuant to the terms and provisions of this Lease, (ii) no Event of Default shall have occurred and be continuing, and (iii) Lessee has not defaulted in its rights pursuant to: (A) the purchase option in clause (a) of this Section 3, or (B) Section 1 or 2 of this Exhibit C, then during the period commencing on the first day of each extension term and ending three (3) months thereafter (each of (a) or (b), an “**Option Period**”), Lessee shall have the option to purchase Lessor’s Interest from Lessor at a price equal to the greater of: (i) fair market value (as determined by an appraisal conducted by an MAI designated appraiser mutually chosen by Lessor and Lessee, which appraisal shall assume the highest and best use of the Property and not just the Permitted Use) and (ii) for the three (3) month period following the tenth (10th) anniversary of the Effective Date, one hundred twenty percent (120%), (iii) during the first Extension Option one hundred thirty-five percent (135%), during the second Extension Option one hundred forty percent (140%), during the third Extension Option one hundred fifty percent (150%), and during the fourth Extension Option one hundred sixty percent (160%) of Lessor’s total investment in the Property (i.e., the sum of: (A) the original purchase price paid by the then lessor under this Lease, (B) any subsequent fundings advanced by Lessor to Lessee related to the Property, and (C) Lessee’s closing costs (the “**Project Purchase Price**”). Lessee shall exercise its rights hereunder by giving written notice to Lessor prior to the expiration of the Option Period (“**Option Exercise Notice**”). If Lessee delivers to Lessor an Option Exercise Notice, then Lessor and Lessee shall negotiate in good faith to enter into a purchase and sale agreement pursuant to which Lessor and Lessee shall consummate the purchase and sale of the Property on the date that is ninety (90) days after receipt by Lessor of the Option Exercise Notice for the Project Purchase Price, free and clear of all liens, pledges, security interests and other encumbrances (other than the Permitted Exceptions), and otherwise on the customary terms and conditions as are reasonably acceptable to Lessor and Lessee. Lessee shall be responsible for paying all costs in connection with the purchase and transfer of the Property, including, but not limited to, transfer costs and taxes, expenses of Lessor’s attorney fees, and any prepayment costs, penalties, or premiums, including, without limitation, all costs with respect to any defeasance (including the purchase of any securities) of any loan on the property, Lessor incurs to prepay any loan on the property in excess of the outstanding principal balance of the Lessor’s loan, if any. In the event that Lessee defaults in its obligation to close on the acquisition of the Property pursuant to this Section 3 of this Exhibit C from Lessor if and when required to do so under this Section 3 of this Exhibit C, Lessor, in addition to any other rights or remedies available at law or in equity, shall have the right to recover Lessor’s reasonable legal fees and other out of pocket expenses actually incurred in connection therewith. Additionally, if Lessee defaults in its obligation to purchase Lessor’s Interest if and when required to do so under this Section 3 of this Exhibit C, then Lessee shall have no further rights and Lessor shall have no further obligations under this Section 3 of this Exhibit C. Notwithstanding anything to the contrary, Lessee’s rights hereunder as to the Lessor’s Interest shall terminate and be null and void and of no further force and effect if this Lease terminates or upon Lessee’s purchase of Lessor’s Interest. In any such event, Lessee shall execute a quitclaim deed and/or such other documents as Lessor shall reasonably request evidencing the termination of Lessee’s right hereunder.

4. Notwithstanding anything to the contrary contained in this Lease, so long as either: (a) no Event of Default has occurred and is continuing or (b) Lessee has not defaulted in its rights pursuant to Section 1, 2 or 3 of this Exhibit C within the immediately preceding forty-eight (48) months, (i) Lessor shall not sell the Property (or any portion thereof) to a third party, (A) whose primary business is pharmaceuticals or the manufacturing or development of pharmaceuticals or a provider of pharmaceutical services; or (B) who derives a majority of their gross income from the manufacturing or development of pharmaceuticals or as a provider of pharmaceutical services (each of (A) or (B), a “**Competitor**”); provided, however, nothing herein shall restrict Lessor’s ability to sell the Property to a third-party, including without limitation, (1) a fund (or funds) that own an interest in a Competitor or an interest in a subsidiary or Affiliate that manufactures or develops pharmaceuticals or is a provider of pharmaceutical services, regardless of whether the criteria in (A) or (B) above are met, or (2) a Competitor that owns less than twenty percent (20%) of a fund. For the avoidance of doubt, the limitation set forth in this Section 4 shall not be applicable in connection with, but shall survive: (i) a transfer of Lessor’s Interest to an Affiliate; (ii) a sale by Lessor or its Affiliates of a larger portfolio of properties that include the Property (or interest in Lessor) wherein the Property (or the interest of Lessor therein) constitutes less than fifty percent (50%) of the value of such portfolio; or (iii) a transfer of Lessor’s Interest to a Lender for security or upon the foreclosure of such security by such Lender or delivery of a deed-in-lieu of foreclosure or other acquisition of title to the Property by such Lender or to any subsequent sale by such Lender or its designee. The covenant in this Section 4 of this Exhibit C is a personal covenant between Lessor and Lessee and not a covenant running with the land.

