UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Mark One)

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

For the quarterly period ended June 30, 2022

OR

o **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: 001-38118

DERMTECH, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**84-2870849**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11099 N. Torrey Pines Road, Suite 100 La Jolla, CA	**92037**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 450-4222

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	DMTK	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x
Emerging growth company	o		

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

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

As of August 5, 2022, the registrant had 30,039,946 shares of common stock, $0.0001 par value per share, outstanding.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

DERMTECH, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 120,333	$ 176,882
Short-term marketable securities	53,457	48,449
Accounts receivable	5,962	3,847
Inventory	1,432	480
Prepaid expenses and other current assets	2,681	3,166
Total current assets	183,865	232,824
Property and equipment, net	4,916	4,549
Operating lease right-of-use assets	23,694	7,744
Restricted cash	3,470	3,025
Other assets	167	167
Total assets	$ 216,112	$ 248,309
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 861	$ 2,880
Accrued compensation	7,818	5,120
Accrued liabilities	3,272	1,227
Short-term deferred revenue	1,310	1,380
Current portion of operating lease liabilities	1,693	1,453
Current portion of finance lease obligations	134	121
Total current liabilities	15,088	12,181
Warrant liability	24	146
Long-term finance lease obligations, less current portion	111	136
Operating lease liabilities, long-term	22,312	6,148
Total liabilities	37,535	18,611
Stockholders' equity:		
Common stock, $0.0001 par value per share; 50,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 30,038,447 and 29,772,922 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	3	3
Additional paid-in capital	445,491	436,183
Accumulated other comprehensive loss	(865)	(124)
Accumulated deficit	(266,052)	(206,364)
Total stockholders' equity	178,577	229,698
Total liabilities and stockholders' equity	$ 216,112	$ 248,309

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Assay revenue	$ 4,147	$ 2,910	$ 7,665	$ 5,100
Contract revenue	86	209	286	543
Total revenues	4,233	3,119	7,951	5,643
Cost of revenues:				
Cost of assay revenue	3,236	2,604	6,766	4,575
Cost of contract revenue	37	20	61	51
Total cost of revenues	3,273	2,624	6,827	4,626
Gross profit	960	495	1,124	1,017
Operating expenses:				
Sales and marketing	15,001	7,907	30,444	14,419
Research and development	6,915	3,594	13,253	5,845
General and administrative	8,878	6,301	17,452	11,473
Total operating expenses	30,794	17,802	61,149	31,737
Loss from operations	(29,834)	(17,307)	(60,025)	(30,720)
Other income/(expense):				
Interest income, net	149	35	215	69
Change in fair value of warrant liability	105	170	122	(1,519)
Total other income/(expense)	254	205	337	(1,450)
Net loss	$ (29,580)	$ (17,102)	$ (59,688)	$ (32,170)
Weighted average shares outstanding used in computing net loss per share, basic and diluted	29,964,849	28,979,148	29,904,972	28,070,539
Net loss per share of common stock outstanding, basic and diluted	$ (0.99)	$ (0.59)	$ (2.00)	$ (1.15)

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (29,580)	$ (17,102)	$ (59,688)	$ (32,170)
Unrealized net (loss)/gain on available-for-sale marketable securities	(171)	(6)	(741)	3
Comprehensive loss	$ (29,751)	$ (17,108)	$ (60,429)	$ (32,167)

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)
(Unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2021	29,772,922	$ 3	$ 436,183	$ (124)	$ (206,364)	$ 229,698
Issuance of common stock from option exercises and RSU releases	109,275	—	40	—	—	40
Issuance of common stock from warrant exercises	11,101	—	12	—	—	12
Issuance of common stock from Employee Stock Purchase Plan	47,339	—	515	—	—	515
Unrealized net loss on available-for-sale marketable securities	—	—	—	(570)	—	(570)
Stock-based compensation	—	—	3,894	—	—	3,894
Net loss	—	—	—	—	(30,108)	(30,108)
Balance, March 31, 2022	29,940,637	$ 3	$ 440,644	$ (694)	$ (236,472)	$ 203,481
Issuance of common stock from RSU releases	88,591	—	—	—	—	—
Issuance of common stock from warrant exercises	9,219	—	10	—	—	10
Unrealized net loss on available-for-sale marketable securities	—	—	—	(171)	—	(171)
Stock-based compensation	—	—	4,837	—	—	4,837
Net loss	—	—	—	—	(29,580)	(29,580)
Balance, June 30, 2022	30,038,447	$ 3	$ 445,491	$ (865)	$ (266,052)	$ 178,577

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)
(Unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2020	20,740,413	$ 2	$ 189,868	$ (1)	$ (128,029)	$ 61,840
Issuance of common stock at $29.50 per share, net of $9.1 million in issuance costs	4,872,881	1	134,581	—	—	134,582
Issuance of common stock from option exercises and RSU releases	176,673	—	408	—	—	408
Issuance of common stock from warrant exercises	3,089,325	—	72,081	—	—	72,081
Issuance of common stock from Employee Stock Purchase Plan	39,960	—	392	—	—	392
Unrealized net gain on available-for-sale marketable securities	—	—	—	9	—	9
Stock-based compensation	—	—	2,172	—	—	2,172
Reclassification of warrant liability due to Private SPAC Warrants not held by original holder	—	—	411	—	—	411
Net loss	—	—	—	—	(15,068)	(15,068)
Balance, March 31, 2021	28,919,252	$ 3	$ 399,913	$ 8	$ (143,097)	$ 256,827
Issuance of common stock from option exercises and RSU releases	157,277	—	188	—	—	188
Issuance of common stock at a weighted average price of $46.33 through at-the market offering, net of $0.7 million in issuance costs	530,551	—	23,836	—	—	23,836
Issuance of common stock from warrant exercises	314	—	5	—	—	5
Unrealized net loss on available-for-sale marketable securities	—	—	—	(6)	—	(6)
Stock-based compensation	—	—	3,538	—	—	3,538
Reclassification of warrant liability due to Private SPAC Warrants not held by original holder	—	—	23	—	—	23
Net loss	—	—	—	—	(17,102)	$ (17,102)
Balance, June 30, 2021	29,607,394	$ 3	$ 427,503	$ 2	$ (160,199)	$ 267,309

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (59,688)	$ (32,170)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	766	401
Change in fair value of warrant liability	(122)	1,519
Amortization of operating lease right-of-use assets	1,109	582
Stock-based compensation	8,731	5,710
Amortization of premiums, net of accretion of discounts on marketable securities	283	337
Loss on disposal of equipment	285	13
Changes in operating assets and liabilities:		
Accounts receivable	(2,115)	(705)
Inventory	(952)	(393)
Prepaid expenses and other current assets	483	152
Operating lease liabilities, net	(654)	(328)
Accounts payable, accrued liabilities and deferred revenue	(53)	263
Accrued compensation	2,698	1,092
Net cash used in operating activities	(49,229)	(23,527)
Cash flows from investing activities:		
Purchases of marketable securities	(20,171)	(4,899)
Maturities of marketable securities	14,139	5,450
Purchases of property and equipment	(1,360)	(944)
Net cash used in investing activities	(7,392)	(393)
Cash flows from financing activities:		
Proceeds from issuance of common stock in connection with public follow-on offering, net	—	134,582
Proceeds from issuance of common stock in connection with at-the-market offering, net	—	23,836
Proceeds from exercise of common stock warrants	22	69,928
Proceeds from RSU releases (par value only) and the exercise of stock options	40	596
Proceeds from contributions to the employee stock purchase plan	515	392
Principal repayments of capital lease obligations	(60)	(53)
Net cash provided by financing activities	517	229,281
Net (decrease)/increase in cash, cash equivalents and restricted cash	(56,104)	205,361
Cash, cash equivalents and restricted cash, beginning of period	179,907	24,248
Cash, cash equivalents and restricted cash, end of period	$ 123,803	$ 229,609
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	$ 120,333	$ 229,609
Restricted cash	3,470	—
Total cash, cash equivalents and restricted cash	$ 123,803	$ 229,609
Supplemental cash flow information:		
Cash paid for interest on finance lease obligations	$ 7	$ 8
Supplemental disclosure of noncash investing and financing activities:		
Purchases of property and equipment recorded in accounts payable	$ 11	$ 24
Reclassification of warrant liability due to Private SPAC Warrants not held by original holder	$ —	$ 434
Cashless exercise of common stock warrants	$ —	$ 2,158
Right-of-use assets obtained in exchange for lease obligations	$ 17,059	$ 2,831
Property and equipment acquired under finance leases	$ 48	$ —
Change in net unrealized (losses)/gains on available-for-sale marketable securities	$ (741)	$ 3

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

1. The Company and a Summary of its Significant Accounting Policies

(a) Nature of Operations

On August 29, 2019, DermTech, Inc., formerly known as Constellation Alpha Capital Corp, (the "Company"), and DermTech Operations, Inc., formerly known as DermTech, Inc., ("DermTech Operations"), consummated the transactions contemplated by the Agreement and Plan of Merger, dated as of May 29, 2019, by and among the Company, DT Merger Sub, Inc., a wholly owned subsidiary of the Company ("Merger Sub"), and DermTech Operations. The Company refers to this agreement, as amended by that certain First Amendment to Agreement and Plan of Merger dated as of August 1, 2019, as the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub merged with and into DermTech Operations, with DermTech Operations surviving as a wholly-owned subsidiary of the Company. The Company refers to this transaction as the Business Combination. In connection with and two days prior to the completion of the Business Combination, the Company domesticated from the British Virgin Islands to Delaware. DermTech Operations changed its name from DermTech, Inc. to DermTech Operations, Inc. shortly before the completion of the Business Combination. On August 29, 2019, immediately following the completion of the Business Combination, the Company changed its name from Constellation Alpha Capital Corp. to DermTech, Inc., and then effected a one-for-two reverse stock split of its common stock.

The Company is a molecular diagnostic company developing and marketing its Clinical Laboratory Improvement Amendments of 1988 ("CLIA") laboratory services including genomic tests to facilitate the diagnosis of dermatologic conditions including melanoma. The Company has developed a proprietary, non-invasive technique for sampling the surface layers of the skin using an adhesive patch called the DermTech Smart Sticker™ (the "Smart Sticker") to collect biological information for commercial applications in the medical diagnostic field.

From the end of the first quarter of 2020 and through the second quarter of 2022, there has been a widespread worldwide impact from the COVID-19 pandemic. The Company is considered an essential business due to the importance of early melanoma detection, which has allowed the Company's CLIA laboratory to remain fully operational. The Company implemented additional safety measures in accordance with Centers for Disease Control and Prevention ("CDC"), Occupational Safety and Health Administration ("OSHA") and other guidance within its CLIA laboratory operations. Additionally, and during this time, the Company transitioned administrative functions to predominantly remote work. Beginning in March 2020 and continuing through the second quarter of 2022, the ongoing COVID-19 pandemic has reduced patient access to clinician offices for in-person testing and reduced access by the Company's sales force for in-office sales calls, which has resulted in a reduced volume of billable samples received during the second quarter of 2022 relative to the Company's pre-pandemic expectations. The Company expects the ongoing COVID-19 pandemic to continue to adversely impact billable sample volume until patient access to in-person testing fully resumes, in-office access by the Company's sales force returns to pre-pandemic levels, or telemedicine options are more widely adopted. Additionally, the ongoing COVID-19 pandemic has negatively affected and may continue to negatively affect the Company's pharmaceutical customers' clinical trials. The extent to which the COVID-19 pandemic will affect the Company's future revenue is uncertain and will depend on the duration and extent of the effects of the ongoing COVID-19 pandemic, including the effects on the Company's pharmaceutical customers' clinical trials.

(b) Basis of Presentation

The condensed consolidated financial statements include the accounts of DermTech, Inc. and its subsidiaries. All intercompany balances and transactions among the consolidated entity have been eliminated in consolidation. These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC"), Regulation S-X. Accordingly, these unaudited condensed consolidated financial statements and accompanying notes do not include all the information and disclosures required by U.S. GAAP for complete financial statements and should be read together with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. In the opinion of management, all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation, have been included.

The accompanying unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the unaudited condensed consolidated financial statements. As of June 30, 2022, there have been no material changes in the Company's significant accounting policies from those that were disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

(c) Reclassifications

Certain prior period information on the condensed consolidated statement of cash flows for the six months ended June 30, 2021 has been reclassified to conform to the current year presentation as a result of adopting Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). These reclassifications did not have an impact on net cash flows. For additional disclosure and detail, see Note 4 of the notes to the unaudited condensed consolidated financial statements, "Adoption of ASC 842."

(d) Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires that management 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 condensed consolidated financial statements and the amounts of revenues and expenses reported during the period. On an ongoing basis, management evaluates these estimates and judgments, including but not limited to those related to assay revenue, stock-based compensation, short-term marketable securities, accounts receivable, accrued bonus, warrant liability, right-of-use ("ROU") assets and the realization of deferred tax assets. Actual results may differ from those estimates.

(e) Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with remaining maturities of three months or less when purchased to be cash equivalents. The Company maintains its cash balances at banks and financial institutions. The balances are insured up to the Federal Deposit Insurance Corporation legal limit. The Company maintains cash balances that have in the past and may, at times, exceed this insured limit.

Restricted cash consists of cash deposited with a financial institution as collateral for the Company's letters of credit for its facility leases. Restricted cash is classified as noncurrent based on the terms of the underlying lease arrangement.

(f) Property and Equipment, Net

Property and equipment, net is recorded at cost less accumulated depreciation. Property and equipment consists mainly of assets such as leasehold improvements, office, computer and laboratory equipment, including laboratory equipment acquired under finance lease arrangements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to eleven years. Leasehold improvements are depreciated over the shorter of the remaining term of the lease or the useful life of the asset. The Company recorded depreciation expense of $0.4 million and $0.2 million for the three months ended June 30, 2022 and 2021, respectively, which includes amortization of laboratory equipment acquired under finance leases (previously referred to as "capital leases") of $21,000 and $17,000 for the three months ended June 30, 2022 and 2021, respectively. The Company recorded depreciation expense of $0.8 million and $0.4 million for the six months ended June 30, 2022 and 2021, respectively, which includes amortization of laboratory equipment acquired under finance leases of $41,000 and $34,000 for the six months ended June 30, 2022 and 2021, respectively.

Amortization of assets that are recorded under finance leases in depreciation expense is included in cost of revenues on the condensed consolidated statements of operations. Gross assets recorded under finance leases were $0.4 million as of June 30, 2022 and December 31, 2021. Accumulated amortization associated with finance leases was $0.1 million as of June 30, 2022 and December 31, 2021. Maintenance and repairs are expensed as incurred, and material improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in the condensed consolidated statements of operations in the period realized. The Company disposed of $0.3 million of equipment for the three months ended June 30, 2022 and no equipment for the three months ended June 30, 2021. The Company disposed of $0.3 million and $13,000 of equipment for the six months ended June 30, 2022 and 2021, respectively. The Company assesses its long-lived assets, consisting primarily of property and equipment, for impairment when material events or changes in circumstances indicate that the carrying value may not be recoverable. There were no impairment losses for the three or six months ended June 30, 2022 and 2021.

(g) Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. As of June 30, 2022, the Company maintained $87.1 million in a sweep account, which maintains cash balances throughout various interest-bearing bank accounts under the $250,000 insurance limit provided by the Federal Deposit Insurance Corporation for one federally insured financial institution. Approximately $2.5 million was held in excess of the Federal Deposit Insurance Corporation insured limit as of June 30, 2022. The Company has not experienced any losses in such accounts.

(h) Revenue Recognition

The Company's revenue is generated from two revenue streams: contract revenue and assay revenue. The Company accounts for revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"). The core principle of ASC 606 is that the Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The ASC 606 revenue recognition model consists of the following five steps: (1) identify the contracts with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue from its assay and contract services in accordance with the core principles and key aspects considered by the Company. These considerations are described in detail below, first for Assay Revenue and then for Contract Revenue.

Assay Revenue

The Company generates revenues from its Pigmented Lesion Assay ("PLA") and PLA*plus* (now referred to as the DermTech Melanoma Test or "DMT" which may consist at the option of the ordering clinician of either (i) the PLA or (ii) the PLA and PLA*plus*), which assists a clinician's diagnosis of melanoma in patients. The Company provides prescribing clinicians with its Smart Sticker to perform non-invasive skin biopsies of clinically ambiguous pigmented skin lesions on patients. The Company also offers clinicians a telemedicine solution where they can request the Smart Sticker collection kit be sent to the patient's home for a clinician-guided remote collection on ambiguous pigmented skin lesions. A patient can also initiate the process by downloading the Company's telemedicine app, DermTech Connect, which uses store-and-forward technology to allow the patient to take a picture of a suspicious lesion with their phone and have the picture reviewed by an independent clinician who is subscribing to the DermTech Connect platform to assess the suspicious lesion, and if medically necessary, order a DMT where a collection kit would be sent to the patient's home. The DermTech Connect app and telemedicine service were initially beta tested in Florida and is currently available in most states where permitted by law and applicable standards of practice guidelines. Once the sample is collected by the patient via the telemedicine solution or by a healthcare clinician in person, it is returned to the Company's CLIA laboratory for analysis. The patient's ribonucleic acid ("RNA") and deoxyribonucleic acid ("DNA") are extracted from the Smart Sticker and analyzed using gene expression and sequencing technology to determine if the pigmented skin lesion contains certain genomic features indicative of melanoma. Upon completion of the gene expression analysis, a final report is drafted and provided to the clinician detailing the test results for the pigmented skin lesion indicating whether the sample collected is indicative of melanoma or not.

The Company periodically updates its estimate of the variable consideration recognized for previously delivered performance obligations. These updates resulted in an additional $0.1 million and $8,000 of revenue reported for the three and six months ended June 30, 2022, respectively, and an additional $0.1 million and $0.1 million of revenue reported for the three and six months ended June 30, 2021, respectively. These amounts included (i) adjustments for actual collections versus estimated variable consideration as of the beginning of the reporting period and (ii) cash collections and the related recognition of revenue in the current period for tests delivered in prior periods due to the release of the constraint on variable consideration, offset by (iii) reductions in revenue for the accrual for reimbursement claims and settlements.

