

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

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

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

For the quarterly period ended September 30, 2022 or

For the transition period from _____ to _____

Commission File Number: 001-40493

ATAI Life Sciences N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(State or other jurisdiction of
incorporation or organization)

**ATAI Life Sciences N.V.
Wallstraße 16, 10179**

Berlin, Germany
(Address of principal executive offices)

Not Applicable

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

Not Applicable
(Zip Code)

+49 89 2153 9035

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 shares, par value €0.10 per share	ATAI	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 4, 2022, the registrant had 165,875,307 common shares, par value €0.10 per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (the "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this Quarterly Report other than statements of historical fact, including statements regarding our future operating results and financial position, the success, cost and timing of development of our product candidates, including the progress of preclinical and clinical trials and related milestones, the commercialization of our current product candidates and any other product candidates we may identify and pursue, if approved, including our ability to successfully build a specialty sales force and commercial infrastructure to market our current product candidates and any other product candidates we may identify and pursue, the timing of and our ability to obtain and maintain regulatory approvals, macroeconomic, geopolitical, health and industry trends, our business strategy and plans, potential acquisitions, and the plans and objectives of management for future operations and capital expenditures, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements use these words or expressions.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and are subject to a number of important factors that could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements, including without limitation: we are a clinical-stage biopharmaceutical company and have incurred significant losses since our inception, and we anticipate that we will continue to incur significant losses for the foreseeable future; we will require substantial additional funding to achieve our business goals, and if we are unable to obtain this funding when needed and on acceptable terms, we could be forced to delay, limit or terminate our product development efforts; our limited operating history may make it difficult to evaluate the success of our business and to assess our future viability; we have never generated revenue and may never be profitable; our product candidates contain controlled substances, the use of which may generate public controversy; clinical and preclinical development is uncertain, and our preclinical programs may experience delays or may never advance to clinical trials; we rely on third parties to assist in conducting our clinical trials and some aspects of our research and preclinical testing, and those clinical trials, including progress and related milestones, may be impacted by several factors including the failure by such third parties to meet deadlines for the completion of such trials, research, or testing, changes to trial sites and other circumstances; we currently rely on qualified therapists working at third-party clinical trial sites to administer certain of our product candidates in our clinical trials and we expect this to continue upon approval, if any, of our current or future product candidate, and if third-party sites fail to recruit and retain a sufficient number of therapists or effectively manage their therapists, our business, financial condition and results of operations would be materially harmed; we cannot give any assurance that any of our product candidates will receive regulatory approval, which is necessary before they can be commercialized; research and development of drugs targeting the central nervous system, or CNS, is particularly difficult, and it can be difficult to predict and understand why a drug has a positive effect on some patients but not others; we face significant competition in an environment of rapid technological and scientific change; third parties may claim that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and may prevent or delay our development and commercialization efforts; as a result of covenants to our loan agreement with Hercules Capital, Inc., our operating activities may be restricted and we may be required to repay the outstanding indebtedness in the event of a breach by us, or an event of default thereunder, which could have a materially adverse effect on our business; a change in our effective place of management may increase our aggregate tax burden; we identified material weaknesses in connection with our internal control over financial reporting; and a pandemic, epidemic, or outbreak of an infectious disease, such as the COVID-19 pandemic, may materially and adversely affect our business, including our preclinical studies, clinical trials, third parties on whom we rely, our supply chain, our ability to raise capital, our ability to conduct regular business and our financial results. Other important factors include the risks, uncertainties, and assumptions described under "Risk Factors" in our Form 10-K for the year ended December 31, 2021 (the "Form 10-K") as further updated in this Quarterly Report, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of this Quarterly Report, and elsewhere in our filings with the Securities and Exchange Commission ("SEC").

Any forward-looking statements made herein speak only as of the date of this Quarterly Report, and you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or achievements reflected in the forward-looking statements will be achieved or will occur. Except as required by applicable law, we undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report or to conform these statements to actual results or revised expectations.

GENERAL

Unless the context otherwise requires, all references in this Quarterly Report to “we,” “us,” “our,” “atai” or the “Company” refer to ATAI Life Sciences N.V. and its consolidated subsidiaries. References to “Quarterly Report” herein refer to this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 and references to “Form 10-K” and “Annual Report” herein refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

All reports we file with the SEC are available for download free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC’s website at www.sec.gov. We also make electronic copies of our reports available for download, free of charge, through our investor relations website at ir.atai.life as soon as reasonably practicable after filing such material with the SEC.