EXHIBIT D

Reserved

EXHIBIT E

Guaranty

UNCONDITIONAL GUARANTY OF PAYMENT AND PERFORMANCE

THIS UNCONDITIONAL GUARANTY OF PAYMENT AND PERFORMANCE (this "Guaranty"), is made as of December ___, 2022 by **SOCIETAL CDMO, INC.**, a Pennsylvania corporation ("Guarantor"), for the benefit of **TENET EQUITY FUNDING SPE GAINESVILLE, LLC**, a Delaware limited liability company (together with its successors and assigns under the Lease (as defined below), "Lessor").

RECITALS

A. Lessor and SOCIETAL CDMO GAINESVILLE, LLC, a Massachusetts limited liability company ("Lessee"), have entered into that certain Master Lease Agreement of even date herewith (as the same may be amended from time to time, the "Lease"), pursuant to which Lessor leases to Lessee the real property described therein and the improvements located thereon (the "Properties").

B. As a condition to Lessor entering into the Lease, Guarantor has agreed to execute and deliver this Guaranty for the benefit of Lessor.

C. Guarantor owns a substantial direct and/or indirect interest in the Lessee and will derive substantial benefit from the Lease.

D. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Lease.

In consideration of the premises and other good and valuable consideration, the receipt of and sufficiency of which are hereby acknowledged, and in order to induce the Lessor to enter into the Lease, Guarantor hereby agrees as follows:

Section 1. Guaranty. Guarantor unconditionally, absolutely and irrevocably guarantees the punctual and complete payment and performance when due to Lessor of all Monetary Obligations, including, without limitation, Rental, taxes, insurance premiums, impounds, reimbursements, late charges, default interest, damages, indemnity obligations and all other amounts, costs, fees, expenses and charges of any kind or type whatsoever, which may or at any time be due to Lessor under or pursuant to the documents listed on Schedule I attached hereto (collectively, the “Documents”). Guarantor also unconditionally guarantees the truthfulness and accuracy of all representations, warranties and certifications of Lessee, the satisfaction of all conditions by Lessee and the full and timely performance of all obligations to be performed by Lessee, under or pursuant to the Documents (the matters which are guaranteed pursuant to this Section are hereinafter collectively referred to as the “Obligations”). The obligations of Guarantor under this Guaranty are primary, joint and several and independent of the obligations of Lessee and any and every other guarantor of the Obligations, and a separate action or actions may be brought and executed against Guarantor or any other such guarantor, whether or not such action is brought against Lessee or any other such guarantor and whether or not Lessee or any other such guarantor be joined in such action or actions.

Section 2. Waivers. This is an absolute and unconditional guaranty of payment and performance and not of collection and Guarantor unconditionally (a) waives any requirement that Lessor first make demand upon, or seek to enforce or exhaust remedies against, Lessee or any other Person (including any other guarantor) or any of the collateral or property of Lessee or such other Person before demanding payment from, or seeking to enforce this Guaranty against, Guarantor; (b) subordinates all rights of subrogation, all rights of indemnity and any other rights to collect reimbursement from Lessee to the rights of Lessor to collect in full the Obligations; (c) waives any right to participate in any security now or hereafter held by Lessor or in any claim or remedy of Lessor or any other Person against Lessee with respect to the Obligations; (d) waives diligence, presentment, protest, demand for performance, notice of nonperformance, notice of intent to accelerate, notice of acceleration, notice of protest, notice of dishonor, notice of execution of any Documents, notice of extension, renewal, alteration or amendment, notice of acceptance of this Guaranty, notice of defaults under any of the Documents and all other notices whatsoever; (e) waives and agrees not to assert (except as prohibited by applicable law) any and all rights, benefits and defenses which might otherwise be available under the provisions of any laws, statutes or which may conflict with the terms of this Guaranty or might operate, contrary to Guarantor’s agreements in this Guaranty, to limit Guarantor’s liability under, or the enforcement of, this Guaranty, except, in each case, full payment of all sums payable under the Lease; (f) covenants that this Guaranty will not be discharged until all of the Obligations are fully satisfied; and (g) agrees that this Guaranty shall remain in full effect without regard to, and shall not be affected or impaired by, any invalidity, irregularity or unenforceability in whole or in part of any of the Documents, or any limitation of the liability of Lessee or Guarantor thereunder, or any limitation on the method or terms of payment thereunder which may now or hereafter be caused or imposed in any manner whatsoever.