Contract Revenue

Contract revenue is generated from the sale of laboratory services and Smart Stickers to third-party companies through contract research agreements. Revenues are generated from providing genomic services to facilitate the development of drugs designed to treat dermatologic conditions. The provision of services may include sample collection using the Company's Smart Sticker, assay development for research partners, patient segmentation and stratification, extraction, isolation, expression, amplification and detection of RNA, DNA, protein and microbiome, including data analysis and reporting.

(a) Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by revenue source during the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Assay Revenue				
DermTech Melanoma Test	$ 4,147	$ 2,910	$ 7,665	$ 5,100
Contract Revenue				
Adhesive patch kits	38	125	104	314
RNA extractions	—	35	110	139
Project management fees	48	49	72	90
Total revenues	$ 4,233	$ 3,119	$ 7,951	$ 5,643

The following table sets forth the percentages of total revenue or accounts receivable for the Company's third-party payors that represent 10% or more of the respective amounts for the periods shown:

	Total Revenues				Accounts Receivable	
	Three Months Ended June 30,		Six Months Ended June 30,			
	2022	2021	2022	2021	As of June 30, 2022	As of December 31, 2021
Assay Revenue						
Payor A	47 %	36 %	39 %	34 %	21 %	23 %
Payor B	*	*	*	*	15 %	15 %

* *Less than 10%*

There were no other third-party payors or pharmaceutical customers that individually accounted for more than 10% of the Company's total revenue or accounts receivable for the periods shown in the table above.

(b) Deferred Revenue and Remaining Performance Obligations

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue on the condensed consolidated balance sheets.

In a majority of historical agreements that produced contract revenue, the Company received a substantial up-front payment and additional payments upon the achievement of various milestones over the life of the agreement. This results in deferred revenue and is relieved upon delivery of the applicable Smart Stickers or RNA extraction results. Changes in accounts receivable and deferred revenue were not materially impacted by any other factors.

The Company records a deferred revenue liability if a customer pays consideration before the Company transfers a good or service to the customer. Deferred revenue primarily represents upfront milestone payments, for which consideration is received prior to when goods/services are completed or delivered. Upfront fees that are estimated to be recognized as revenue more than one year from the date of collection are classified as long-term deferred revenue. Short-term deferred revenue as of June 30, 2022 and December 31, 2021 was $1.3 million and $1.4 million, respectively.

Remaining performance obligations include deferred revenue and amounts the Company expects to receive for goods and services that have not yet been delivered or provided under existing agreements. For agreements that have an original duration of one year or less, the Company has elected the practical expedient applicable to such agreements and does not disclose the remaining performance obligations at the end of each reporting period. As of June 30, 2022, the estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied for executed agreements with an original duration of one year or more was approximately $0.1 million. The Company expects to recognize revenue on the majority of these remaining performance obligations over the next two to three years.

(i) Accounts Receivable

Assay Accounts Receivable

Due to the nature of the Company's assay revenue, it can take a significant amount of time to collect upon billed tests. The Company prepares an analysis on reimbursement collections and data obtained for each financial reporting period to determine the amount of receivables to be recorded relating to tests performed in the applicable period. The Company generally does not perform evaluations of customers' financial condition and generally does not require collateral. Accounts receivables are written off when all efforts to collect the balance have been exhausted. Adjustments for implicit price concessions attributable to variable consideration are incorporated into the measurement of the accounts receivable balances. The Company recorded $5.8 million and $3.6 million of gross assay accounts receivable as of June 30, 2022 and December 31, 2021, respectively. Accounts receivable as of June 30, 2022 included unbilled accounts receivable of $0.3 million.

Contract Accounts Receivable

Contract accounts receivable are recorded at the net invoice value and are not interest bearing. The Company reserves specific receivables if collectability is no longer reasonably assured, and as of June 30, 2022, the Company did not maintain any reserves over contract receivables as they relate to large established credit worthy customers. The Company re-evaluates such reserves on a regular basis and adjusts its reserves as needed. Once a receivable is deemed to be uncollectible, such balance is charged against the reserve. The Company recorded $0.2 million and $0.2 million of contract accounts receivable as of June 30, 2022 and December 31, 2021, respectively.

(j) Net Loss Per Share

Basic and diluted net loss per share of common stock is determined by dividing net loss applicable to holders of common stock by the weighted average number of shares of common stock outstanding during the period. Because there is a net loss attributable to holders of common stock during the three and six months ended June 30, 2022 and 2021, the outstanding common stock warrants, stock options, and restricted stock units ("RSUs") have been excluded from the calculation of diluted loss per share of common stock because their effect would be anti-dilutive. Therefore, the weighted average shares used to calculate both basic and diluted loss per share are the same. Diluted net loss per share of common stock for the three and six months ended June 30, 2022 excludes the effect of anti-dilutive equity instruments including 714,261 shares of common stock issuable upon the exercise of outstanding common stock warrants and 4,670,069 shares of common stock issuable upon the exercise of stock options and release of RSUs. Diluted net loss per share of common stock for the three and six months ended June 30, 2021 excludes the effect of anti-dilutive equity instruments including 749,210 shares of common stock then issuable upon the exercise of outstanding warrants and 2,469,816 shares of common stock then issuable upon the exercise of stock options and release of RSUs.

(k) Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The Company uses a three-tier fair value hierarchy to prioritize the inputs used in the Company's fair value measurements. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following table provides a summary of the assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2022 (in thousands):

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 30,723	$ —	$ —	$ 30,723
Restricted cash	3,470	—	—	3,470
Marketable securities, available for sale:				
Corporate debt securities	—	15,092	—	15,092
Municipal debt securities	—	3,641	—	3,641
U.S. government debt securities	—	34,724	—	34,724
Total marketable securities, available for sale	—	53,457	—	53,457
Total assets measured at fair value on a recurring basis	$ 34,193	$ 53,457	$ —	$ 87,650
Liabilities:				
Warrant liability	$ —	$ —	$ 24	$ 24
Total liabilities measured at fair value on a recurring basis	$ —	$ —	$ 24	$ 24

The following table provides a summary of the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2021 (in thousands):

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 16,380	$ —	$ —	$ 16,380
Restricted cash	3,025			3,025
Marketable securities, available for sale:				
Corporate debt	—	15,352	—	15,352
Municipal debt securities	—	7,412	—	7,412
U.S. government debt securities	—	25,685	—	25,685
Total marketable securities, available for sale	—	48,449	—	48,449
Total assets measured at fair value on a recurring basis	$ 19,405	$ 48,449	$ —	$ 67,854
Liabilities:				
Warrant liability	$ —	$ —	$ 146	$ 146
Total liabilities measured at fair value on a recurring basis	$ —	$ —	$ 146	$ 146

The Company's marketable debt securities are classified as available-for-sale securities based on management's intentions and are at Level 2 of the fair value hierarchy, as these investment securities are valued based upon quoted prices for identical or similar instruments in markets that are not active. The Company has classified marketable securities with original maturities of greater than one year as short-term investments based upon the Company's ability to use all of those marketable securities to satisfy the liquidity needs of the Company's current operations.

The fair value of the Private SPAC Warrants (as defined below) was determined using the Black-Scholes-Merton valuation model and included an unobservable input: expected volatility. Expected volatility is considered by the Company to be an unobservable input and is calculated using a weighted average of historical volatilities of a combination of the Company and peer companies, due to the lack of sufficient historical data of the Company's own stock price. The model also incorporated several observable assumptions at each valuation date including: the price of the Company's common stock on the date of valuation, the remaining contractual term of the warrant and the risk-free interest rate over the remaining term.

The following assumptions were used to calculate the fair value of the Company's warrant liability using the Black-Scholes-Merton valuation model:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Assumed risk-free interest rate	2.96%	0.46%	2.37% -2.96%	0.46% - 0.64%
Assumed volatility	96.21%	88.28%	92.77% - 96.21%	85.85% - 88.28%
Expected term	2.17 years	3.17 years	2.17 - 2.42 years	3.17 - 3.42 years
Expected dividend yield	—	—	—	—

The following table summarizes the changes in the fair value of the Company's Level 3 liabilities (in thousands):

Balance as of December 31, 2021	$	146
Change in fair value of warrant liability		(17)
Balance as of March 31, 2022		129
Change in fair value of warrant liability		(105)
Balance as of June 30, 2022	$	24

As of June 30, 2022 and December 31, 2021, the Company maintains letters of credit of $3.5 million and $3.0 million, respectively, related to its lease arrangements, which are secured by money market accounts in accordance with certain of its lease agreements. The amounts are recorded at fair value using Level 1 inputs and included as restricted cash in the condensed consolidated balance sheets.

The Company believes the carrying amount of cash and cash equivalents, accounts payable and accrued expenses approximate their estimated fair values due to the short-term nature of these accounts.

(l) Accounting Pronouncements Issued But Not Yet Effective

In June 2022, the Financial Accounting Standards Board issued ASU No. 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* ("ASU 2022-03"). Under the guidance of ASU 2022-03, a contractual restriction on the sale of an equity security is not considered in measuring the security's fair value. ASU 2022-03 also requires certain disclosures for equity securities that are subject to contractual restrictions. For public business entities, the provisions of ASU 2022-03 are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company is still evaluating the impact of this pronouncement on the consolidated financial statements.

The Company does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material impact on its condensed consolidated financial statements or disclosures.

2. Balance Sheet Details

Short-Term Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of debt securities classified as available-for-sale securities by major security type and class of security as of June 30, 2022 were as follows (in thousands):

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Short-term marketable securities, available-for-sale:				
Corporate debt securities	$ 15,361	$ —	$ (269)	$ 15,092
Municipal debt securities	3,666	—	(25)	3,641
U.S. government debt securities	35,295	9	(580)	34,724
Total short-term marketable securities, available-for-sale	$ 54,322	$ 9	$ (874)	$ 53,457

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of debt securities classified as available-for-sale securities by major security type and class of security as of December 31, 2021 were as follows (in thousands):

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Short-term marketable securities, available-for-sale:				
Corporate debt securities	$ 15,385	$ —	$ (33)	$ 15,352
Municipal debt securities	7,417	—	(5)	7,412
U.S. government debt securities	25,771	1	(87)	25,685
Total short-term marketable securities, available-for-sale	$ 48,573	$ 1	$ (125)	$ 48,449

As of June 30, 2022, the estimated market value of debt securities with contractual maturities of less than twelve months was $25.8 million; the remaining debt securities that the Company held at that date had an estimated market value of $27.7 million and contractual maturities of up to 23 months. As of December 31, 2021, the estimated market value of debt securities with contractual maturities of less than twelve months was $21.2 million; the remaining debt securities that the Company held at that date had an estimated market value of $27.2 million and contractual maturities of up to 23 months.

The Company evaluates securities with unrealized losses to determine whether such losses, if any, are due to credit-related factors. It was determined that no credit losses existed as of June 30, 2022 or December 31, 2021, because the change in market value for those securities in an unrealized loss position has resulted from fluctuating interest rates rather than a deterioration of the credit worthiness of the issuers. Gross realized gains and losses on the Company’s debt securities for the three and six months ended June 30, 2022 and 2021 were not significant.

Prepaid Expenses and Property and Equipment, Net

Condensed consolidated balance sheet details are as follows (in thousands):

	June 30, 2022	December 31, 2021
Prepaid expenses and other current assets:		
Prepaid insurance	$ 806	$ 1,801
Prepaid trade shows	241	440
Prepaid software fees	907	551
Prepaid employee compensation	227	238
Other current assets	500	136
Total prepaid expenses and other current assets	$ 2,681	$ 3,166
Property and equipment, gross:		
Laboratory equipment	$ 4,856	$ 4,805
Computer equipment	396	171
Furniture and fixtures	555	124
Leasehold improvements	1,208	1,074
Construction-in-progress	139	—
Total property and equipment, gross	7,154	6,174
Less accumulated depreciation	(2,238)	(1,625)
Total property and equipment, net	$ 4,916	$ 4,549

Accrued Compensation and Accrued Liabilities

Condensed consolidated balance sheet details are as follows (in thousands):

	June 30, 2022	December 31, 2021
Accrued compensation:		
Accrued paid time off	$ 1,689	$ 1,245
Accrued wages, bonus and other	6,129	3,875
Total accrued compensation	$ 7,818	$ 5,120
Accrued liabilities:		
Accrued consulting services	$ 2,201	$ 775
Other accrued expenses	1,071	452
Total accrued liabilities	$ 3,272	$ 1,227

3. Stockholders' Equity

(a) Classes of Stock

The Company's amended and restated certificate of incorporation authorizes it to issue 50,000,000 shares of common stock and 5,000,000 shares of preferred stock. Both classes of stock have a par value of $0.0001 per share.

(b) At-The Market Offering

On November 10, 2020, the Company entered into a sales agreement (the "Sales Agreement") with Cowen and Company, LLC ("Cowen") relating to the sale of shares of the Company's common stock from time to time with an aggregate offering price of up to $50.0 million. During 2020, the Company issued an aggregate of 951,792 shares of common stock pursuant to the Sales Agreement at a weighted average purchase price of $20.97 resulting in aggregate gross proceeds of approximately $20.0 million, reduced by $0.9 million in issuance costs, resulting in net proceeds to the Company of approximately $19.1 million. For the six months ended June 30, 2022, the Company did not issue any shares pursuant to the Sales Agreement. For the year ended December 31, 2021, the Company issued an aggregate of 530,551 shares of common stock pursuant to the Sales Agreement at a weighted average purchase price of $46.33 resulting in aggregate gross proceeds of approximately $24.6 million, reduced by $0.7 million in issuance costs, resulting in net proceeds to the Company of approximately $23.8 million.

(c) 2021 Underwritten Public Offering

On January 6, 2021, the Company entered into an Underwriting Agreement with Cowen and William Blair & Company, L.L.C. as representatives of several underwriters (the "Underwriters"). The Company agreed to issue and sell up to 4,237,288 shares of its common stock including up to 635,593 shares that could be purchased by the Underwriters pursuant to a 30-day option granted to the Underwriters by the Company. On January 11, 2021, the Company closed the underwritten public offering of 4,872,881 shares of its common stock, which included the exercise in full by the Underwriters of their option to purchase up to 635,593 additional shares, at a price to the public of $29.50 per share. The Company received aggregate gross proceeds of approximately $143.7 million, and net proceeds of approximately $134.6 million, after deducting underwriting discounts and commissions and other offering expenses.

(d) Warrants

SPAC Warrants

The Company previously issued a total of 14,936,250 SPAC Warrants to purchase common stock in public and private placement offerings which were consummated on June 23, 2017. As part of the public offering, the Company issued 14,375,000 warrants ("Public SPAC Warrants") and as part of the private placement offering, the Company issued 561,250 warrants ("Private SPAC Warrants"). The SPAC Warrants have a five-year life from the date the Business Combination was consummated and every four SPAC Warrants entitle the holder to purchase one whole share of common stock at an exercise price of $23.00 per whole share.

The Private SPAC Warrants are identical to the Public SPAC Warrants, but they (i) are exercisable either for cash or on a cashless basis at the holder's option, (ii) are not redeemable by the Company as long as such warrants are held by the initial purchasers or their affiliates and permitted transferees, and (iii) may be subject to the limitations on exercise as specified in the warrant agreement. As a result of these difference in features between the Public SPAC Warrants and Private SPAC Warrants, the Company concluded that the Private SPAC Warrants should be classified as a liability, if still held by the original Private SPAC Warrant holder, and marked to market each financial reporting period in the Company's statement of operations.

Between January 1, 2021 and June 30, 2021, a total of 12,120,397 SPAC Warrants were exercised, resulting in the Company's issuance of 3,030,092 shares of common stock and the receipt of $69.7 million in gross proceeds.

Outstanding SPAC Warrants totaled 2,815,853 as of June 30, 2022 and December 31, 2021. Private SPAC Warrants that were still owned by the original holder totaled 80,350 as of June 30, 2022 and December 31, 2021.

Placement Agent Warrants

In connection with several of DermTech Operations' financings that took place between 2015 and 2018, DermTech Operations engaged a registered placement agent to assist in marketing and selling of common and preferred units. From 2015 to 2016, DermTech Operations issued 168,522 seven-year warrants to purchase one share of common stock each at an exercise price of $8.68 per share. From 2016 to 2018, DermTech Operations issued 72,658 seven-year warrants to purchase one share of common stock at an exercise price of $9.54 per share. In 2020, the Company issued 15,724 seven-year warrants to purchase one share of common stock at an exercise price of $9.54 per share in connection with the Company's 2018 bridge note financing. Outstanding placement agent warrants totaled 10,039 as of June 30, 2022 and December 31, 2021.

(i) Stock-Based Compensation

The following table sets forth assumptions used to determine the fair value of each option on the date of grant issued under the 2020 Equity Incentive Plan:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Assumed risk-free interest rate	2.97%	1.03% - 1.07%	2.97%	0.52% - 1.13%
Assumed volatility	81.65%	77.69%	81.65%	74.88% - 77.69%
Expected option term	6.08 years	6.08 years	6.08 years	6.08 years
Expected dividend yield	—	—	—	—

The following table sets forth assumptions used to determine the fair value of the purchase rights issued under the 2020 Employee Stock Purchase Plan (the "ESPP"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Assumed risk-free interest rate	(1)	0.10%	0.05% - 0.22%	0.10% - 0.18%
Assumed volatility	(1)	69.34%	52.58% - 64.55%	68.44% - 69.34%
Expected option term	(1)	0.50 years	0.49 - 0.50 years	0.49 - 0.50 years
Expected dividend yield	(1)	—	—	—

(1) There were no ESPP purchases under its 2020 Employee Stock Purchase Plan during the period.

Stock-based compensation expense for employee options, RSUs, the purchase rights issued under the ESPP, and consultant options was recorded in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of revenue	$ 298	$ 259	$ 633	$ 410
Sales and marketing	1,067	935	2,528	1,482
Research and development	1,330	515	1,825	829
General and administrative	2,142	1,829	3,745	2,989
Total stock-based compensation	$ 4,837	$ 3,538	$ 8,731	$ 5,710

The total compensation cost related to non-vested awards not yet recognized as of June 30, 2022 was $50.3 million, which is expected to be recognized over a weighted average term of 2.90 years.

2010 Stock Plan

In connection with the Business Combination, the Company assumed the DermTech Operations' Amended and Restated 2010 Stock Plan (the "2010 Plan"), which provided for the granting of incentive and non-statutory stock options and restricted stock purchase rights and bonus awards. The contractual term of options granted under the 2010 Plan was ten years. Vesting provisions varied based on the specific terms of the individual option awards. At the Company's annual meeting held on May 26, 2020, the Company's shareholders voted to approve the DermTech, Inc. 2020 Equity Incentive Plan (the "2020 Plan"), which terminated the 2010 Plan. No additional awards will be granted under the 2010 Plan, however, all outstanding awards under the 2010 Plan remain in effect. No shares remained available for issuance pursuant to future grants under the 2010 Plan as of June 30, 2022 and December 31, 2021, respectively.

2020 Equity Incentive Plan

On May 26, 2020, the Company's stockholders approved the adoption of the 2020 Plan, which provides for the granting of incentive and non-qualified stock options, restricted stock and stock-based awards. Under the 2020 Plan, incentive and non-qualified stock options may be granted at not less than 100% of the fair market value of the Company's common stock on the date of grant. If an incentive stock option is granted to an individual who owns more than 10% of the combined voting power of all classes of the Company's capital stock, the exercise price may not be less than 110% of the fair market value of the Company's common stock on the date of grant and the term of the option may not be longer than five years.

The 2020 Plan authorizes the Company to issue up to 1,900,000 shares of the Company's common stock pursuant to awards granted under the 2020 Plan, plus the number of shares underlying any stock option and other stock-based awards previously granted under the 2010 Plan that are forfeited, canceled, or terminated (other than by exercise) on or after May 26, 2020; provided that no more than 1,400,000 shares may be added to the 2020 Plan pursuant to such forfeitures, cancellations and terminations. In addition, the number of shares available for issuance under the 2020 Plan will automatically increase on the first day of each fiscal year beginning in fiscal year 2021 and ending on the second day of fiscal year 2025, by an amount equal to the smaller of (i) 3.5% of the number of shares of common stock outstanding on such date and (ii) an amount determined by the administrator of the 2020 Plan. The 2020 Plan will expire on April 12, 2030 or an earlier date approved by a vote of the Company's stockholders or board of directors. The contractual term of options granted under the 2020 Plan is not more than ten years. Vesting provisions vary based on the specific terms of the individual option awards. 431,107 shares remained available for future grant under the 2020 Plan as of June 30, 2022.

2020 Employee Stock Purchase Plan

On May 26, 2020, the Company's stockholders approved the adoption of the ESPP, which allows for full-time and certain part-time employees of the Company to purchase shares of common stock at a discount to fair market value. Eligible employees enroll in a six-month offering period during the open enrollment period prior to the start of that offering period. A new offering period begins approximately every March 1 and September 1. At the end of each offering period, the accumulated contributions are used to purchase shares of the Company's common stock. Shares are purchased at a price equal to 85% of the lower of: (i) the fair market value of the Company's common stock on the first business day of an offering period or (ii) the fair market value of the Company's common stock on the last business day of an offering period.

The ESPP authorizes the Company to issue up to 400,000 shares of the Company's common stock. In addition, the number of shares available for issuance under the ESPP will automatically increase on the first day of each of the Company's fiscal years beginning in 2021 and ending on the first day of 2030, in an amount equal to the lesser of (i) 300,000 shares, (ii) 1% of the shares of Company common stock outstanding on the last day of the immediately preceding fiscal year, or (iii) such lesser number of shares as is determined by the board of directors of the Company, subject to adjustment upon changes in capitalization of the Company. On February 28, 2021 and August 31, 2021, the Company issued 39,960 and 18,155 shares of its common stock, respectively, pursuant to scheduled purchases under the ESPP. As of December 31, 2021, 549,289 shares of common stock were reserved for future issuance under the ESPP. On January 1, 2022, an additional 297,729 shares became available under the ESPP pursuant to an automatic annual increase. On February 28, 2022, the Company issued 47,339 shares of its common stock pursuant to scheduled purchases under the ESPP. 799,679 shares remained available for future grant under the ESPP as of June 30, 2022.

Management Warrants

Warrants to purchase DermTech Operations common stock were issued to executive officers of DermTech Operations in lieu of issuing certain stock options (the "Management Warrants"). The Management Warrants were assumed by the Company in connection with the Business Combination. The Management Warrants have a ten-year life and are exercisable for Company common stock at $1.08 per share. For the six months ended June 30, 2022, the Company issued 20,320 shares of common stock pursuant to the exercise of Management Warrants. The Management Warrants vested monthly over a four-year period. Outstanding Management Warrants totaled zero and 22,320 as of June 30, 2022 and December 31, 2021, respectively.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
Warrants to purchase common stock	10	31
SPAC Warrants to purchase common stock*	704	704
Stock options issued and outstanding	1,758	1,721
RSUs issued and outstanding	2,912	983
Authorized for future equity grants	431	603
Authorized for future ESPP purchases	800	549
Total common stock reserved for future issuance	6,615	4,591

*Four SPAC Warrants are needed to purchase one share of common stock. The numbers presented above reflect the amount of shares of common stock underlying SPAC Warrants.

4. Leases, Commitments and Contingencies

Adoption of ASC 842

In the third quarter of 2021, the Company adopted ASU 2016-02, and ASC Topic 842, *Leases* ("ASC 842") using the modified retrospective approach with an effective date of January 1, 2021. The adoption had no effect on the condensed consolidated statements of operations for the three and six months ended June 30, 2021. Net cash (used in) provided by operating activities, investing activities or financing activities for the six months ended June 30, 2021 were also unchanged, but the presentation of certain prior period amounts within the operating activities section of the condensed consolidated statements of cash flows have been retrospectively adjusted to give effect to the adoption of ASC 842. The changes are set forth in the table below (in thousands):

	Six Months Ended June 30, 2021		
	Before Adoption of ASC 842	Effect of Adoption	After Adoption of ASC 842
Effect on Condensed Consolidated Statements of Cash Flows			
Cash flows from operating activities:			
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of operating lease right-of-use assets	$ —	$ 582	$ 582
Change in operating assets and liabilities:			
Operating lease liabilities, net	—	(328)	(328)
Other liabilities	$ 254	$ (254)	$ —

Finance Leases

The Company leases certain laboratory equipment from various third parties, through equipment finance leases (previously referred to as “capital leases”). These leases either include a bargain purchase option or the terms of the leases are at least 75 percent of the useful lives of the assets and are therefore classified as finance leases. These leases are capitalized in property and equipment, net on the accompanying condensed consolidated balance sheets. Initial asset values and finance lease obligations are based on the present value of future minimum lease payments. Gross assets recorded under finance leases were $0.4 million and $0.4 million as of June 30, 2022 and December 31, 2021, respectively. Accumulated amortization associated with finance leases was $0.1 million and $0.1 million as of June 30, 2022 and December 31, 2021, respectively. Total finance lease interest expense was approximately $3,000 and $4,000 for the three months ended June 30, 2022 and 2021, respectively, and $7,000 and $8,000 for the six months ended June 30, 2022 and 2021, respectively, and is included within interest income, net on the condensed consolidated statements of operations. Long-term finance lease obligations are as follows (in thousands):

	June 30, 2022	December 31, 2021
Gross finance lease obligations	$ 262	$ 274
Less imputed interest	(17)	(17)
Present value of net minimum lease payments	245	257
Less current portion of finance lease obligations	(134)	(121)
Total long-term finance lease obligations	$ 111	$ 136

Operating Leases

Del Mar Heights Lease

On July 1, 2021, the Company entered into an Office Lease (the “Del Mar Lease”) with Kilroy Realty, L.P. (the “Landlord”), with respect to an aggregate of 95,997 rentable square feet consisting of the entire building located at 12340 El Camino Real, San Diego, California 92130 (the “Entire Premises”). The Entire Premises covered by the Del Mar Lease will serve as the Company’s new principal office.

The Del Mar Lease provides for a tenant improvement allowance of $125.00 per rentable square foot of the Entire Premises for a total of $12.0 million that the Landlord will use to fund the installation and/or construction of certain improvements to the Entire Premises in four phases, with each phase pertaining to a specified portion of the Entire Premises. The initial term of the Del Mar Lease is ten years and six months beginning on the earlier to occur of (i) January 1, 2023 and (ii) the date that Landlord tenders possession of the Phase III Premises (as defined in the Del Mar Lease) to the Company following the substantial completion of the improvements to the Phase III Premises required by the Del Mar Lease (the “Lease Commencement Date”). The Company has the option to extend the term of the Lease for two additional five-year periods, subject to the terms of the Del Mar Lease.

As the Landlord tenders possession of each portion of the Entire Premises for which the applicable improvements required by the Del Mar Lease are substantially complete, the Company will be obligated to make monthly payments of base rent with respect to such portion of the Entire Premises as set forth on Schedule 1 to the Del Mar Lease. In the event the Company exercises its option to extend the Del Mar Lease term, the Lease provides for monthly rent payments during the additional five-year periods at the then-current market rent as determined in accordance with the Del Mar Lease. In addition to rent, the Del Mar Lease requires the Company to pay additional rent amounts for taxes, insurance, maintenance and other expenses.

During year ended December 31, 2021, the Company took initial possession of the first phase of its corporate headquarters, and the Company capitalized a right-of-use asset and related lease liability of $5.7 million associated with the first phase. During the three months ended March 31, 2022, the lease for the second phase of the Company’s corporate headquarters commenced and the Company capitalized a right of use asset and related lease liability of $15.8 million. The extension option periods were not considered in the determination of the right-of-use asset or the lease liability as the Company did not consider it reasonably certain that it would exercise such extension options.

Del Mar Lease Amendments

During April 2022, the Company amended the Del Mar Lease through the execution of the First Amendment to Office Lease (the "First Amendment") and the Second Amendment to Office Lease (the "Second Amendment") (collectively, the "Del Mar Lease Amendments"). Pursuant to the First Amendment to the Del Mar Lease, the Company elected to utilize a one-time increase in an additional improvement allowance of $25.00 per rentable square foot, which increased the tenant improvement allowance by $2.4 million to $14.4 million, provided under the Del Mar Lease to make certain improvements to the Entire Premises. As a result, the Company will pay an increased monthly base rent to the Landlord, in order to repay costs relating to the additional design and construction. Pursuant to the Second Amendment to the Del Mar Lease, the Company elected to expand the Entire Premises to include 14,085 rentable square feet comprising the executive parking level (the “Expansion Premises”), which increased the tenant improvement allowance by $2.1 million to $16.5 million. The Landlord will tender possession of the Expansion Premises following substantial completion of improvements, pursuant to an agreed upon work letter and will run contemporaneously with the term of the Existing Premises. The Company intends to use the additional space for general office and laboratory use. As the Landlord tenders possession of the Expansion Premises, the Company will be obligated to pay the Landlord increased monthly installments of base rent for the Expansion Premises. Upon inclusion of the Expansion Premises, the Company will lease approximately 110,082 rentable square feet rentable square feet from the Landlord (the “New Entire Premises”).

The Company evaluated the Del Mar Lease Amendments under ASC 842 and concluded that the Del Mar Lease Amendments would be accounted for as a single contract with the Del Mar Lease because the additional lease payments due to the Del Mar Lease Amendments were not commensurate with ROU asset granted to the Company. Accordingly, the Company remeasured the lease liability using the additional monthly rent payments and the incremental borrowing rate at the effective date of the modification of 6.50%. The remeasurement for the modification resulted in an increase to the lease liability and the ROU asset of approximately $1.2 million.

The extension option periods were not considered in the determination of the right-of-use asset or the lease liability as the Company did not consider it reasonably certain that it would exercise such extension options. Pending execution of the Landlord's obligations to prepare leased spaces for occupancy, the Company expects the operating leases for the additional office and laboratory space to commence on various dates in the year ending December 31, 2022. The Company has an estimated future lease payment obligation of approximately $54.4 million related to corporate office facilities that were in the process of being constructed as of June 30, 2022. The lease liabilities and the corresponding right-of-use assets associated with these lease obligations will be recorded upon the commencement date of the operating leases using the Company’s incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term and at an amount equal to the lease payments in a similar economic environment. The Company calculates its incremental borrowing rates for specific lease terms, used to discount future lease payments, as a function of the U.S. Treasury rate and an indicative Moody’s rating for operating leases.

In connection with the original lease agreement, in lieu of a cash security deposit, the Company’s bank issued a letter of credit on its behalf, which is secured by a deposit, of $3.0 million and is included in restricted cash on the condensed consolidated balance sheet based on the term of the underlying lease. In April 2022, pursuant to the Second Amendment, the Company’s bank increased the letter of credit on its behalf by $0.5 million, totaling $3.5 million. As of June 30, 2022, none of the standby letter of credit amount has been used.

Torrey Pines Lease

In January 2013, DermTech Operations entered into a non-cancelable lease agreement for its operating facilities in Torrey Pines (the “Torrey Lease”). In January 2014, DermTech Operations signed an amendment to the Torrey Lease to extend the term through January 2017. In November 2016, DermTech Operations signed a second amendment to the Torrey Lease to extend the term through March 2022. In August 2019, DermTech Operations signed a third amendment to the Torrey Lease to add additional space, and in September 2019, the Company signed a fourth amendment to the Torrey Lease to add additional space. In February 2020, the Company signed a fifth amendment to the Torrey Lease to add additional space. In connection with the Business Combination, the Company assumed all obligations under the Torrey Lease, as amended, from DermTech Operations. As part of the fifth amendment, the Company was entitled to a tenant improvement allowance for certain costs incurred while performing these improvements in the amount of $0.3 million, which amount may be increased by up to $0.1 million at the Company’s election and subject to a corresponding increase in rent. Under the terms of the facilities leases, the Company is required to pay its proportionate share of property taxes, insurance and normal maintenance costs.

The lease term for all leased space has an expiration date of April 30, 2023, and an option to extend the lease term on all leased space for one additional three-year term, which the Company is not reasonably certain that it will exercise. As such, the Company did not include this option in the determination of the total lease term. On January 1, 2021, in conjunction with the adoption of the guidance in ASU 2016-02, the Company recognized a right-of-use asset and corresponding lease liability for its facility lease as the present value of lease payments not yet paid at January 1, 2021. The right-of-use asset and corresponding lease liability was estimated assuming the remaining lease term of 28 months at January 1, 2021, and an estimated discount rate of 4.04%, which was the Company’s incremental borrowing rate at the date of adopting ASC 842. The Company recorded a lease liability of $3.1 million and a right-of-use asset of $2.8 million, which is net of $0.3 million of the Company’s previously capitalized tenant improvement allowance and deferred rent, upon adoption.

The components of lease expense for the three and six months ended June 30, 2022 was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Operating lease cost				
Operating lease cost	$ 1,044	$ 319	$ 1,667	$ 638
Variable lease costs [(1)]	303	143	492	315
Total operating lease cost	$ 1,347	$ 462	$ 2,159	$ 953
Finance lease cost				
Amortization of leased assets	$ 21	$ 17	$ 41	$ 34
Interest on lease liabilities	3	4	7	8
Total finance lease cost	$ 24 —	$ 21	$ 48	$ 42

(1) Variable lease costs are primarily related to common area maintenance charges and property taxes.

Other information related to leases was as shown in the table below.

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,179	$ 684
Operating cash flows from finance leases	$ 7	$ 8
Financing cash flows from finance leases	$ 60	$ 53
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 17,059	$ 2,831
Finance leases	$ 48	$ —
Weighted average remaining lease term in years:		
Operating leases	10.56	1.92
Finance leases	1.50	2.50
Weighted average discount rate:		
Operating leases	6.39 %	4.04 %
Finance leases	5.78 %	5.54 %

The Company's future minimum lease payments under operating and financing leases at June 30, 2022 are as follows (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total
Operating lease obligations, including interest	$ 1,524	$ 2,948	$ 2,774	$ 2,853	$ 2,934	$ 20,612	$ 33,645
Finance lease obligations, including interest	72	133	19	19	15	4	262
Total future minimum lease payments	$ 1,596	$ 3,081	$ 2,793	$ 2,872	$ 2,949	$ 20,616	$ 33,907

Amounts presented in the table above exclude non-cancelable future minimum lease payments for operating leases that have not commenced as of June 30, 2022.

Legal Proceedings

From time to time, the Company may be subject to legal proceedings and claims arising in the ordinary course of business. Management does not believe that the outcome of any of these matters will have a material effect on the Company's consolidated financial position, results of operations or cash flows.

5. Related Party Transactions

During 2021 and 2022, the Company engaged EVERSANA Life Science Services, LLC ("EVERSANA") to provide certain marketing services to the Company. Leana Wood, the spouse of Todd Wood, the Company's Chief Commercial Offer, is an employee of EVERSANA. The Company incurred $0.9 million and $0.5 million in costs for the three months ended June 30, 2022 and 2021, respectively, and $1.6 million and $0.9 million for the six months ended June 30, 2022 and 2021, respectively.

On October 1, 2019, the Company entered into a consulting agreement with Michael Dobak pursuant to which the Company will compensate Michael Dobak, in an amount not to exceed $100,000, for certain public relations and marketing services. On July 28, 2020, the Company and Michael Dobak entered into an amendment to such consulting agreement to modify the terms of Michael Dobak's compensation. The amended consulting agreement compensated Michael Dobak $15,000 per month for the period May 11, 2020 through June 30, 2021 and also granted him a restricted stock unit award that fully vested in a single installment on August 31, 2020 and represented the contingent right to receive 5,000 shares of common stock on January 2, 2021. On November 11, 2020, the Company and Michael Dobak entered into an amendment to such consulting agreement to extend the term through December 31, 2021 with a continued monthly payment of $15,000. On February 26, 2021, the Company and Michael Dobak agreed to extend his agreement through April 30, 2021 with a revised monthly payment of $20,000. Michael Dobak is the brother of Dr. John Dobak, the Company's Chief Executive Officer. The Company incurred zero and $20,000 in costs for the three months ended June 30, 2022 and 2021, respectively, and zero and $0.1 million for the six months ended June 30, 2022 and 2021.

There were no other related party transactions identified during the six months ended June 30, 2022 and 2021.

6. Subsequent Events

The Company considered subsequent events through August 8, 2022, the date the condensed consolidated financial statements were available to be issued, and determined there were no subsequent events that would require recognition or disclosure in the condensed consolidated financial statements.