Section 3. Continuing Guaranty. This Guaranty is a continuing guaranty, and the obligations, undertakings and conditions to be performed or observed by Guarantor under this Guaranty shall not be affected or impaired by reason of the happening from time to time of the following with respect to the Documents, all without notice to, or the further consent of, Guarantor: (a) the waiver by Lessor of the observance or performance by Lessee or Guarantor of any of the obligations, undertakings, conditions or other provisions contained in any of the Documents, except to the extent of such waiver; (b) the extension, in whole or in part, of the time for payment of any amount owing or payable under the Documents; (c) the modification or amendment (whether material or otherwise) of any of the obligations of Lessee under, or any other provisions of, any of the Documents, except to the extent of such modification or amendment; (d) the taking or the omission of any of the actions referred to in any of the Documents (including, without limitation, the giving of any consent referred to therein); (e) any failure, omission, delay or lack on the part of Lessor to enforce, assert or exercise any provision of the Documents, including any right, power or remedy conferred on Lessor in any of the Documents or any action on the part of Lessor granting indulgence or extension in any form; (f) the assignment to or assumption by any third party of any or all of the rights or obligations of Lessee under all or any of the Documents; (g) the release or discharge of Lessee from the performance or observance of any obligation, undertaking or condition to be performed by Lessee under any of the Documents by operation of law, including any rejection or disaffirmance of any of the Documents in any bankruptcy or similar proceedings; (h) the receipt and acceptance by Lessor or any other Person of notes, checks or other instruments for the payment of money and extensions and renewals thereof; (i) any action, inaction or election of remedies by Lessor which results in any impairment or destruction of any subrogation rights of Guarantor, or any rights of Guarantor to proceed against any other Person for reimbursement; (j) any setoff, defense, counterclaim, abatement, recoupment, reduction, change in law or any other event or circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor, indemnitor or surety under the laws of the Commonwealth of Pennsylvania, the states in which the Properties are located or any other jurisdiction; and (k) the renewal of any of the Obligations. Notwithstanding the foregoing or anything contained in this Guaranty to the contrary, Guarantor shall have the right to assert all claims and defenses hereunder and under the Lease to the extent that Lessee is permitted such claim or defense, with respect to the Lease, by applicable law. In addition to the foregoing, Guarantor represents and warrants to Lessor that (i) it is the borrower on all corporate debt with respect to Lessee and Lessee Entities.