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

The following Discussion and Analysis of Financial Condition and Results of Operations of DermTech, Inc. (together with its subsidiaries, "DermTech," "we," "us," "our" or the "Company") should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited condensed consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2021, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 10, 2022.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report, including the following Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are intended to be covered by the "safe harbor" created by those sections. All statements, other than statements of historical facts, contained in this report, including statements regarding DermTech's or its management's intentions, beliefs, expectations and strategies for the future, are forward looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "expect," "plan," "anticipate," "believe," "estimate," "intend," "potential" or "continue" or the negative of these terms or other comparable terminology. Forward-looking statements are made as of the date of this report, deal with future events, are subject to various risks and uncertainties, and actual results could differ materially from those anticipated in those forward-looking statements. The risks and uncertainties that could cause actual results to differ materially are more fully described under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. We may disclose changes to risk factors or additional risk factors from time to time in our future filings with the SEC. We assume no obligation to update any of the forward-looking statements after the date of this report or to conform these forward-looking statements to actual results.

Overview

We are a molecular diagnostic company developing and marketing novel non-invasive genomics tests to aid in the diagnosis and management of various skin conditions, including skin cancer and inflammatory diseases. Our technology provides a more accurate alternative to surgical biopsy, minimizing patient discomfort, scarring, and risk of infection, while maximizing convenience. Our scalable genomics assays are used to non-invasively collect a tissue sample for analysis.

We are initially commercializing tests that will address unmet needs in the diagnostic pathway of pigmented skin lesions, such as moles or dark colored skin spots. The DMT facilitates the clinical assessment of pigmented skin lesions for melanoma. We initially marketed this test directly to a concentrated group of dermatologists and are currently expanding marketing efforts to a broader group of clinicians and to a small group of primary care providers. The application of our Smart Sticker to collect samples non-invasively may allow us to eventually market the DMT to primary care physicians more broadly, beyond integrated primary care networks, and expand our efforts through telemedicine channels. We process our tests in our high complexity molecular laboratory that is certified under CLIA, College of American Pathologists accredited and New York licensed. We also provide laboratory services to several pharmaceutical companies that access our technology on a contract basis for their clinical trials or other studies to advance new drugs.

Events, Trends and Uncertainties

The DMT (without the add-on test for TERT) became eligible for Medicare reimbursement on February 10, 2020. Each reference to the DMT in this paragraph refers only to the DMT without the add-on test for TERT. In late October 2019, the American Medical Association provided us with a PLA Code. Pricing of $760 for the PLA Code was published on December 24, 2019 as part of the Clinical Laboratory Fee Schedule for 2020. The final Local Coverage Determination, or LCD, expanded the coverage proposal in the draft LCD from one to two tests per date of service and it allows clinicians to order the DMT if they have sufficient skill and experience to decide whether a pigmented lesion should be biopsied. Our local Medicare Administrative Contractor, Noridian, has issued its own Local Coverage Decision, or Noridian's LCD, announcing coverage of the DMT. Even though the effective date of Noridian's LCD was June 7, 2020, Noridian began reimbursing us for the DMT as of February 10, 2020. With Medicare coverage granted, we have the opportunity to approach commercial payors, and as a result, we believe that the DMT may generate significant revenues in 2022 and 2023. No LCD currently covers the optional add-on test for TERT available to those ordering the DMT.

Despite the grant of Medicare coverage for the DMT (without the add-on test for TERT), uncertainty surrounds commercial payor reimbursement, including governmental and commercial payors, of any test incorporating new technology, including tests developed using our technologies. Because each payor generally determines for its own enrollees or insured patients whether to cover or otherwise establish a policy to reimburse our tests, seeking payor approvals is a time-consuming and costly process. We cannot be certain that coverage for our current tests and our planned future tests will be provided in the future by additional commercial payors or that existing policy decisions or reimbursement levels will remain in place or be fulfilled under existing terms and provisions. If we cannot obtain or maintain coverage and reimbursement from private and governmental payors such as Medicare and Medicaid for our current tests, or new tests or test enhancements that we may develop in the future, our ability to generate revenues could be limited. This may have a material adverse effect on our business, financial condition, results of operation, and cash flows.

Revenue Effects Related to COVID-19 Pandemic

Assay Revenue

Beginning in March 2020 and continuing through the second quarter of 2022, the ongoing COVID-19 pandemic has reduced patient access to clinician offices for in-person testing and reduced access by our sales force for in-office sales calls, which has resulted in a reduced volume of billable samples received relative to our pre-pandemic expectations. April 2020 billable sample volume was down by approximately 80%, commensurate with the closure of dermatology offices, compared to the average monthly billable sample volume for the two months preceding the beginning of the COVID-19 stay-at-home orders. Despite the downturn in billable samples in April 2020, we saw a stabilization of billable sample volume throughout the rest of the second quarter of 2020 and through the second quarter of 2022 as various states and dermatology offices reopened throughout the country. Despite not all dermatology practices returning to full operations, billable sample volume first exceeded pre-pandemic levels in July 2020. Billable sample volume for the three months ended June 30, 2022 was 28% higher compared to billable sample volume for the three months ended March 31, 2022. Billable sample volume for the three months ended June 30, 2022 was 56% higher than billable sample volume for the three months ended June 30, 2021. Billable sample volumes could again be negatively impacted by the ongoing COVID-19 pandemic, including as a result of any resurgence of the virus or its variants.

In April 2020, we made available a remote telemedicine collection option for the DMT. Using the remote telemedicine collection option, a clinician can choose to assess the patient’s skin and suspicious lesion(s) via a telemedicine appointment and, if indicated, submit a patient-specific order to DermTech for the DMT. In this case, a Smart Sticker Collection Kit is then mailed to the patient directly. During a follow-up telemedicine appointment, a clinician instructs and supervises the patient to collect their sample with the Smart Sticker. The patient then returns the collected sample(s) back to DermTech via a pre-labeled shipping envelope for analysis. Test results are made available to the ordering clinician within a few days.

In July 2021, we launched another telemedicine option available to patients through the DermTech Connect mobile application, where permitted by law and consistent with applicable standards of care and practice guidelines. DermTech Connect enables a user to take a picture of a suspicious lesion with their phone and submit the picture to an independent clinician to assess the lesion. As of the date of this report, DermTech Connect is available to patients of clinicians subscribed to DermTech Connect in 44 states. Subscribing clinicians utilizing DermTech Connect charge a pre-determined amount for the patient services and no claims are submitted for reimbursement of the clinical telemedicine services. These subscribing clinicians pay DermTech a fixed amount for use of the DermTech Connect platform. The clinician can also determine, if they deem it medically necessary, to order the DMT, in which case a Smart Sticker Collection Kit is mailed to the patient, followed by at-home self-collection with remote virtual supervision by a DermTech patient liaison. Many state laws and regulations impose various requirements on the practice of telemedicine, the regulatory landscape is evolving and DermTech Connect is not, and may not become, available in all states. The telemedicine market is relatively new and unproven, especially within dermatology, and it is uncertain whether the telemedicine options for the DMT will achieve and sustain high levels of demand, consumer acceptance and market adoption, as well as face challenges in the regulatory landscape, which is complex and evolving.

While and to the extent that the COVID-19 pandemic continues (including as a result of clinician offices closing again due to a COVID-19 outbreak within the practice, or patients avoiding in-person visits to the dermatology clinic for fear of contracting COVID-19 or any of its viral variants), our revenues will depend to an extent on the willingness of clinicians and their patients to use our telemedicine option for the DMT, as well as on our ability to demonstrate the value of our telemedicine option to health plans and other purchasers of healthcare for beneficiaries. The duration and extent of the effects of the ongoing COVID-19 pandemic are uncertain and have, and may again in the future, adversely affect our revenues by reducing access to clinician offices by patients for in-person testing and by our sales force for in-office sales calls.

Contract Revenue

Contract revenues with pharmaceutical companies relate to ongoing clinical trial contracts and new contracts. Contract revenue can be highly variable as it is dependent on the pharmaceutical customers' clinical trial progress which can be difficult to forecast due to variability of patient enrollment, drug safety and efficacy and other factors. Many of our historical contracts with third parties were structured to contain milestone billing payments, which typically are advance payments on work yet to be performed. These advanced payments are structured to help fund operations and are included in deferred revenue as the work has not yet been performed. These advance payments will remain in deferred revenue until we process the laboratory portion of the contracts allowing us to recognize the revenue.

The COVID-19 pandemic has negatively affected and may again in the future negatively affect our pharmaceutical customers' clinical trials. The extent of such effect on our future revenue is uncertain and will depend on the duration and extent of the effects of the ongoing COVID-19 pandemic on our pharmaceutical customers' clinical trials.

Optional Add-on Test for TERT (formerly known as PLAplus)

During the second quarter of 2021, we announced the launch of the optional add-on test for TERT (then known as PLA*plus*) available to those ordering the DMT, which delivers objective and actionable information to guide clinical management decisions for skin lesions that may be melanoma. This add-on test combines TERT promoter DNA driver mutation analyses as a reflex test to the DMT's standard RNA gene expression test. TERT is individually associated with histopathologic features of aggressiveness and poor survival in melanoma. The combined tests elevate the sensitivity from 91% to 97% and maintain a negative predictive value of >99%, resulting in a less than 1% probability of missing melanoma. By combining RNA gene expression and DNA mutation analyses, the DMT provides a highly accurate non-invasive genomic test for enhanced early melanoma detection. For a discussion of the effects of the ongoing COVID-19 pandemic on recognized revenue derived from the DMT, refer to "Assay Revenue" under "Revenue Effects Related to COVID-19 Pandemic" above.

Financial Overview

Revenue

We generate revenue through laboratory services that are billed to Medicare, private medical insurance companies and to pharmaceutical companies who order our laboratory services, which can include sample collection kits, assay development, patient segmentation and stratification, genomic analysis, data analysis and reporting. Our revenue is generated from two revenue streams: assay revenue and contract revenue. Assay revenue can be highly variable as it is based on payments received by government and private insurance payors that are and are not under contract and can vary based on patient insurance coverage, deductibles and co-pays. As much of our assay revenue is driven by the samples that are sent by physicians to our central lab for testing, a key performance measure for us is samples that are received and processed by our central lab successfully, also known as billable samples. Our laboratory services are ordered by customers on projects that may span over several years, which makes our contract revenue highly variable. Segments of these contracts may be increased, delayed or eliminated based on the success of each customers' clinical trials or other factors.

Operating Expenses

Sales and Marketing Expenses

Sales and marketing expenses are primarily related to our specialty field sales force, market research, reimbursement efforts, conference attendance, public relations, advertising, and general marketing. We expect these expenses could increase significantly if we expand our direct consumer marketing efforts and continue to add to our specialty sales force, marketing and payor access teams in the future.

Research and Development Expenses

Our research and development ("R&D") expenses consist primarily of salaries and fringe benefits, clinical trials, consulting costs, facilities costs, laboratory costs, equipment expense, and depreciation. We also conduct clinical trials to validate the performance characteristics of our tests and to show medical cost benefit in support of our reimbursement efforts. We expect these expenses could increase significantly as we continue to develop new products and expand the use of our existing products.

General and Administrative Expenses

Our general and administrative expenses consist of senior management compensation, consulting, legal, billing and collections, human resources, information technology, accounting, insurance, and general business expenses. We expect our general and administrative expenses, especially employee-related costs, including stock-based compensation, insurance, accounting, and legal fees, to continue to increase due to operating as a publicly traded company.

Financing Activities

2020 At-The-Market Offering

On November 10, 2020, the Company entered into a sales agreement with Cowen relating to the sale of shares of the Company's common stock from time to time with an aggregate offering price of up to $50.0 million. During 2021, the Company issued an aggregate of 530,551 shares of common stock pursuant to the sales agreement at a weighted average purchase price of $46.33 resulting in aggregate gross proceeds of approximately $24.6 million, reduced by $0.7 million in issuance costs, resulting in net proceeds to the Company of approximately $23.8 million. The Company did not issue or sell any shares of common stock pursuant to the sales agreement in the first half of 2022.

2021 Underwritten Public Offering

On January 6, 2021, the Company, entered into an Underwriting Agreement with Cowen and William Blair & Company, L.L.C. as representatives of several underwriters (the "Underwriters"). The Company agreed to issue and sell up to 4,237,288 shares of its common stock including up to 635,593 shares that could be purchased by the Underwriters pursuant to a 30-day option granted to the Underwriters by the Company.

On January 11, 2021, the Company closed the underwritten public offering of 4,872,881 shares of its common stock, which included the exercise in full by the Underwriters of their option to purchase up to 635,593 additional shares, at a price to the public of $29.50 per share. The Company's aggregate gross proceeds from the offering, before deducting underwriting discounts and commissions and other offering expenses, were $143.7 million.

Results of Operations

Three Months Ended June 30, 2022 and June 30, 2021

Assay Revenue

Assay revenues grew $1.2 million, or 43%, to $4.1 million for the three months ended June 30, 2022 compared to $2.9 million for the three months ended June 30, 2021. Billable samples increased to approximately 18,320 for the three months ended June 30, 2022 compared to approximately 11,750 for the three months ended June 30, 2021. Sample volume is dependent on two major factors: the number of clinicians who order an assay in any given quarter and the number of assays ordered by each clinician during the period. The number of ordering clinicians and the utilization per clinician can vary based on a number of factors including patients presenting with skin cancer conditions, clinician reimbursement, office workflow, market awareness, clinician education and other factors. The ongoing COVID-19 pandemic has negatively affected and may continue to negatively affect our assay revenue by, among other things, limiting patient access to clinician offices for in-person testing and limiting access by our sales force for in-office sales calls.

Contract Revenue

Contract revenues with pharmaceutical companies decreased $0.1 million, or 59%, to $0.1 million for the three months ended June 30, 2022, compared to $0.2 million for the three months ended June 30, 2021. Contract revenue can be highly variable as it is dependent on the pharmaceutical customers' clinical trial progress, which can be difficult to forecast due to variability of patient enrollment, drug safety and efficacy and other factors. The ongoing COVID-19 pandemic has negatively affected and may continue to negatively affect our pharmaceutical customers' clinical trials. The extent of such effect on our future revenue is uncertain and will depend on the duration and extent of the effects of the ongoing COVID-19 pandemic on our pharmaceutical customers' clinical trials. Many of our contracts with third parties are structured to contain milestone billing payments, which typically are advanced payments on work yet to be performed. These advanced payments are structured to help fund operations and are included in deferred revenue as the work has not yet been performed. As of June 30, 2022, the deferred revenue amount for these contracts, which is the advanced payments minus the value of work performed, was $1.3 million. These advanced payments will remain in deferred revenue until we process the laboratory portion of the contracts allowing us to recognize the revenue.

Cost of Revenue

Cost of revenues increased $0.6 million, or 25%, to $3.3 million for the three months ended June 30, 2022 compared to $2.6 million for the three months ended June 30, 2021. The increase was largely attributable to a higher billable sample volume in 2022, and higher consulting, software and equipment costs, partially offset by streamlined laboratory processes. As of June 30, 2022, a large portion of the costs of revenue are fixed, and these costs include the CLIA facility, quality assurance, management and supervision and equipment calibration and depreciation. The variable cost of revenue expenses incurred primarily relate to compensation-related costs for our laboratory scientists and technicians, laboratory supplies, shipping costs and Smart Sticker Collection Kits. We remain committed to continuing the automation of our laboratory processes in order to become more cost efficient and productive.

Operating Expenses

Sales and Marketing

Sales and marketing expenses increased $7.1 million, or 90%, to $15.0 million for the three months ended June 30, 2022 compared to $7.9 million for the three months ended June 30, 2021. The increase was primarily attributable to higher compensation-related costs from the expansion of the commercial team, increased spending on marketing and payor infrastructure and activities, and additional software and travel expenses. We could add to our specialty sales force, marketing and payor access teams in the future, and increase spending on direct-to-consumer marketing campaigns, which would collectively increase our sales and marketing expenses significantly.

Research and Development

R&D expenses increased $3.3 million, or 92%, to $6.9 million for the three months ended June 30, 2022 compared to $3.6 million for the three months ended June 30, 2021. The increase was due to higher compensation costs of expanding the R&D team, including the addition of some senior leadership, increased clinical trial costs and increased spending on laboratory supplies to support new product development. These expenses could increase as we continue to grow the R&D team and focus on the development of our Luminate test, our basal and squamous cell skin cancer assays and other products in our pipeline.

General and Administrative

General and administrative expenses increased $2.6 million, or 41%, to $8.9 million for the three months ended June 30, 2022 compared to $6.3 million for the three months ended June 30, 2021. The increase was primarily due to higher payroll-related costs and stock-based compensation as we continue to add additional infrastructure such as human resources, billing, information technology and legal resources, and higher consulting expenses, and insurance.

Interest Income, net

Interest income, net for the three months ended June 30, 2022 was $0.1 million compared to interest income, net of $35,000 for the three months ended June 30, 2021. Interest income, net for the three months ended June 30, 2022 consists primarily of interest earned on our short-term marketable securities.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability for the three months ended June 30, 2022 was a gain of $0.1 million compared to a gain of $0.2 million for the three months ended June 30, 2021. The change in fair value of warrant liability is calculated by adjusting the value of the outstanding Private SPAC Warrants held by original holders to the current market value at each reporting period.

Six Months Ended June 30, 2022 and June 30, 2021

Assay Revenue

Assay revenues increased $2.6 million, or 50%, to $7.7 million for the six months ended June 30, 2022 compared to $5.1 million for the six months ended June 30, 2021. Billable samples increased to approximately 32,690 for the six months ended June 30, 2022 compared to approximately 21,150 for the six months ended June 30, 2021. The increase in assay revenue was primarily due to higher billable sample volume. The ongoing COVID-19 pandemic has negatively affected and will continue to negatively affect our assay revenue by, among other things, limiting patient access to clinician offices for in-person testing and limiting access by our sales force for in-office sales calls.

Contract Revenue

Contract revenues with pharmaceutical companies decreased $0.3 million, or 47%, to $0.3 million for the six months ended June 30, 2022, compared to $0.5 million for the six months ended June 30, 2021. Contract revenue can be highly variable as it is dependent on the pharmaceutical customers' clinical trial progress, which can be difficult to forecast due to variability of patient enrollment, drug safety and efficacy and other factors. The ongoing COVID-19 pandemic has negatively affected and may continue to negatively affect our pharmaceutical customers' clinical trials. The extent of such effect on our future revenue is uncertain and will depend on the duration and extent of the effects of the ongoing COVID-19 pandemic on our pharmaceutical customers' clinical trials.