Section 4. Representations and Warranties. Guarantor represents and warrants to Lessor that: (a) neither the execution nor delivery of this Guaranty nor fulfillment of nor compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms or conditions of, or constitute a default under, Guarantor's articles of incorporation, bylaws, or any standing resolution of its board of directors or, to Guarantor's knowledge, any agreement to which Guarantor is a party, or result in the creation of any lien, charge or encumbrance upon any property or assets of Guarantor, which conflict, breach, default, lien, charge or encumbrance could result in a material adverse change in the financial condition of Guarantor; (b) no further consents, approvals or authorizations are required for the execution and delivery of this Guaranty by Guarantor or for Guarantor's compliance with the terms and provisions of this Guaranty other than those which have been duly obtained by Guarantor and are in full force and effect; (c) this Guaranty is the legal, valid and binding agreement of Guarantor and is enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, liquidation, reorganization and other laws affecting the rights of creditors generally and subject to general principles of equity; (d) Guarantor has the full power, authority, capacity and legal right to execute and deliver this Guaranty, and the parties executing this Guaranty on behalf of Guarantor are fully authorized and directed to execute the same to bind Guarantor; (e) Guarantor is not, and if Guarantor is a "disregarded entity," any owner of the disregarded entity is not, a "nonresident alien," "foreign corporation," "foreign partnership," "foreign trust," "foreign estate," or any other "person" that is not a "United States person," as those terms are defined in the U.S. Internal Revenue Code and the regulations promulgated thereunder; (f) Guarantor is not a party with whom a citizen of the United States is prohibited from engaging in transactions by any trade embargo, economic sanction or other prohibition of United States law, regulation or Executive Order of the President of the United States; (g) all financial statements and other information relating to Guarantor heretofore delivered to Lessor are true, correct and complete in all material respects as of the date they were furnished to Lessor, and to the extent not filed with the Securities and Exchange Commission and publicly available on EDGAR, Guarantor will furnish Lessor, within forty five (45) days after the end of each fiscal quarter of Guarantor and within one hundred twenty (120) days after the end of each fiscal year of Guarantor, complete financial statements of Guarantor, including a balance sheet, profit and loss statement, statement of changes in financial condition and all other related schedules for the fiscal period then ended (in addition to any reporting requirements of Guarantor set forth in the Lease); (h) during the term of this Guaranty, Guarantor will not transfer or dispose of all or substantially all of Guarantor's assets except (1) in the ordinary course of business for fair consideration in arm's length transactions, (2) to the extent that such transfer or disposition does not reasonably impair Guarantor's ability to satisfy the Obligations or (3) as permitted pursuant to Section 13.03 or 13.05 of the Lease; and (i) the Documents are conclusively presumed to have been signed in reliance on this Guaranty, and the assumption by Guarantor of Guarantor's obligations under this Guaranty results in direct financial benefit to Guarantor. Guarantor understands that Lessor is relying on the representations and warranties of Guarantor, and Guarantor represents that such reliance is reasonable.

Section 5. Notice of Guaranty. This Guaranty shall commence upon execution and delivery of the Lease and shall continue in full force and effect until all of the Obligations are paid and performed in full and are not subject to any right of extension by Lessee; provided, however, in the event the Lease is assigned as permitted under the Lease, and in connection therewith if required, Lessor receives a replacement Guaranty that is acceptable to Lessor in its reasonable discretion, then Guarantor's liability shall be limited to the obligations of Lessee accruing prior to the assignment and effective date of the replacement guaranty. The Obligations shall not be considered fully paid, performed and discharged unless and until all payments by Lessee to Lessor are no longer subject to any right on the part of any Person whomsoever, including but not limited to Lessee, Lessee as a debtor-in-possession and/or any trustee in bankruptcy, to disgorge such payments or seek to recoup the amount of such payments or any part thereof. This Guaranty shall remain in full force and effect and continue to be effective upon an Insolvency Event. This Guaranty shall continue to be effective or be reinstated, as applicable, if at any time payment and performance of the Obligations, or any part thereof, are, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by Lessor, whether as a "voidable preference," "fraudulent conveyance" or otherwise, all as though such payment or performance had not been made. In the event that any payment of the Obligations, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid to Lessor and not so rescinded, reduced, restored or returned.

Section 6. Reserved.

Section 7. Attorneys' Fees and Costs. In addition to the amounts guaranteed under this Guaranty, Guarantor agrees to pay (a) all of Lessor's Costs, and (b) interest (including postpetition interest to the extent a petition is filed by or against Lessee under the Bankruptcy Code) at the Default Rate on any Obligations not paid when due, subject to applicable notice and cure provisions. Guarantor hereby agrees to indemnify and hold harmless Lessor for, from and against all Losses suffered or occasioned by the failure of Lessee to satisfy its obligations under the Documents. The agreement to indemnify Lessor contained in this Section shall be enforceable notwithstanding the invalidity or unenforceability of the Documents or any of them or the invalidity or unenforceability of any other paragraph contained in this Guaranty. All moneys available to Lessor for application in payment or reduction of the liabilities of Lessee under the Documents may be applied by Lessor to the payment or reduction of such liabilities of Lessee, in such manner, in such amounts and at such time or times as Lessor may elect.