Cost of Revenue

Cost of revenues increased $2.2 million, or 48%, to $6.8 million for the six months ended June 30, 2022 compared to $4.6 million for the six months ended June 30, 2021. The increase was largely attributable to a higher billable sample volume in 2022, and higher consulting, software and equipment costs, partially offset by streamlined laboratory processes. As of June 30, 2022, a large portion of the costs of revenue are fixed, and these costs include the CLIA facility, quality assurance, management and supervision and equipment calibration and depreciation. The variable cost of revenue expenses incurred primarily relate to compensation-related costs for our laboratory scientists and technicians, laboratory supplies, shipping costs, equipment maintenance, and utilities. We remain committed to continuing the automation of our laboratory processes in order to become more cost efficient and productive.

Operating Expenses

Sales and Marketing

Sales and marketing expenses increased $16.0 million, or 111%, to $30.4 million for the six months ended June 30, 2022 compared to $14.4 million for the six months ended June 30, 2021. The increase was primarily attributable to higher compensation-related costs from the expansion of the commercial team, increased spending on marketing and payor infrastructure and activities, and additional software, conference and travel expenses. We could add to our specialty sales force, marketing and payor access teams in the future, and increase spending on direct-to-consumer marketing campaigns, which would collectively increase our sales and marketing expenses significantly.

Research and Development

R&D expenses increased $7.4 million, or 127%, to $13.3 million for the six months ended June 30, 2022 compared to $5.8 million for the six months ended June 30, 2021 The increase was due to higher compensation costs of expanding the R&D team, including the addition of some senior leadership, increased clinical trial costs and increased spending on laboratory supplies to support new product development. These expenses could increase as we continue to grow the R&D team and focus on the development of our Luminate test, our basal and squamous cell skin cancer assays and other products in our pipeline.

General and Administrative

General and administrative expenses increased $6.0 million, or 52%, to $17.5 million for the six months ended June 30, 2022 compared to $11.5 million for the six months ended June 30, 2021. The increase was primarily due to higher payroll-related costs and stock-based compensation as we continue to add additional infrastructure such as human resources, billing, information technology and legal resources, and higher consulting expenses and insurance.

Interest Income, net

Interest income, net for the six months ended June 30, 2022 was $0.2 million compared to interest income, net of $69,000 for the six months ended June 30, 2021. Interest income, net for the six months ended June 30, 2022 consists primarily of interest earned on our short-term marketable securities.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability for the six months ended June 30, 2022 was a gain of $0.1 million compared to a loss of $1.5 million for the six months ended June 30, 2021. The change in fair value of warrant liability is calculated by adjusting the value of the outstanding Private SPAC Warrants held by original holders to the current market value at each reporting period.

Liquidity and Capital Resources

We have never been profitable and have historically incurred substantial net losses, including net losses of $36.5 million for the twelve months ended December 31, 2020, $78.3 million for the twelve months ended December 31, 2021 and $59.7 million for the six months ended June 30, 2022. As of June 30, 2022, our accumulated deficit was $266.1 million. For the six months ended June 30, 2022, we had negative operating cash flow of $49.2 million. At the end of 2020 and throughout 2021, we raised approximately $44.5 million in gross proceeds facilitated through our At-the-Market Offering. In addition, we completed the 2021 Underwritten Public Offering in January 2021, which raised a total of $143.7 million in gross proceeds. We have historically financed operations through private placement and public equity offerings.

We expect our losses to continue as a result of costs relating to ongoing R&D expenses, increased general and administrative expenses and increased sales and marketing costs for existing and planned products. These losses have had, and will continue to have, an adverse effect on our working capital. Because of the numerous risks and uncertainties associated with our commercialization and development efforts, we are unable to predict when we will become profitable, and we may never become profitable. Our inability to achieve and then maintain profitability would negatively affect our business, financial condition, results of operations and cash flows.

As of June 30, 2022, our cash and cash equivalents totaled approximately $120.3 million and short-term marketable securities totaled approximately $53.5 million. Based on our current business operations, we believe our current cash, cash equivalents and short-term marketable securities will be sufficient to meet our anticipated cash requirements for at least the next 12 months. While we believe we have enough capital to fund anticipated operating costs for at least the next 12 months, we expect to incur significant additional operating losses over at least the next several years. We anticipate that we will raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements in order to support our planned operations and to continue developing and commercializing genomic tests. We may also consider raising additional capital in the future to expand our business, to pursue strategic investments or to take advantage of financing opportunities. Our present and future funding requirements will depend on many factors, including:

- our revenue growth rate and ability to generate cash flows from operating activities;
- the willingness of clinicians and their patients to use our telemedicine option for the DMT and the duration and extent of the effects of the ongoing COVID-19 pandemic in reducing patient access to clinician offices for in-person testing and access by our sales force for in-office sales calls;
- the duration and extent of the effects of the ongoing COVID-19 pandemic on our pharmaceutical customers' clinical trials;
- our sales and marketing and R&D activities;
- effects of competing technological and market developments;
- costs of and potential delays in product development;
- changes in regulatory oversight applicable to our tests; and
- timing of and costs related to future international expansion.

There can be no assurances as to the availability of additional financing or the terms upon which additional financing may be available to us. If we are unable to obtain sufficient funding at acceptable terms, we may be forced to significantly curtail our operations, and the lack of sufficient funding may have a material adverse impact on our ability to continue as a going concern.

Cash Flow Analysis

Six Months Ended June 30, 2022

Net cash used in operating activities for the six months ended June 30, 2022 totaled $49.2 million, primarily driven by the $59.7 million net loss offset partially by non-cash related items, including $8.7 million in stock-based compensation, $1.1 million in amortization of operating lease right of use assets and $0.8 million in depreciation and $0.3 million in amortization of premiums, net of accretion of discounts on marketable securities. In addition, we had a net cash inflow of $0.6 million through net changes in working capital balances driven primarily by cash inflows of $2.7 million from the increase in accrued compensation and $0.5 million through the decrease of prepaid expenses and other current assets, partially offset by cash outflows of $1.0 million through the increase of inventory and $0.7 million through the decrease of operating lease liabilities.

Net cash used in investing activities for the six months ended June 30, 2022 totaled $7.4 million, which related to the outflow from the purchase of $20.2 million of marketable securities and $1.4 million from the purchase of equipment offset by the inflow from the maturity of marketable securities of $14.1 million. Additional laboratory equipment investment will be needed to install complex automation systems and other genomic testing equipment needed to expand testing capacity.

Net cash provided by financing activities for the six months ended June 30, 2022 totaled $0.5 million, which was driven primarily by $0.5 million in proceeds from contributions to the employee stock purchase plan.

Off-Balance Sheet Arrangements

As of June 30, 2022, we did not have any off-balance sheet arrangements, as such term is defined under Item 303 of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Significant Judgments and Estimates

Critical accounting policies, significant judgments, and estimates are those that we believe are most important for the portrayal of the Company's financial condition and results, and that require management's most subjective and complex judgments. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting estimates previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and disclosed in Note 1(h) of the condensed consolidated financial statements herein.

Recent Accounting Pronouncements

See Item 1 of Part I, Note 1(l) of the condensed consolidated financial statements herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our cash, cash equivalents, and short-term marketable securities are subject to economic risk which could affect our results of operations, financial condition and cash flows. We manage our exposure to this market risk through our regular operating and financing activities.

Interest Rate Risk

The primary objective of our investment activities is capital preservation to fund operations, while at the same time maximizing investment income without significantly increasing investment risk. To achieve these objectives, our investment policy allows for a portfolio of cash equivalents and investments in a variety of securities, including money market funds, U.S. government debt and corporate debt securities. Due to the short-term and conservative nature of our investments, we do not believe that we have a material exposure to interest rate risk. A 100 basis point change in interest rates would not have a significant impact on the total value of our portfolio.

Item 4. Controls and Procedures.

Disclosure controls and procedures enable us to record, process, summarize and report information required to be included in our Exchange Act filings within the required time period. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the periodic reports filed with the Securities and Exchange Commission is accumulated and communicated to our management, including our principal executive, financial and accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that, as of December 31, 2021, the Company’s disclosure controls and procedures were not effective, due to the material weakness in our internal control over financial reporting discussed in Part I, Item 9A—Controls and Procedures in our Annual Report on Form 10-K for the year ended December 31, 2021.

Material Weakness in Internal Control Over Financial Reporting

A material weakness in internal control over financial reporting is a deficiency, or combination of deficiencies such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. As the Company could not conclude that controls over the completeness, existence and accuracy of assay revenue and accounts receivable were designed and operating effectively as of December 31, 2021, the Company identified a material weakness in its controls over the financial reporting related to our assay revenue and accounts receivable process. Management identified the need to enhance our risk assessment process, enhance communications with our third-party service organization, and reassess the assay revenue and accounts receivable process to ensure appropriate design and operating effectiveness of controls.

Plan of Remediation of Material Weakness

To remediate these material weaknesses in our internal control over financial reporting related to assay revenue and accounts receivable described in Part I, Item 9A—Controls and Procedures in our Annual Report on Form 10-K for the year ended December 31, 2021, we plan to implement or improve documentation of alternative internal control procedures to verify the completeness and accuracy of customer contracts received and the delivery of test results. The material weakness cannot be considered remediated until the controls operate for a sufficient period and management has concluded, through testing, that our internal controls are operating effectively.

Other than the changes made in remediating the material weakness described above, there has been no change in the Company’s internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

After giving full consideration to the material weakness referenced above, and the additional analyses and other procedures that we performed to ensure that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with U.S. GAAP, our management has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors.

There have not been any material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

Between January 5, 2022 and May 27, 2022, we issued an aggregate of 20,320 shares of common stock pursuant to the exercise of management warrants that were issued by DermTech Operations and assumed by us in connection with the Business Combination. These warrants had an exercise price of $1.08 per share and were exercised for an aggregate exercise price of $21,946.

The issuances of the shares were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act. The recipients of the shares represented their intention to acquire the securities for investment only and not with a view to, or for sale in connection with, any distribution thereof, and appropriate legends were affixed to the securities.

Item 5. Other Information.

On August 8, 2022, we entered into a Sales Agreement (the “Sales Agreement”), with Cowen with respect to an at-the-market offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock having an aggregate offering price of up to $75.0 million (the “Placement Shares”), through Cowen as its sales agent.

Under the Sales Agreement, the Company will set the parameters for the sale of the Placement Shares, including the number of Placement Shares to be issued, the time period during which sales are requested to be made, limitations on the number of Placement Shares that may be sold in any one trading day and any minimum price below which sales may not be made. Subject to the terms of the Sales Agreement, Cowen may sell the Placement Shares by any method permitted by law deemed to be an “at the market offering” as defined in Rule 415 of the Securities Act of 1933, as amended, including, without limitation, sales made through the Nasdaq Capital Market or on any other trading market for the Company’s common stock. Cowen will use commercially reasonable efforts to sell the Placement Shares from time to time, based upon instructions from the Company (including any price, time or size limits or other customary parameters or conditions the Company may impose). The Company will pay Cowen a commission of up to three percent (3%) of the gross sales proceeds of any Placement Shares sold through Cowen under the Sales Agreement, and also has provided Cowen with customary indemnification and contribution rights.

The Company is not obligated to make any sales of Common Stock under the Sales Agreement. The offering of Placement Shares pursuant to the Sales Agreement will terminate upon the earlier of (i) the sale of all Placement Shares subject to the Sales Agreement or (ii) termination of the Sales Agreement in accordance with its terms.

Any Placement Shares to be offered and sold under the Sales Agreement will be issued and sold pursuant a registration statement to be filed with the Securities and Exchange Commission and a prospectus supplement to be filed in connection with the offer and sale of the Placement Shares pursuant to the Sales Agreement.

This Quarterly Report on Form 10-Q shall not constitute an offer to sell or the solicitation of an offer to buy the securities discussed herein, nor shall there be any offer, solicitation, or sale of the securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Table of Contents

Item 6. Exhibits.

The following documents are filed as part of this Form 10-Q.

Exhibit No.	Description	Filed Herewith	Form	Incorporated by Reference File No.	Date Filed
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended		10-Q	001-38118	11/10/20
3.2	Bylaws of the Company		10-K	001-38118	3/11/20
10.1	First Amendment Office Lease, dated April 22, 2022, by and between the Company and Kilroy Realty, L.P.	X			
10.2	Second Amendment of Office Lease, dated April 22, 2022, by and between the Company and Kilroy Realty, L.P.	X			
10.3	Second Amended and Restated Non-Employee Director Compensation Policy DermTech, Inc.	X			
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	Inline XBRL Instance Document	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X			
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 has been formatted in Inline XBRL.	X			

* This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation by reference language in such filing.

SIGNATURES

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

DermTech, Inc.

Date: August 8, 2022	By:	/s/ John Dobak
		John Dobak, M.D.
		Chief Executive Officer
		(Principal Executive Officer)
Date: August 8, 2022	By:	/s/ Kevin Sun
		Kevin Sun
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 10.01

FIRST AMENDMENT TO OFFICE LEASE

This FIRST AMENDMENT TO OFFICE LEASE ("**First Amendment**") is made and entered into as of April 22, 2022 (the "**Effective Date**"), by and between KILROY REALTY, L.P., a Delaware limited partnership ("**Landlord**"), and DERMTECH, INC., a Delaware corporation ("**Tenant**").

R E C I T A L S:

A. Landlord and Tenant are parties to the Office Lease dated July 1, 2021 (the "**Lease**"), whereby Tenant leases 95,997 rentable (76,012 usable) square feet of space ("**Premises**") consisting of the entire office building located at 12340 El Camino Real, San Diego, California 92130 ("**Building**").

B. Landlord and Tenant desire to enter into this First Amendment to make certain modifications to the Lease, and in connection therewith, Landlord and Tenant desire to amend the Lease as hereinafter provided.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Capitalized Terms**. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this First Amendment.

2. **Additional Improvement Allowance**. Pursuant to the terms of Section 3.3 of the Work Letter attached to the Lease, Tenant has the right to utilize the Additional Improvement Allowance in connection with Tenant's performance of the Improvements. In connection with the foregoing, Tenant hereby elects to utilize the entirety of such Additional Improvement Allowance (i.e., with respect to each Phase), and therefore Tenant shall pay the Additional Monthly Base Rent for the entire Premises and the Base Rent for the entire Premises shall be increased by the applicable Additional Monthly Rent. The schedule below sets forth the Additional Monthly Rent for each Phase of the Premises:

Phase of Premises	Amount of Additional Monthly Rent
Phase I Premises	$2,922.53
Phase II Premises	$8,458.69
Phase III Premises	$10,136.06
Phase IV Premises	$6,454.07

In connection with the foregoing, in order to memorialize the amount of Additional Monthly Rent to be paid by Tenant throughout the Lease Term, the Base Rent schedule set forth on **Schedule 1** attached to the Lease is hereby deleted in its entirety and replaced with the Base

Rent schedule set forth on **Schedule 1** attached to this First Amendment (which replacement Base Rent schedule includes the applicable amount of Additional Monthly Rent for each Phase of the Premises in addition to the Base Rent initially set forth in the Lease).

3. **Phase 1 Commencement Date and Phase II Commencement Date**. Landlord and Tenant hereby acknowledge and agree that (i) the Phase I Commencement Date occurred on September 1, 2021, and (ii) the Phase II Commencement Date occurred on March 10, 2022.

4. **Broker**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this First Amendment other than Cushman & Wakefield (the "**Broker**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this First Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent, other than the Broker, occurring by, through, or under the indemnifying party. The terms of this Section 4 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

5. **Statutory Disclosure and Related Terms**. For purposes of Section 1938(a) of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises have not undergone inspection by a Certified Access Specialist (CASp).

6. **Signatures**. The parties hereto consent and agree that this First Amendment may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this First Amendment using electronic signature technology, by clicking "SIGN", such party is signing this First Amendment electronically, and (2) the electronic signatures appearing on this First Amendment shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

7. **No Further Modification**. Except as set forth in this First Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this First Amendment has been executed as of the day and year first above written.

	"LANDLORD":
	REALTY, L.P.,
	a Delaware limited partnership
By:	Kilroy Realty Corporation,
	Its: General Partner
	By: /s/ Nelson Ackerly
Name:	Nelson Ackerly
Its:	Senior Vice President, Leasing California
By	/s/ Annie Coldwell
Name:	Annie Coldwell
Its:	Vice President, Leasing
	"TENANT":
	DERMTECH, INC.,
	a Delaware corporation
By	/s/ John Dobak
Name:	John Dobak, M.D.
Its:	CEO
By	/s/ Kevin Sun
Name:	Kevin Sun
Its:	CFO

SCHEDULE 1

BASE RENT

Phase I Premises

Period	Monthly Installment of Base Rent
Phase I Commencement Date – Month 12 thereafter	$29,931.33
Months 13-24	$58,061.25
25 - 36	$59,715.41
37 – 48	$61,419.20
49 – 60	$63,174.10
61 – 72	$64,981.65
73 – 84	$66,843.42
85 - 96	$68,761.05
96 – 108	$70,736.21
109 – 120	$72,770.62
121 - Lease Expiration Date)	$74,866.06

Phase II Premises

Period	Monthly Installment of Base Rent
Phase II Commencement Date – Month 12 thereafter	$86,254.74
Months 13-24	$167,280.06
25 - 36	$172,044.70
37 – 48	$176,952.28
49 – 60	$182,007.09
61 – 72	$187,213.54
73 – 84	$192,576.19
85 - 96	$198,099.72
96 – 108	$203,788.95
109 – 120	$209,648.86
121 - Lease Expiration Date)	$215,684.56

Phase III Premises

Period	Monthly Installment of Base Rent
Phase III Commencement Date – Month 12 thereafter	$101,529.26
Months 13-24	$196,716.14
25 - 36	$202,313.54
37 – 48	$208,078.86
49 – 60	$214,017.14
61 – 72	$220,133.57
73 – 84	$226,433.50
85 - 96	$232,922.42
96 – 108	$239,606.01
109 – 120	$246,490.11
121 - Lease Expiration Date)	$253,580.73

Phase IV Premises

Period	Monthly Installment of Base Rent
Phase IV Commencement Date – Month 12 thereafter	$64,648.07
Months 13-24	$125,257.67
25 - 36	$128,821.77
37 – 48	$132,492.81
49 – 60	$136,273.97
61 – 72	$140,168.57
73 – 84	$144,180.01
85 - 96	$148,311.79
96 – 108	$152,567.52
109 – 120	$156,950.92
121 - Lease Expiration Date)	$161,465.83

NOTE: The above Base Rent schedule has been determined as if the Phase IV Lease Commencement Date provides for a Lease Term for Phase IV in excess of 120 months, and Landlord and Tenant hereby agree that if the Phase IV Lease Commencement Date does not occur to allow for more than 120 months of Base Rent payments, then such Base Rent schedule shall be deemed to be modified appropriately so that Tenant pays Base Rent through the Lease Expiration Date.