Section 8. Notice. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Guaranty (collectively called "Notices") shall be in writing and given by any one of the following: (a) hand delivery; (b) express overnight delivery service; (c) certified or registered mail, return receipt requested; or (d) electronic mail message, and shall be deemed to have been delivered upon (i) receipt, if hand delivered, (ii) the next Business Day, if delivered by a reputable express overnight delivery service; (iii) the third Business Day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested; or (iv) transmission, if delivered by electronic mail. Notices shall be provided to the parties and addresses (or electronic mail addresses) specified below:

If to Guarantor: Societal CDMO, Inc.
1300 Gould Drive
Gainesville, GA 30504
Attention: Chief Financial Officer
Email: ryan.lake@societalcldmo.com

With a copy to: Troutman Pepper Hamilton Sanders LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103
Attention: Matthew J. Swett, Esq.
Email: matthew.swett@troutman.com

If to Lessor: Tenet Equity Funding SPE Gainesville, LLC
7332 E. Butherus Dr., Suite 100
Scottsdale, Arizona 85260
Attention: General Counsel
Email: legalnotice@tenetequity.com

With a copy to: Nixon Peabody
One California Plaza
300 S Grand Ave #4100
Los Angeles, CA 90071
Attention: Justin X. Thompson
E-mail: jthompson@nixonpeabody.com

or to such other address or such other Person as either party may from time to time hereafter specify to the other party in a notice delivered in the manner provided above.

Section 9. Governing Law. This Guaranty is delivered in the State of Georgia, and it is the intent of Guarantor and Lessor that this Guaranty shall be deemed to be a contract made under and governed by the internal laws of the State of Georgia, without regard to its principles of conflicts of law. For purposes of any action or proceeding involving this Guaranty, Guarantor submits to the jurisdiction of all federal and state courts located in the State of Georgia and consents that Guarantor may be served with any process or paper by registered mail or by personal service within or without the State of Georgia in accordance with applicable law. Guarantor waives and agrees not to assert in any such action, suit or proceeding that Guarantor is not personally subject to the jurisdiction of such courts, that the action, suit or proceeding is brought in an inconvenient forum or that venue of the action, suit or proceeding is improper. Nothing contained in this Section shall limit or restrict the right of Lessor to commence any proceeding in the federal or state courts located in the states in which the Properties are located and/or where Guarantor maintains Guarantor's residence or chief executive office to the extent Lessor deems such proceeding necessary or advisable to exercise remedies available under the Documents.

Section 10. Acknowledgement of Lease. Guarantor shall not challenge the validity, enforceability or characterization of the Transaction, and Guarantor shall support the intent of Guarantor, Lessee and Lessor that the Lease does not create a joint venture, partnership, equitable mortgage, trust, trust agreement, security interest or the like. Guarantor acknowledges that Lessor did not prepare or assist in the preparation of any of the projected financial figures used by Lessee in analyzing the economic viability and feasibility of the Transaction.

Section 11. Independent Rights. All of Lessor's rights and remedies under the Documents and this Guaranty are intended to be distinct, separate and cumulative and no such right and remedy is intended to be in exclusion of or a waiver of any of the others.

Section 12. Assignment. Guarantor acknowledges and agrees that (a) Lessor may collaterally assign all of its right, title and interest under the Lease and this Guaranty to a lender; and (b) upon the exercise of any lender's remedies set forth in related loan documents, all of the rights, powers and privileges of Lessor shall be deemed the rights, powers and privileges of such lender and such lender shall be entitled to exercise all of the rights and remedies of "Lessor" under this Guaranty, the Lease and such loan documents; provided, however, in no event shall any such collateral assignment or the exercise of any of any lender's rights under the related loan documents modify, amend or otherwise affect any rights or obligations of Lessee pursuant to the Lease or Guarantor pursuant to this Guaranty. Guarantor hereby consents to, and no further consent by Guarantor shall be required for, any further assignment of rights of Lessor hereunder or in connection with any transfer by Lessor. All notices, certificates, reports or other information required to be delivered to Lessor under this Guaranty shall be delivered simultaneously to such lender, provided that Lessor provides Guarantor with advance written notice and the address of such lender. Guarantor intends that such lender shall be an intended third party beneficiary of this Guaranty but without any corresponding responsibility, liability or obligation to Guarantor.

Section 13. Inurement. Except as otherwise expressly provided in Section 12 above, this Guaranty is solely for the benefit of Lessor, its successors and assigns and is not intended to nor shall it be deemed to be for the benefit of any third party, including, without limitation, Lessee. This Guaranty and all obligations of Guarantor hereunder shall be binding upon the successors and assigns of Guarantor (including, a debtor-in-possession on behalf of Guarantor) and shall, together with the rights and remedies of Lessor hereunder, inure to the benefit of Lessor, all future holders of any instrument evidencing any of the Obligations and its successor and assigns. No sales, participations, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the rights of Lessor or its successors and assigns hereunder. Guarantor may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Guaranty.