<u>SECOND AMENDMENT TO OFFICE LEASE</u>

This SECOND AMENDMENT TO OFFICE LEASE ("**Second Amendment**") is made and entered into as of April 22, 2022 (the “**Effective Date**”), by and between KILROY REALTY, L.P., a Delaware limited partnership ("**Landlord**"), and DERMTECH, INC., a Delaware corporation ("**Tenant**").

<u>R E C I T A L S</u>:

A. Landlord and Tenant are parties to the Office Lease dated July 1, 2021 (the "**Original Lease**"), as amended by that certain First Amendment to Office Lease dated April 22, 2022 (the “**First Amendment**,” and together with the Original Lease, the “**Lease**”), whereby Tenant leases 95,997 rentable (76,012 usable) square feet of space ("**Existing Premises**") consisting of the entire office building located at 12340 El Camino Real, San Diego, California 92130 ("**Building**").

B. Tenant desires to expand the Existing Premises to include that certain space consisting of 14,085 rentable (and usable) square feet of space which is currently the executive parking level of the parking facilities serving the Building (the "**Expansion Premises**"), as delineated on **<u>Exhibit A</u>** attached hereto and made a part hereof, and to make other modifications to the Lease, and in connection therewith, Landlord and Tenant desire to amend the Lease as hereinafter provided.

<u>A G R E E M E N T</u>:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **<u>Capitalized Terms</u>**. All capitalized terms when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Second Amendment.

2. **<u>Modification of Premises</u>**. Effective as of the Expansion Possession Date (defined below) (such date is also the "**Expansion Commencement Date**") Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Premises. The date of Landlord's tendering of possession of the Expansion Premises to Tenant following the Substantial Completion of the Expansion Improvements (as defined in the Work Letter) shall be the "**Expansion Possession Date**". If for any reason, Landlord is delayed in tendering possession of the Expansion Premises to Tenant by any particular date (including, without limitation, on account of any present tenant or occupant of the Premises not vacating the Premises), Landlord shall not be subject to any Losses for such failure, and the validity of the Lease shall not be impaired. Consequently, effective upon the Expansion Commencement Date, the Existing Premises shall be increased to include the Expansion Premises. Landlord and Tenant hereby acknowledge that such addition of the Expansion Premises to the Existing Premises shall, effective as of the Expansion Commencement Date, increase the size of the Premises to 110,082 rentable (and usable) square feet. The Existing Premises and the Expansion Premises may hereinafter collectively be referred to as the "**Premises**."

3. **<u>Expansion Term; Extension Options</u>**. The term of Tenant's lease of the Expansion Premises (the "**Expansion Term**") shall commence on the Expansion Commencement Date and shall expire coterminously with Tenant's Lease of the Existing

Premises on the Lease Expiration Date, unless sooner terminated as provided in the Lease, as hereby amended. As of the date of this Second Amendment, Tenant's Extension Options set forth in Section 2.2 and **Exhibit G** of the Original Lease shall apply to the entire Premises only (i.e., Tenant must exercise the same with respect to the Existing Premises and the Expansion Premises).

4. **Base Rent**.

4.1. **Existing Premises**. Notwithstanding anything to the contrary in the Lease, as hereby amended, Tenant shall continue to pay Base Rent for the Existing Premises in accordance with the terms of the Lease.

4.2. **Expansion Premises**. Commencing on the Expansion Commencement Date and continuing throughout the Expansion Term, Tenant shall pay to Landlord monthly installments of Base Rent for the Expansion Premises as follows (which amounts include the Additional Monthly Base Rent for the Expansion Premises as Tenant has elected to utilize the Additional Expansion Improvement Allowance pursuant to the terms of Section 10 below and Section 3.3 of the Tenant Work Letter attached to this Second Amendment), and otherwise in accordance with the terms of the Lease:

Period During Expansion Term	Monthly Installment of Base Rent
Expansion Commencement Date – Month 12 thereafter	$41,507.56
Months 13 - 24	$80,382.16
Months 25 - 36	$82,668.15
Months 37 – 48	$85,022.73
Months 49 – 60	$87,447.94
Months 61 – 72	$89,945.91
Months 73 – 84	$92,518.82
Months 85 – 96	$95,168.91
Months 97 – 108	$97,898.51
Months 109 – 120	$100,710.00
Months 121 – Lease Expiration Date	$103,605.83

Concurrent with Tenant’s execution of this Second Amendment, Tenant shall pay to Landlord the Base Rent payable for the Expansion Premises for the first full month of the Expansion Term.

5. **Tenant's Share of Direct Expenses**.

5.1. **Existing Premises**. Tenant shall pay Tenant's Share of Direct Expenses in connection with the Existing Premises in accordance with the terms of the Lease, provided that effective as of the Expansion Commencement Date, notwithstanding Section 6 of the Summary attached to the Original Lease, Tenant’s Share for each Phase of the Existing Premises shall be as follows:

(a) Tenant’s Share for Phase I: 9.2586% of the Building and 5.5833% of the Project.

(b) Tenant’s Share for Phase II: 26.6683% and 16.0821%% of the Project.

(c) Tenant’s Share for Phase III: 31.3294% and 18.8929% of the Project.

(d) Tenant’s Share for Phase IV: 19.9488% and 12.0299% of the Project.

5.1. **Expansion Premises**. Commencing on the Expansion Commencement Date, Tenant shall pay Tenant's Share of Direct Expenses in connection with the Expansion Premises in accordance with the terms of the Lease, provided that with respect to the calculation of Tenant's Share of Direct Expenses in connection with the Expansion Premises, the following shall apply:

5.2.1 Tenant's Share for the Expansion Premises shall equal 12.7950% of the Building and 7.7159% of the Project; and

5.2.2 the Base Year shall be the calendar year 2022; provided, however, electricity is separately metered and directly paid by Tenant to the applicable utility provider or, at Landlord's option, to Landlord.

When the Lease Commencement Date has occurred as to the Entire Premises (including the Expansion Premises) Tenant’s Share shall equal 100% of the Building, and 60.31% of the Project.

6. **Expansion Improvements**. Except as specifically set forth herein, Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Expansion Premises, and Tenant shall accept the Expansion Premises in its presently existing, "as-is" condition, provided that Landlord shall construct the improvements in the Expansion Premises pursuant to the terms of the Work Letter attached hereto as **Exhibit B**. Notwithstanding anything to the contrary herein, if the Condition Subsequent (defined below) is not satisfied and this Second Amendment is terminated pursuant to Section 13 below, then (i) Tenant shall not be responsible for, and shall not be obligated to reimburse Landlord for, any alterations or improvements made by Landlord to the Expansion Premises as of the Effective Date of this Amendment, and (ii) unless otherwise agreed to in writing between Landlord and Tenant, Landlord shall restore the Expansion Premises to its original condition as of the date of the Original Lease and Tenant shall reimburse Landlord for the actual, out-of-pocket costs incurred by Landlord to so restore the Expansion Premises as aforesaid, but only to the condition existing as of the Effective Date of this Second Amendment.

7. **Broker**. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Second Amendment other than Cushman & Wakefield (the "**Broker**"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Second Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent, other than the Broker, occurring by, through, or under the indemnifying party. The terms of this Section 7 shall survive the expiration or earlier termination of the term of the Lease, as hereby amended.

8. **Parking**. Effective as of the Expansion Commencement Date and continuing throughout the Expansion Term, in connection with Tenant's lease of the Expansion Premises the parking pass ratio set forth in Section 9 of the Summary attached to the Original Lease shall apply to the Expansion Premises (such passes, the "**Expansion Parking Passes**"). Except as set forth in this Section 8, Tenant shall lease the Expansion Parking Passes in accordance with the provisions of Article 28 of the Original Lease.

9. **Letter of Credit**. Landlord and Tenant acknowledge that, in accordance with the Lease Tenant has previously delivered an L-C in the amount of $3,023,905.50. Notwithstanding anything in the Lease to the contrary, within fourteen (14) days following the date of Tenant's execution of this Second Amendment, Tenant shall provide an L-C (via delivery of a new L-C in such amount or an amendment to the existing L-C, which shall in either event be in a form reasonably acceptable to Landlord and in conformance with the terms of the Lease) in the total amount of $3,467,512.44 (the "**New L-C**"). In connection with the foregoing, the table in Section 21.3.1 of the Original Lease setting forth the reduction schedule for the L-C Amount shall be replaced with the following (provided that any reduction shall remain subject to the terms of such Section 21.3.1):

Date of Reduction	Amount of Reduction	Remaining L-C Amount
Third (3rd) anniversary of Phase III Commencement Date	$1,155,837.48	$2,311,674.96
Fifth (5th) anniversary of Phase III Commencement Date	$1,155,837.48	$1,155,837.48

10. **Additional Expansion Improvement Allowance**. Pursuant to the terms of Section 3.3 of the Work Letter attached to this Second Amendment, Tenant has the right to utilize the Additional Expansion Improvement Allowance in connection with Tenant's performance of the Expansion Improvements. In connection with the foregoing, Tenant hereby elects to utilize the entirety of such Additional Expansion Improvement Allowance, and therefore Tenant shall pay the Additional Monthly Base Rent for the Expansion Premises and the Base Rent for the Expansion Premises shall be increased by the applicable Additional Monthly Rent for the Expansion Premises, which is $4,182.31. The Base Rent schedule with respect to the

Expansion Premises set forth in Section 4.2 above includes the Additional Monthly Base Rent with respect to the Expansion Premises and the Additional Expansion Improvement Allowance.

11. **Statutory Disclosure and Related Terms**. For purposes of Section 1938(a) of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Expansion Premises have not undergone inspection by a Certified Access Specialist (CASp).

12. **Signatures**. The parties hereto consent and agree that this Second Amendment may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Second Amendment using electronic signature technology, by clicking "SIGN", such party is signing this Second Amendment electronically, and (2) the electronic signatures appearing on this Second Amendment shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

13. **Effectiveness of this Second Amendment**. Tenant hereby acknowledges that the Expansion Premises is currently the executive parking level of the Building parking facilities and therefore is currently usable for parking only. Accordingly, Landlord and Tenant hereby acknowledge and agree that, notwithstanding the full execution and delivery of this Second Amendment by Landlord and Tenant, this Second Amendment is expressly conditioned upon the receipt of all required approvals and permits from the applicable governmental authorities with respect to the conversion of the Expansion Premises from a parking area into occupiable space which can be used for the Permitted Use and included as part of the Premises (the "**Condition Subsequent**"). Landlord shall have no liability whatsoever to Tenant relating to or arising from Landlord's inability or failure to cause all or any portion of the Condition Subsequent to be satisfied. Landlord shall promptly notify Tenant in writing upon the satisfaction of the Condition Subsequent. The Lease shall remain unmodified and in full force and effect unless and until such time as the Condition Subsequent is satisfied, provided that in the event the Condition Subsequent is not satisfied on or before the date which is nine (9) months following the Effective Date, then this Second Amendment shall be null and void and of no further force or effect, except with respect to the provisions of Section 6 above.

14. **No Further Modification**. Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Premises and shall remain unmodified and in full force and effect.

[signatures follow on next page]

IN WITNESS WHEREOF, this Second Amendment has been executed as of the day and year first above written.

"LANDLORD":

REALTY, L.P.,
a Delaware limited partnership

By: Kilroy Realty Corporation,
a Maryland corporation

Its: General Partner

By: /s/ Nelson Ackerly

Name: Nelson Ackerly

Its: Senior Vice President, Leasing

Southern California

By: /s/ Annie Caldwell

Name: Annie Caldwell

Its: Vice President, Leasing

"TENANT":

DERMTECH, INC.,
a Delaware corporation

By: /s/ John Dobak

Name: John Dobak, M.D.

Its: CEO

By: /s/ Kevin Sun

Name: Kevin Sun

Its: CFO

EXHIBIT A

OUTLINE OF EXPANSION PREMISES

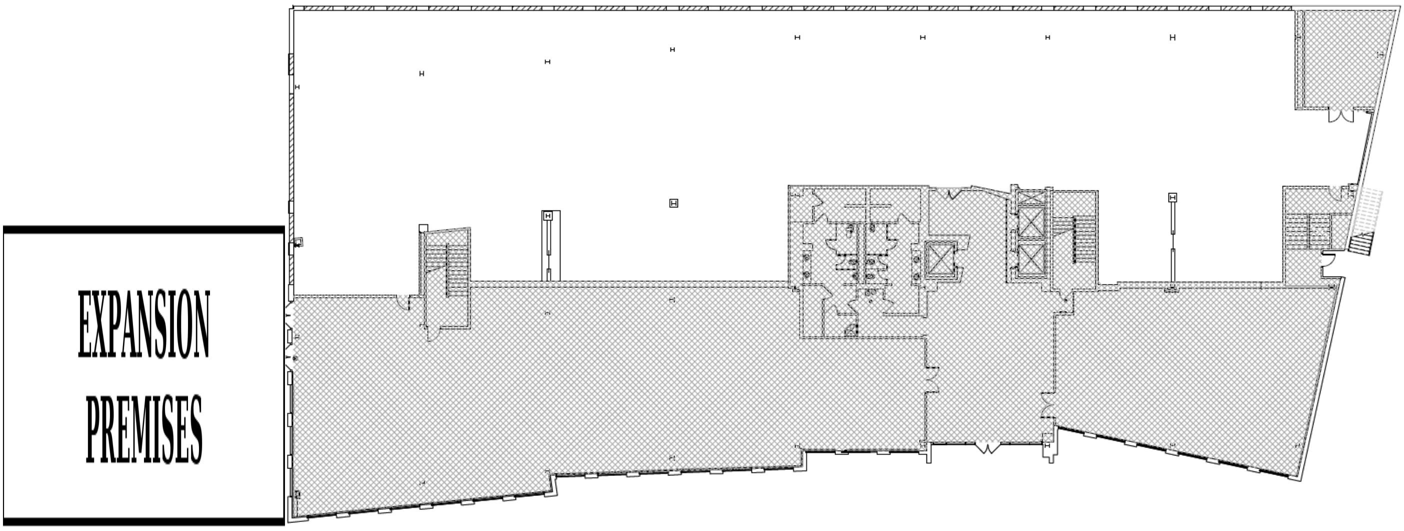


EXHIBIT B

TENANT WORK LETTER

This Work Letter shall set forth the terms and conditions relating to the construction of the Expansion Improvements (as defined below). All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Lease and this Second Amendment.

SECTION 1

POSSESSION

Except as specifically set forth in this Second Amendment, this Work Letter and the Lease, Landlord shall tender possession of the Expansion Premises to Tenant in its existing "as-is" condition in accordance with the timing and other terms and conditions set forth in the Lease and this Second Amendment.

SECTION 2

EXPANSION IMPROVEMENTS; CHANGE ORDERS

2.1 **Expansion Improvements**. Landlord has selected, and, Tenant has approved, C2 as the general contractor to construct the Expansion Improvements. Landlord shall cause the installation and/or construction of certain permanently affixed improvements in the Expansion Premises (the "**Expansion Improvements**") as identified on the that certain set of architectural and engineering drawings prepared by Ware Malcomb, identified as Job No. SDG21-50330-00, and submitted for permitting on 11-15-2021 (the "**Working Drawings**") (the first page of which is attached hereto as **Schedule 1**), which Working Drawings were based on the "**Approved Pricing Plan**" prepared by Ware Malcomb, identified as Job No. SDG21-5033-00, Sheet A05A, a copy of which is attached hereto as **Schedule 2**, which Approved Pricing Plan has been approved by Landlord and Tenant. Landlord and Tenant have approved the estimate for the total cost of the Expansion Improvements (which costs have been included in the aggregate estimated costs for the first (1st) and second (2nd) floors of the Premises (identified as Phase 3 therein) set forth in the document titled Project Detail Budget, Cost Proposal #1 with a revision date of 1/19/22, and which was signed by Landlord as of 1/19/22 and signed by Tenant as of 1/20/22 (the "**Cost Estimate**"), which Cost Estimate is attached hereto as **Schedule 3**. Tenant shall cooperate with Landlord, as necessary, in connection with the design and construction of the Expansion Improvements, including approving or disapproving any items that require Tenant's approval and providing necessary information, if any, promptly following Tenant's receipt of request therefor. Restoration and removal requirements with respect to the Improvements shall be governed by Article 8 of the Original Lease. Responsibility for costs relating the design and construction of the Expansion Improvements, as between Landlord and Tenant, shall be governed by Section 3 and the other provisions of this Work Letter.

2.2 **Change Orders**. The term "**Change Order**" shall mean any modification to the Approved Pricing Plan, Working Drawings and/or Expansion Improvements that are not a natural and logical extension of the improvements depicted on the Approved Pricing Plan, as the same may have been modified from time to time in accordance with this Work Letter, that in each instance are requested by Tenant and approved by Landlord, in Landlord's reasonable discretion. Tenant shall deliver written notice (a "**Change Notice**") to Landlord requesting Landlord's approval of any Change Order desired to be made by Tenant, which notice shall set forth in detail the Change Order requested by Tenant. In connection with any Change Orders that effect the exterior of the Building or can be seen from the exterior of the Building, Landlord shall have the right to withhold its consent to any such Change Order in its sole and absolute discretion. Landlord shall, following its receipt of any Change Notice, either, in Landlord's reasonable discretion, (A) approve such requested Change Order, or (B) disapprove such requested Change Order. If Landlord approves of any Change Order request made by Tenant, Landlord shall provide Tenant with the estimated total cost of the Change Order (including, but not limited to, architectural and engineering fees, construction costs, applicable permit costs and the Change Fee) resulting from such Change Order. Tenant shall notify Landlord within three (3) days following receipt of the foregoing information from Landlord whether or not Tenant desires to implement the applicable Change Order. In the event any Change Orders are approved by Landlord and Tenant pursuant to the terms hereof, Landlord shall cause its architect and engineers to incorporate such Change Orders into the Working Drawings. Except as expressly set forth herein, any Change Orders approved by Landlord pursuant to the terms hereof shall otherwise be treated as Expansion Improvements for purposes of the Lease and this Work Letter.