Section 14. No Liability for Constituent Person. Notwithstanding anything to the contrary contained herein, no present or future Constituent Person (as defined below) in Guarantor, nor any present or future, direct or indirect, shareholder, officer, director, employee, trustee, beneficiary, advisor, member, partner, principal, participant or agent of or in Guarantor or of or in any person or entity that is or becomes a Constituent Member in Guarantor, shall have any personal liability, directly or indirectly, under or in connection with this Guaranty, or any amendment or amendments to any of the foregoing made at any time or times hereafter, and Lessor on behalf of itself and its successors and assigns, hereby waives any and all such personal liability. For purposes hereof, "Constituent Person" means any direct member, partner or shareholder in Guarantor and any individual, corporation, partnership, limited liability company, joint venture, estate, trust, or unincorporated association, that, directly or indirectly through one or more other partnerships, limited liability companies, corporations or other entities is a member, partner or shareholder in Guarantor or owns an interest in Guarantor.

Section 15. Severability. If any provision of this Guaranty is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect. Guarantor agrees to take such reasonable action and to sign such other reasonable documents as may be reasonably required to carry out the intent of this Guaranty. This Guaranty may be executed in one or more counterparts, each of which shall be deemed an original.

Section 16. WAIVER OF JURY TRIAL. LESSOR, BY ACCEPTING THIS GUARANTY, AND GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT THEY MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY LESSOR OR GUARANTOR AGAINST ANY PARTY OR THEIR SUCCESSORS WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS GUARANTY, THE RELATIONSHIP OF LESSOR, LESSEE AND/OR GUARANTOR, LESSEE'S USE OR OCCUPANCY OF THE PROPERTIES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. THIS WAIVER BY LESSOR AND GUARANTOR OF ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY HAS BEEN NEGOTIATED AND IS A MATERIAL INDUCEMENT FOR LESSOR ACCEPTING THIS GUARANTY. FURTHERMORE, LESSOR, BY ACCEPTING THIS GUARANTY, AND GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT THEY MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY OR ANY OF THE OTHER PARTY'S AFFILIATES, OFFICERS, DIRECTORS, MANAGERS, MEMBERS OR EMPLOYEES OR ANY OF THEIR SUCCESSORS WITH RESPECT TO ANY AND ALL ISSUES PRESENTED IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS GUARANTY OR ANY DOCUMENTS CONTEMPLATED HEREIN OR RELATED HERETO. THIS WAIVER BY LESSOR AND GUARANTOR OF ANY RIGHT THEY MAY HAVE TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES HAS BEEN NEGOTIATED BY THE PARTIES AND IS AN ESSENTIAL ASPECT OF THEIR BARGAIN.

Section 17. Final Agreement. This Guaranty represents the final agreement between Lessor and Guarantor and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements. Guarantor covenants and agrees that there are no unwritten oral agreements between Lessor and Guarantor and all prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged into this Guaranty. Neither this Guaranty nor any provision hereof may be waived, modified, amended, discharged, or terminated except by an agreement in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge, or termination is sought, and then only to the extent set forth in such agreement.

Section 18. Securitizations; Other. As a material inducement to Lessor's willingness to complete the Transaction contemplated by the Lease and the other Transaction Documents, Guarantor hereby acknowledges and agrees that Lessor may, from time to time and at any time (a) advertise, issue press releases, send direct mail or otherwise disclose information regarding the Transaction for marketing purposes all subject to receipt of Guarantor's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed); and (b) (i) act or permit another Person to act as sponsor, settler, transferor or depositor of, or a holder of interests in, one or more Persons or other arrangements formed pursuant to a trust agreement, indenture, pooling agreement, participation agreement, sale and servicing agreement, limited liability company agreement, partnership agreement, articles of incorporation or similar agreement or document; and (ii) permit one or more of such Persons or arrangements to offer and sell stock, certificates, bonds, notes, other evidences of indebtedness or securities that are directly or indirectly secured, collateralized or otherwise backed by or represent a direct or indirect interest in whole or in part in any of the assets, rights or properties described in the Lease, in one or more Persons or arrangements holding such assets, rights or properties, or any of them (collectively, the "Securities"), whether any such Securities are privately or publicly offered and sold, or rated or unrated (any combination of which actions and transactions described in both clauses (i) and (ii) in this paragraph, whether proposed or completed, are referred to in the Lease as a "Securitization"). At no additional expense to Guarantor, Guarantor shall cooperate fully with Lessor and any Affected Party with respect to all reasonable requests and due diligence procedures and to use reasonable efforts to facilitate such Securitization.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty effective as of the date set forth in the introductory paragraph of this Guaranty.