SECTION 3

COSTS OF CONSTRUCTING EXPANSION IMPROVEMENTS

3.1 **Expansion Improvement Allowance**. Except as expressly provided in this Work Letter, the total costs and expenses incurred by Landlord in connection with the design and construction of the Expansion Improvements (inclusive of, but not limited to, architectural costs, engineering costs, general contractor costs, and the cost of all local and state filing fees, permits and approvals, if any, required to be obtained in order to perform and complete the Expansion Improvements) shall not exceed an aggregate amount equal to $1,760,625.00 (*i.e.,* $125.00 per rentable square foot of the Expansion Premises) (the "**Expansion Improvement Allowance**"). In connection with the foregoing, Landlord hereby agrees that, subject to the Expansion Allowance Deadline, Tenant shall be entitled to use the Expansion Improvement Allowance towards the Improvements to be constructed in the Existing Premises, and in addition, subject to the applicable Allowance Deadlines set forth in the Lease, Tenant shall be entitled to use the Improvement Allowance towards the Expansion Improvements to be constructed in the Expansion Premises. If Landlord determines that the total cost of the Expansion Improvements (which shall include the "Coordination Fee", as defined below, as well as all design, construction, installation and other costs) will exceed the Expansion Improvement Allowance, then Tenant shall be solely responsible for all such excess costs which are over and above the Expansion Improvement Allowance (the "**Over-Allowance Amount**"). Tenant shall pay any Over-Allowance Amount to Landlord within ten (10) days after demand is made therefor by Landlord from time to time (including, at Landlord's election, prior to the commencement of construction of the Expansion Improvements). Any Over-Allowance Amount shall be disbursed by Landlord prior to any Landlord provided funds for the costs of construction of the Expansion Improvements. Tenant hereby acknowledges that Landlord shall be entitled to a fee (the "**Coordination Fee**") payable by Tenant in an amount equal to three percent (3%) of the Expansion Improvement Allowance, in consideration for Landlord's coordination and supervision of the performance of the Expansion Improvements, which Coordination Fee may be deducted from the Expansion Improvement Allowance to the extent funds are available. Notwithstanding any provision to the contrary contained in the Lease or this Work Letter, in no event shall Landlord be obligated to pay for (A) any moving costs or expenses related to Tenant's move-in or occupancy of the Expansion Premises, and/or (B) any costs or expenses associated with the purchase, installation or maintenance of any furniture (including, but not limited to, the cost of any reception desks, credenzas or chairs, whether identified on the Approved Pricing Plan or not), fixtures, equipment, art, cabling, audio/visual equipment, telecommunications systems, access controls, security systems and equipment, and/or signage related to Tenant's occupancy of the Expansion Premises (collectively, "**Tenant's FF&E**"). If the total costs of the Expansion Improvements do not exceed the Expansion Improvement Allowance, any remaining funds upon completion of the Expansion Improvements in accordance with the Working Drawings shall be the sole and separate property of Landlord and Tenant shall have no right or claim thereto. Notwithstanding anything to the contrary contained in this Work Letter, Tenant shall not be entitled to any portion of the Expansion Improvement Allowance for which Tenant has not submitted a request for disbursement to Landlord in compliance with the requirements of Section 4.4 below on or before the date which is twelve (12) months following the Expansion Commencement Date (the "**Expansion Allowance Deadline**"), and any such remaining portion of the Expansion Improvement Allowance as of the Expansion Allowance Deadline shall remain with Landlord as its sole property.

3.2 **Specified Excluded Costs**. Notwithstanding anything to the contrary herein, the cost of the Expansion Improvements to be provided at Landlord's sole expense shall include (and Tenant shall have no responsibility for and the Expansion Improvement Allowance shall not be used for) the following: (a) costs for improvements which are not shown on or described in the approved Working Drawings unless otherwise approved by Tenant; (b) costs incurred due to the presence of hazardous materials in the Expansion Premises or the surrounding area; (c) attorneys' fees incurred in connection with negotiation of construction contracts, and attorneys' fees, experts' fees and other costs in connection with disputes with third parties; (d) interest and other costs of financing construction costs; (e) costs incurred as a consequence of delay (unless to the extent the delay a delay resulting from an event of Force Majeure), construction defects or default by a contractor; (f) costs recoverable by Landlord upon account of warranties and insurance; (g) restoration costs in excess of insurance proceeds as a consequence of casualties; (h) penalties and late charges attributable to Landlord's failure to pay construction costs; (i) any alterations required to comply with Applicable Law that are triggered by the fact that tenant improvements are being performed generally, as opposed to compliance work in the Building caused by the particular nature of the Expansion Improvements being constructed; (j) wages, labor and overhead for overtime and premium time unless otherwise agreed upon by the parties; (k) offsite management or other general overhead costs incurred by Landlord other than the Coordination Fee; and (m) construction costs in excess of the approved Cost Estimate, except for increases set forth in approved Change Orders.

3.3 **Additional Improvement Allowance**. Tenant has elected to utilize a one-time increase (the "**Additional Expansion Improvement Allowance**") of the Expansion Improvement Allowance in an amount equal to $352,125.00 (i.e., $25.00 per rentable square foot of the Expansion Premises), for the costs relating to the initial design and construction of the Expansion Improvements. Accordingly, the monthly Base Rent for the Expansion Premises has been increased, as set forth in Section 4.2 of this Second Amendment Above, by an amount equal to $4,182.31 per month of the Expansion Term. All references in this Work Letter to the "Expansion Improvement Allowance", shall be deemed to include the Additional Expansion Improvement Allowance (and accordingly the Expansion Allowance Deadline shall apply thereto).

SECTION 4

CONTRACTOR'S WARRANTIES AND GUARANTIES

Landlord shall obtain a standard one (1) year warranty from the Contractor covering the Expansion Improvements and shall use commercially reasonably efforts to enforce such warranty as to any defects in the Expansion Improvements identified by Tenant within the corresponding warranty period for the Expansion Improvements.

SECTION 5

TENANT'S AGENTS

Tenant hereby protects, defends, indemnifies and holds Landlord harmless for any loss, claims, damages or delays arising from the actions of any space planner, architect, vendor, contractor, subcontractor or consultant engaged by Tenant with respect to the Expansion Premises, if any.

SECTION 6

INTENTIONALLY OMITTED

SECTION 7

MISCELLANEOUS

7.1 **Tenant's Entry into the Expansion Premises Prior to Substantial Completion**. Provided that Tenant and its agents do not interfere with the construction of the Expansion Improvements, Tenant shall have reasonable access to the Expansion Premises commencing on the date that Landlord estimates is thirty (30) days prior to the Substantial Completion of the Expansion Improvements for the purpose of installing Tenant's FF&E (including Tenant's data and telephone equipment) in the Expansion Premises; provided that such early access shall not be provided until such time that Landlord has reasonably determined that the condition of the Expansion Premises is safe for entry by Tenant and its vendors and that Tenant's activities will not interfere the construction of the Expansion Improvements. Prior to Tenant's entry into the Expansion Premises as permitted by the terms of this Section 7.1, Tenant shall (i) submit a schedule to Landlord and Contractor, for their approval, which schedule shall detail the timing and purpose of Tenant's entry and (ii) deliver to Landlord the policies or certificates evidencing Tenant's insurance as required under the terms of Section 10.3 of the Lease. Tenant's indemnity set forth in Section 10.1 of the Original Lease shall apply during any such period of early entry by Tenant.

7.2 **Tenant's Representative**. Tenant has designated Kevin Sun, ksun@dermtech, 858-291-7512**,** as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

7.3 **Landlord's Representative**. Landlord has designated Robert Chambers (rchambers@kilroyrealty.com, 858.523.2217) as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter.

7.4 **Tenant's Agents**. All subcontractors, laborers, materialmen, and suppliers retained directly by Tenant (if any) shall all be union unless otherwise approved by Landlord. Further, Tenant shall not use (and upon notice from Landlord shall cease using) contractors, services, workmen, labor, materials or equipment that, in Landlord's reasonable judgment, would disturb labor harmony with the workforce or trades engaged in performing other work, labor or services at the Project.

7.5 **Time is of the Essence**. Time is of the essence under this Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

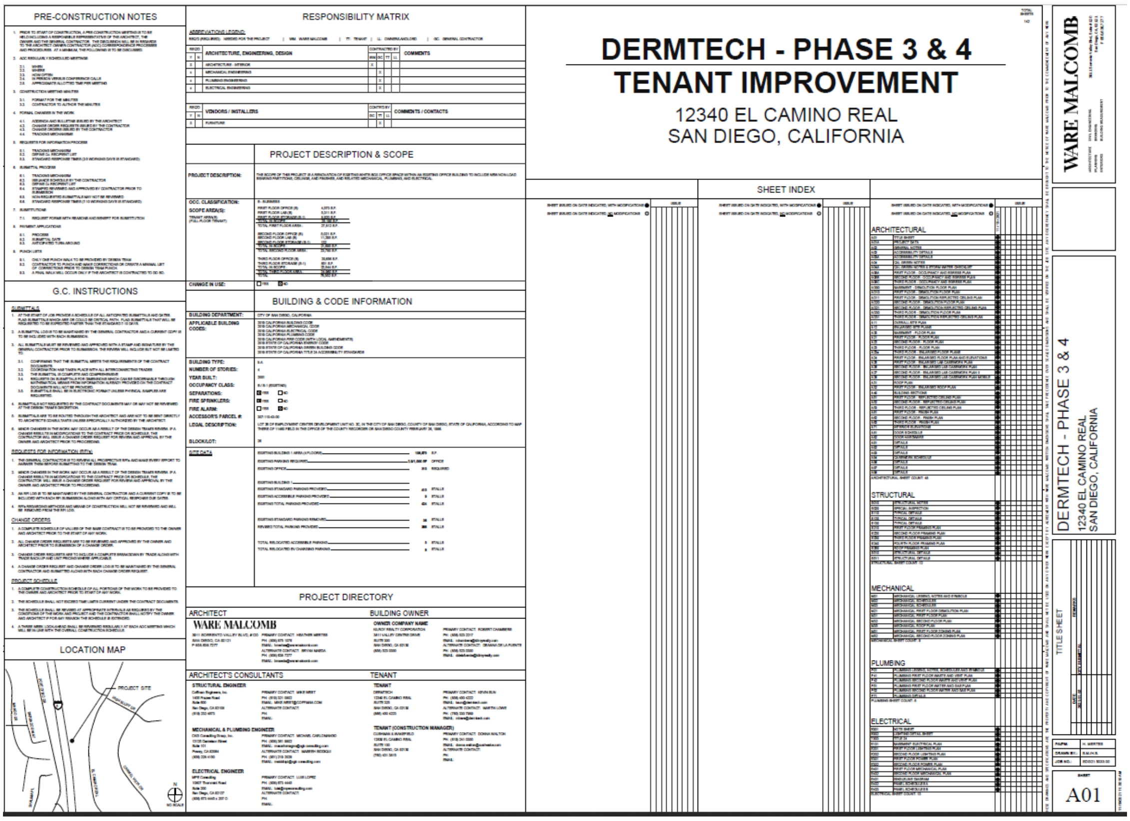
7.6 **Tenant's Default**. Notwithstanding any provision to the contrary contained in the Lease or this Work Letter, if any default beyond applicable notice and cure periods by Tenant under the Lease or this Work Letter shall occur (including, without limitation, any failure by Tenant to timely fund any costs which are Tenant's responsibility hereunder), then, in addition to all other rights and remedies granted to Landlord pursuant to the Lease, (i) Landlord may, without any liability whatsoever, cause the cessation of construction of the Expansion Improvements until such time as such default is cured pursuant to the terms of the Lease (in which case, Tenant shall be responsible for any delay in the completion of the Expansion Improvements and any costs occasioned thereby) and (ii) at Landlord's sole election, Tenant shall no longer be entitled to any unfunded portion of the Expansion Improvement Allowance (if any) until such time as such default is cured pursuant to the terms of the Lease.

7.7 **Electronic Notice and Approvals**. Notwithstanding any provision to the contrary contained in the Lease or this Work Letter, Landlord and Tenant may transmit or otherwise deliver any of the notices and/or approvals required under this Work Letter via electronic mail to Tenant's and Landlord's respective representatives identified in Sections 7.2 and 7.3 of this Work Letter. The foregoing shall not preclude either party from sending any notices or approvals by any of the other means identified under the "Notices" provision of the Lease.

7.8 **No Constructive Eviction**. Tenant hereby acknowledges that, notwithstanding Tenant's occupancy of the portions of the Premises during the installation and/or construction of the Expansion Improvements, Landlord and Contractor shall be permitted to install and/or construct the Expansion Improvements during, without limitation, normal business hours, and Tenant shall cooperate with Landlord and Contractors, including, without limitation, by providing any needed access to the Premises and by providing a clear working area in the Premises (to the extent required by Landlord) for the installation and/or construction of the Expansion Improvements (including, but not limited to, the moving of Tenant's property away from the area Landlord or Contractor are installing and/or constructing the Expansion Improvements). Tenant will be responsible for moving Tenant's furniture and fixtures away from the area Landlord or Contractor installing and/or constructing the Expansion Improvements. In connection therewith, Tenant shall cooperate fully in connection with Landlord's completion of the installation and/or construction of the Expansion Improvements. Tenant hereby agrees that the installation and/or construction of the Expansion Improvements shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of rent or damages of any kind. Furthermore, Landlord shall have no responsibility, or for any reason be liable, to Tenant for any direct or indirect injury to, or interference with, Tenant's business arising from the installation and/or construction of the Expansion Improvements, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's furniture, fixtures or personal property or improvements resulting from the installation and/or construction of the Expansion Improvements or Landlord's actions in connection with the installation and/or construction of the Expansion Improvements or for any inconvenience or annoyance occasioned by the installation and/or construction of the Expansion Improvements or Landlord's actions in connection with the installation and/or construction of the Expansion Improvements. Landlord shall use commercially reasonable efforts to perform the Expansion Improvements in a manner designed to minimize interference with Tenant's use of and access to the Premises.

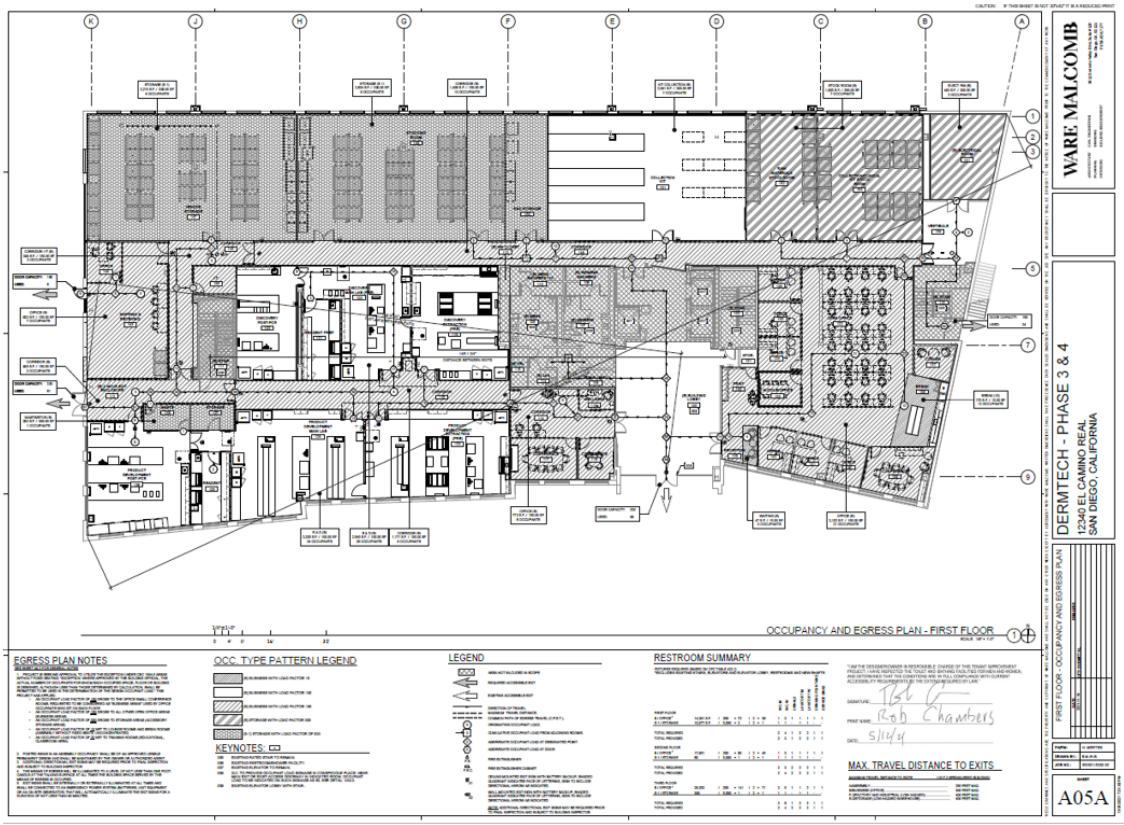
SCHEDULE 2

APPROVED WORKING DRAWINGS



SCHEDULE 2

APPROVED PRICING PLAN



SCHEDULE 3

COST ESTIMATE

PROJECT DETAIL BUDGET
Cost Proposal #1
DermTech
12340 El Camino Real
San Diego, CA

Project Number:		*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*		
Phase 2	*103301-RD-400*		
Phase 3	*103301-RD-100*		
Phase 4	*103301-RD-300*		
Project Manager:	*RC*	*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*	*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/19/2022*	*Premises RSF:*	*95,997*
		Premises USF:	*76,012*

Project Analysis

	$ / USF	$ / RSF	
Subtotal Soft Costs	$ 10.72	$ 8.49	$ 815,060.55
Reimbursable:	$ 0.79	$ 0.63	$ 60,000.00
Subtotal Miscellaneous Costs	N/A	N/A	N/A
Subtotal FF and E Costs	N/A	N/A	N/A
Hard Construction Costs	$ 218.71	$ 173.18	$ 16,624,629.25
Construction Management Fees	$ 6.91	$ 5.47	$ 524,990.69
Project Total Cost	$ 237.13	$ 187.76	$ 18,024,680.49
LTS - $125/RSF			$ 11,999,625.00
TI allowance adjustment for use of executive garage space (14,497 SF)			$ 1,812,125.00
Tenant Additional TI allowance option			$ 2,399,925.00
Tenant Contributions			$ 1,813,005.49
Over / (Under) LTS Budget			$ 0.00
Over / (Under) LTS Budget %			0%

KS

KILROY REALTY CORPORATION

PROJECT DETAIL BUDGET
Cost Proposal #1
DermTech
12340 El Camino Real
San Diego, CA

Project Number:		*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*		
Phase 2	*103301-RD-400*		
Phase 3	*103301-RD-100*		
Phase 4	*103301-RD-300*		
Project Manager:	*RC*	*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*	*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/19/2022*	*Premises RSF:*	*95,997*
		Premises USF:	*76,012*

Budget Detail

Date	Soft Costs				Unit Costs	$/RSF
	Architectural Agreement					
	Ware Malcomb					
All phases	Space plan		14,399.55			
Phase 3	Grade Level Loading/Entry		30,450.00			
Phase 1	Suite #325		8,003.00			
Phase 2	Suite #400		72,374.00			
Phase 3	Suite #100,200,250		216,600.00			
Phase 4	Suite 110,300,310,350,375		69,394.00			
	Visioning		excluded			
	Accessibility Survey		excluded			
	Equipment coordination		excluded			
	Furniture coordination		excluded			
	Full ground floor expansion into parking garage		excluded			
	Base Agreement	$	411,220.55			
	ASA # 1 - Structural	$	46,800.00			
	ASA #2 - AHU structural redesign	$	3,600.00			
	Subtotal Architecture:			***$***	***461,620.55***	
	Electrical Agreement					
	MPE					
Phase 2	4th Floor - Electrical engineering		14,700.00			
	Base Agreement	$	14,700.00			
Phase 3 & 4	ASA # 1 - Phase 3 & 4 Elec Engineering	$	80,500.00			
	Subtotal Engineering:			***$***	***95,200.00***	
	Mech & Plumbing Agreement					
	CGK					
Phase 2	4th Floor - Mech and plumbing engineering		26,445.00			
	Base Agreement	$	26,445.00			
Phase 3 & 4	ASA # 1 - Phase 3&4 M/P Engineering	$	126,195.00			
	Subtotal Mech * Plumbing:			***$***	***152,640.00***	
	Fire Sprinkler Agreement					
	Schmidt Fire Protection					
Phase2	4th Floor Fire suppression design		5,600.00			
	Base Agreement	$	5,600.00			
	ASA # 1	$	-			
	Subtotal Architecture:			***$***	***5,600.00***	

SCHEDULE 3

KILROY REALTY CORPORATION

PROJECT DETAIL BUDGET
Cost Proposal #1
DermTech
12340 El Camino Real
San Diego, CA

Project Number:		*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*		
Phase 2	*103301-RD-400*		
Phase 3	*103301-RD-100*		
Phase 4	*103301-RD-300*		
Project Manager:	*RC*	*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*	*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/19/2022*	*Premises RSF:*	*95,997*
		Premises USF:	*76,012*

	Permits & Fees			
Phase 2 - KRC paid	4th Floor Building Plan Check Fees	$ 9,842.21		
Phase 2 - C2 paid	Water & Sewer Capacity fees	$ 3,226.95		
Phase 3&4 - C2 paid	Phase 3&4 plan check fees	$ 2,451.78		
Phase 2 & 3 - C2 paid	Phase 2 building permit. Phase 3 plan check	$ 30,465.22		
	Misc. Permits & Fees	$ 54,013.84		
	Subtotal Permits & Fees:		***$ 100,000.00***	
	Subtotal Soft Costs			**$ 815,060.55**
	Reimbursable			
	Allowance		$ 30,000.00	
	Deputy Inspections		$ 30,000.00	
	-		$ -	
	Reimbursable:			**$ 60,000.00**

Date	Miscellaneous Costs	Unit Costs	$/RSF	
	Suite Signage Allowance	**N/A**		
	Telephone and Data Cabling	**N/A**		
	Subtotal Miscellaneous Costs			**N/A**

Date	FF and E Costs	Unit Costs	
	Furniture	**N/A**	
	Subtotal FF and E Costs		**N/A**

SCHEDULE 3

KILROY REALTY CORPORATION

PROJECT DETAIL BUDGET
Cost Proposal #1
DermTech
12340 El Camino Real
San Diego, CA

Project Number:		*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*		
Phase 2	*103301-RD-400*		
Phase 3	*103301-RD-100*		
Phase 4	*103301-RD-300*		
Project Manager:	*RC*	*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*	*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/19/2022*	*Premises RSF:*	*95,997*
		Premises USF:	*76,012*

Phase 1	*Prime Contract - Phase 1 #325*			
	CBI			
	Subtrades	$	95,340.00	
	General Conditions	$	10,200.00	
	Contractor Insurance	$	1,055.00	
	Contractor Fee	$	5,330.00	
	Base Bid	$	111,925.00	
	Add Alts	$	-	
	- $ -			
	Adjusted Base Contract	$	111,925.00	
	PCO #1			
	- $ -			
	Total Contract			$ 111,925.00
Phase 2	*Prime Contract - Phase 2 4th Floor*			
	C2			
	Demolition	$	8,988.00	
	X-ray	$	3,500.00	
	Drywall and Metal Studs	$	267,023.00	
	Door / Frames	$	135,591.00	
	Glass / Glazing	$	91,540.00	
	3M Film Per RFI		included	
	Roller shades at exterior windows	$	37,042.00	
	Misc. white board install	$	3,500.00	
	Acoustical Ceilings	$	125,395.00	
	Sound Baffles & acoustical panels	$	192,919.00	
	Insulation	$	10,225.00	
	Paint and Wall Coverings	$	37,193.00	
	Carpet and Flooring	$	143,698.00	
	Millwork	$	131,606.00	
	Accessories / Appliances	$	11,684.00	
	Mechanical	$	213,453.00	
	Electrical	$	479,009.00	
	Plumbing	$	29,517.00	
	Fire Life Safety		Included	
	Fire Extinguishers	$	1,974.00	
	Fire Sprinklers	$	83,974.00	
	Fire suppression system	$	22,655.00	
	Clean up	$	15,719.00	
	General Conditions & General Requirements	$	88,320.00	
	Insurance	$	25,614.00	
	Contractor Fee	$	64,804.00	
	Base Bid	$	2,224,943.00	
	Add Alts	$	-	
	- $ -			
	Adjusted Base Contract	$	2,224,943.00	

PROJECT DETAIL BUDGET

Cost Proposal #1

DermTech

12340 El Camino Real

San Diego, CA

Project Number:		*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*		
Phase 2	*103301-RD-400*		
Phase 3	*103301-RD-100*		
Phase 4	*103301-RD-300*		
Project Manager:	*RC*	*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*	*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/19/2022*	*Premises RSF:*	*95,997*
		Premises USF:	*76,012*

		PCO #1			$	794,201.00		
	1	Generator	$	395,586.00				
	2	Roof Steel	$	108,240.00				
	3	IFC set reconciliation	$	290,375.00				
		-	$	-				
		PCO #2			$	49,818.00		
approved	4	Lighting package reconciliation	$	12,693.00				
approved	5	Phase 3/4 HVAC piping	$	37,125.00				
		Restroom upgrades throughout		rejected				
		-	$	-				
		Total Contract					$	3,068,962.00

Prime Contract - Phase 3 - Lab spaces 1st and 2nd Floor

C2						
Demolition			$	369,036.00		
Sitework			$	54,770.00		
Concrete			$	376,432.00		
Superstructure			$	450,177.00		
Exterior			$	948,559.00		
Roofing			$	98,099.00		
Interior Construction			$	2,413,856.00		
Special Construction			$	1,301,172.00		
Plumbing			$	320,379.00		
Fire Protection			$	138,741.00		
Mechanical			$	3,612,762.00		
Electrical			$	1,671,922.00		
Job site Mgmt.			$	150,150.00		
Project Requirements			$	108,550.00		
Projected VE savings			$	(522,113.00)		
Insurance			$	137,910.00		
Fee			$	348,912.00		
Base Bid			$	11,979,314.00		
Add Alts			$	-		
	$	-				
-	$	-				
-	$	-				
Adjusted Base Contract			$	11,979,314.00		
PCO #1			$	-		
-	$	-				
-	$	-				
PCO #2			$	-		
-	$	-				
-	$	-				
Total Contract					$	11,979,314.00

SCHEDULE 3

KILROY REALTY CORPORATION

PROJECT DETAIL BUDGET
Cost Proposal #1
DermTech
12340 El Camino Real
San Diego, CA

Project Number:			*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*			
Phase 2	*103301-RD-400*			
Phase 3	*103301-RD-100*			
Phase 4	*103301-RD-300*			
Project Manager:	*RC*		*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*		*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/19/2022*		*Premises RSF:*	*95,997*
			Premises USF:	*76,012*

Prime Contract - Phase 4 - 3rd Floor office buildout				
C2 - BUDGET				
Subtrades		$ -		
General Conditions		$ -		
Contractor Insurance		$ -		
Contractor Fee		$ 325,000.00		
Base Bid		$ 325,000.00		
Add Alts		$ -		
	$ -			
-	$ -			
-	$ -			
Adjusted Base Contract		$ 325,000.00		
PCO #1		$ -		
-	$ -			
-	$ -			
PCO #2		$ -		
-	$ -			
-	$ -			
Total Contract			$ 325,000.00	
Prime Contract - Exterior Generator enclosure				
C2				
Demolition		$ 12,000.00		
Site work		$ 125,681.00		
Concrete		$ 97,548.00		
Misc. Metals / Steel		$ 12,068.00		
Electrical		$ 72,275.00		
Insurance		$ 3,835.00		
Contractor Fee		$ 9,702.00		
Base Bid		$ 333,109.00		
Add Alts		$ -		
-	$ -			
-	$ -			
Adjusted Base Contract		$ 333,109.00		
PCO #1		$ -		
-	$ -			
-	$ -			
PCO #2		$ -		
-	$ -			
-	$ -			
Total Contract			$ 333,109.00	
Main lobby security build out allowance			$ 20,000.00	
Hard Cost Contingency	5%		$ 786,319.25	
Hard Construction Costs				$ 16,624,629.25

KILROY REALTY CORPORATION

PROJECT DETAIL BUDGET
Cost Proposal #1
DermTech
12340 El Camino Real
San Diego, CA

Project Number:		*Construction Commencement:*	*mm/dd/yy*
Phase 1	*103301-RD-000*		
Phase 2	*103301-RD-400*		
Phase 3	*103301-RD-100*		
Phase 4	*103301-RD-300*		
Project Manager:	*RC*	*ESTIMATED Substantial Completion:*	*mm/dd/yy*
PDB Prep. Date:	*6/28/2021*	*ACTUAL Substantial Completion:*	*mm/dd/yy*
Revision Date:	*1/18/2022*	*Premises RSF:*	*95,997*
		Premises USF:	*76,012*

Project Subtotal			$ 17,499,689.80
Const' Mgmt. Fees		$ 524,990.69	$ 524,990.69
CM Fee % Rate:	3%		
PROJECT TOTAL:			$ 18,024,680.49

Acknowledgement and Approval

PREPARED BY: RC
KILROY REALTY CORPORATION
1/19/22
DATE

APPROVED BY: Kevin Sun
Authorized Agent for: DermTech
1/20/2022
DATE

Contract status

- requested
- with vendor
- internal processing
- fully executed
- no contracting required

Exhibit 10.3

Second Amended and Restated
Non-Employee Director Compensation Policy
DermTech, Inc.

The Board of Directors of DermTech, Inc. (the "Company") has approved the following Second Amended and Restated Non-Employee Director Compensation Policy (this "Policy"), which establishes compensation to be paid to non-employee directors of the Company, effective as of July 18, 2022 (the "Effective Time"), to provide an inducement to obtain and retain the services of qualified persons to serve as members of the Company's Board of Directors. This Policy amends and restates the Company's Amended and Restated Non-Employee Director Compensation Policy, dated March 28, 2021, in its entirety.

Applicable Persons

This Policy shall apply to each director of the Company who is not an employee of the Company or any Affiliate (each, a "Non-Employee Director"). "Affiliate" means an entity which is a direct or indirect parent or subsidiary of the Company, as determined pursuant to Section 424 of the Internal Revenue Code of 1986, as amended.

Restricted Stock Unit Grants

1. *Annual Restricted Stock Unit Grants to Incumbent Non-Employee Directors*

Annually, on the date of the first meeting of the Board of Directors held following the Company's annual meeting of stockholders in each year commencing in 2022 (each such meeting, the "Annual Stockholder Meeting"), each incumbent Non-Employee Director shall be granted a number of restricted stock units ("RSUs") (each RSU representing the contingent right to receive one share of the Company's common stock) that represents a market value of $170,000 based on the most-recent closing price of the Company's common stock prior to the date of such grant, unless the Compensation Committee of the Board of Directors (the "Compensation Committee") determines that such a grant would exceed a burn rate threshold as established by the Compensation Committee based on guidance from compensation consultants or from ISS (or similar organizations), and/or based on its own analysis, in which case the number of RSUs granted may be a reduced (but not by more than 50%) by the Compensation Committee (such grants, the "Annual Grants").

2. *Initial Restricted Stock Unit Grants for Newly Appointed or Elected Directors*

Each new Non-Employee Director on or after the Effective Time shall be granted a New Director Grant and a Pro Rata Annual Grant, each in the form of RSUs approved by the Board of Directors effective on his or her initial appointment or election to the Board of Directors, as follows:

(i) A "New Director Grant" consisting of the same number of RSUs as the most recent Annual Grant made to each incumbent Non-Employee Director, unless the Board of Directors or the Compensation Committee determines to adjust this otherwise;

(ii) A "Pro Rata Annual Grant" consisting of a number of RSUs calculated as follows: (a) that same number of RSUs as the most recent Annual Grant made to each incumbent Non-Employee Director, unless the Board of Directors or the Compensation Committee determines to adjust this otherwise, *multiplied by* (b) the number of whole months between the date that such new Non-Employee Director is appointed to the Board and the first anniversary of the most recent annual meeting of the stockholders of the Company *divided by* 12.

4. *Terms for All Restricted Stock Unit Grants*

Unless otherwise specified by the Board of Directors or the Compensation Committee at the time of grant:

(i) Annual Grants shall vest in four equal quarterly installments over the one-year period following the grant date, subject to the continued service of the Non-Employee Director. The release date for the shares underlying the RSUs shall be the date that the RSU grant is fully vested, unless an election is made in advance of the grant for the release date to be the first business day in January of the year following the date that the RSU grant is fully vested.

(ii) New Director Grants shall vest in three equal annual installments over the three-year period following the grant date, subject to the continued service of the Non-Employee Director. The release dates for vested shares underlying the RSUs shall be the three vesting dates described above unless an election is made in advance of the grant for the three release dates to be the first business day in January of the year following each vesting date, respectively.

(iii) Pro Rata Annual Grants shall vest in full on the last vesting date of the most recent Annual Grants made prior the grant date such Pro Rata Annual Grants, subject to the continued service of the Non-Employee Director. The release date for the shares underlying the RSUs shall be the date that the RSUs are fully vested, unless an election is made in advance of the grant for the release date to be the first business day in January of the year following the date that the RSU grant is fully vested.

All of the above RSU grants shall contain such other terms and conditions as set forth in the form of Restricted Stock Unit Agreement approved by the Board of Directors or the Compensation Committee.

<u>Annual Fees</u>

Each Non-Employee Director serving on the Board of Directors and the Audit Committee, Compensation Committee and/or Nominating and Corporate Governance Committee, as applicable, shall be entitled to annual fees in the following amounts (the “<u>Annual Fees</u>”):

Board of Directors or Committee of Board of Directors	**Annual Retainer Amount for Member**	**Annual Retainer Amount for Chair**
Board Member	$40,000	$80,000
Audit Committee	$10,000	$20,000
Compensation Committee	$7,000	$14,000
Nominating and Corporate Governance Committee	$5,000	$10,000

Except as otherwise set forth in this Policy, all Annual Fees shall be paid for the period from January 1 through December 31 of each year. Such Annual Fees shall be paid in cash.

Annual Fees payable to Non-Employee Directors shall be paid quarterly in arrears promptly following the end of each fiscal quarter, provided that (i) the amount of such payment shall be prorated for any portion of such quarter that such director was not serving in the applicable capacity as a member or chair of the Board of Directors or committee thereof and (ii) no fee shall be payable in respect of any period prior to the date such director was elected or appointed to serve in the applicable capacity as a member or chair of the Board of Directors or committee thereof.

<u>Expenses</u>

Upon presentation of documentation of such expenses reasonably satisfactory to the Company, each Non-Employee Director shall be reimbursed for his or her reasonable out-of-pocket business expenses incurred in connection with attending meetings of the Board of Directors and committees thereof or in connection with other business related to the Board of Directors.

Amendments

The Compensation Committee shall periodically review this Policy to assess whether any amendments in the type and amount of compensation provided herein should be made and shall make recommendations to the Board of Directors for its approval of any amendments to this Policy.

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Dobak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 of DermTech, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 8, 2022

By: /s/ John Dobak
John Dobak
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Sun, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 of DermTech, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 8, 2022

By: /s/ Kevin Sun
Kevin Sun
Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 of DermTech, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as the specified officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his 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 result of operations of the Company.

Date: August 8, 2022

By: /s/ John Dobak
John Dobak
Chief Executive Officer
(principal executive officer)

Date: August 8, 2022

By: /s/ Kevin Sun
Kevin Sun
Chief Financial Officer
(principal financial and accounting officer)

This certification accompanies the Quarterly Report on Form 10-Q to which it relates and shall not be deemed filed with the Securities and Exchange Commission or incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.