GUARANTOR:

SOCIETAL CDMO, INC.,
a Pennsylvania corporation

By: _____
Name: _____
Title: _____

ACCEPTED BY:

TENET EQUITY FUNDING SPE GAINESVILLE, LLC,
a Delaware limited liability company

By: _____
Printed Name: Michael J. Zieg
Title: Chief Operating Officer

SCHEDULE I

DOCUMENTS

1. Lease
 2. Any other document, agreement, instrument or certificate contemplated by the Lease now or hereafter entered into between Lessor and Lessee, or any other documents, agreements, instruments or certificates now or hereafter entered into between Lessor and Lessee with respect to the Lease.
 3. Any amendment of the foregoing documents, agreements, instruments or certificates now or hereafter entered into between Lessor and Lessee.
-

SCHEDULE 8.03

SUPPLEMENTAL FINANCIAL INFORMATION

Lessee shall deliver the following information in connection with delivery of the corporate financial statements required in Section 8.03 of this Lease.

SUPPLEMENTAL FINANCIAL INFORMATION – CORPORATE

Corporate Financial Reporting

Company Name:

For the Qtr or FYE ending

of months represented

Total Company Net Revenue

Total number of revenue generating locations included in Total Company Net Revenue figure above

Corporate EBITDAR Calculation:

Total Company Net Income

Plus: Interest Expense

Plus: Taxes

Plus: Depreciation & Amortization

Plus: Operating Lease Expense

Plus: Any non-recurring expenses (please clarify below)

Plus: Any other non-cash expenses (please clarify below)

EBITDAR

Items required to be broken out of Balance Sheet:

Current Portion of Long-Term Debt

Current Portion of any Capital Leases

Senior Third-Party Debt Balances

Subordinate/Related Party Debt Balances

Explanations of non-recurring and non-cash items:

SUPPLEMENTAL FINANCIAL INFORMATION – UNIT

Unit-Level Financial Reporting

Company's Unit Identifier

For the Qtr or FYE ending

of months represented

Unit-Level pre-corporate overhead

EBITDAR Calculation:

Total unit Revenues

Unit-Level Net Income

Plus: Interest Expense

Plus: Taxes

Plus: Depreciation & Amortization

Plus: Property Rent Expense (base rent + any % rent)

Plus: Any corporate overhead allocations to the unit

Plus: Any non-recurring expenses (please clarify below)

Plus: Any other non-cash expenses (please clarify below)

EBITDAR

Items required to be broken out on unit-level profit and loss statement:

Cost Goods Sold

Unit Labor Expenses

Explanations of non-recurring and non-cash items:

List of Subsidiaries

Subsidiary	Ownership percentage	Jurisdiction of incorporation or organization
Societal CDMO Gainesville, LLC	100%	Massachusetts
Societal CDMO Gainesville Development, LLC	100%	Delaware
Societal CDMO San Diego, LLC	100%	California

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-263180, 333-263179, 333-253574, 333-253573, 333-236875, 333-229737, 333-229736, 333-224870, 333-223437, 333-223436, 333-216581, 333-216579, 333-208750, 333-208749, 333-206309, and 333-194730) on Form S-8 and the registration statements (Nos. 333-259460, 333-253571 and 333-229734) on Form S-3 of our report dated March 1, 2023, with respect to the consolidated financial statements of Societal CDMO, Inc.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 1, 2023

CERTIFICATION

I, J. David Enloe, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Societal CDMO, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2023

/s/ J. David Enloe, Jr.
J. David Enloe, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Ryan D. Lake, certify that:

1. I have reviewed this Annual Report on Form 10-K of Societal CDMO, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2023

/s/ Ryan D. Lake
Ryan D. Lake
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Societal CDMO, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

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

Date: March 1, 2023

/s/ J. David Enloe, Jr.
J. David Enloe, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Ryan D. Lake
Ryan D. Lake
Chief Financial Officer
(Principal Financial and Accounting Officer)