We may announce material business and financial information to our investors using our investor relations website at ir.atai.life. We therefore encourage investors and others interested in ATAI to review the information that we make available on our website, in addition to following our filings with the SEC, webcasts, press releases and conference calls. Information contained on our website is not part of this Quarterly Report.

As of June 30, 2022, we determined that we qualified as a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act. Consistent with Section 5120.1(d) of the Financial Reporting Manual, we have elected to reflect this status immediately. As a result, for the year ending December 31, 2023 and the remainder of the year ending December 31, 2022, we expect that we will be exempt from certain disclosure requirements and permitted to rely on certain reduced disclosure requirements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	September 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 142,539	\$ 362,266
Securities carried at fair value	161,518	—
Prepaid expenses and other current assets	13,425	11,903
Short term notes receivable	—	913
Total current assets	<u>317,482</u>	<u>375,082</u>
Property and equipment, net	728	149
Equity method investments	—	16,131
Other investments	8,498	11,628
Long term notes receivable - related parties	7,151	3,835
Other assets	8,738	7,341
Total assets	<u>\$ 342,597</u>	<u>\$ 414,166</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	3,511	6,004
Accrued liabilities	22,142	14,829
Current portion of contingent consideration liability - related parties	—	51
Other current liabilities	260	51
Total current liabilities	<u>25,913</u>	<u>20,935</u>
Non-current portion of contingent consideration liability - related parties	1,908	2,432
Convertible promissory notes - related parties, net of discounts and deferred issuance costs	380	743
Other liabilities	3,695	4,097
Long-term debt, net	14,621	—
Total liabilities	<u>\$ 46,517</u>	<u>\$ 28,207</u>
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, €0.10 par value (\$0.12 par value at September 30, 2022 and December 31, 2021, respectively); 750,000,000 shares authorized at September 30, 2022 and December 31, 2021, respectively; 165,875,307 and 160,677,001 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	18,554	18,002
Additional paid-in capital	761,811	725,045
Accumulated other comprehensive loss	(25,788)	(8,336)
Accumulated deficit	(465,178)	(357,803)
Total stockholders' equity attributable to ATAI Life Sciences N.V. stockholders	<u>289,399</u>	<u>376,908</u>
Noncontrolling interests	6,681	9,051
Total stockholders' equity	<u>296,080</u>	<u>385,959</u>
Total liabilities and stockholders' equity	<u>\$ 342,597</u>	<u>\$ 414,166</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
License revenue	\$ 24	\$ 266	\$ 195	\$ 20,146
Operating expenses:				
Research and development	19,028	13,363	52,437	34,974
Acquisition of in-process research and development	—	—	357	8,934
General and administrative	19,419	20,264	54,623	66,868
Total operating expenses	<u>38,447</u>	<u>33,627</u>	<u>107,417</u>	<u>110,776</u>
Loss from operations	<u>(38,423)</u>	<u>(33,361)</u>	<u>(107,222)</u>	<u>(90,630)</u>
Other income (expense), net:				
Interest income	145	8	361	80
Change in fair value of contingent consideration liability - related parties	430	469	525	(191)
Change in fair value of derivative liability	—	—	—	41
Change in fair value of warrant liability	—	47	53	87
Change in fair value of securities carried at fair value	344	—	(981)	—
Unrealized loss on other investments held at fair value	—	(70)	—	(5,530)
Loss on conversion of convertible promissory notes	—	—	—	(513)
Gain on consolidation of a variable interest entity	—	—	—	3,543
Foreign exchange gain (loss), net	4,470	6,462	11,515	5,446
Other income (expense), net	(100)	(29)	(112)	(355)
Total other income (expense), net	<u>5,289</u>	<u>6,887</u>	<u>11,361</u>	<u>2,608</u>
Loss before income taxes	(33,134)	(26,474)	(95,861)	(88,022)
Provision for income taxes	(135)	(368)	(227)	(432)
Gain on dilution of equity method investment	—	—	—	16,923
Losses from investments in equity method investees, net of tax	(2,432)	(4,800)	(14,680)	(9,440)
Net loss	(35,701)	(31,642)	(110,768)	(80,971)
Net loss attributable to redeemable noncontrolling interests and noncontrolling interests	(1,814)	(484)	(3,394)	(2,040)
Net loss attributable to ATAI Life Sciences N.V. stockholders	<u>\$ (33,887)</u>	<u>\$ (31,158)</u>	<u>\$ (107,374)</u>	<u>\$ (78,931)</u>
Net loss per share attributable to ATAI Life Sciences N.V. stockholders — basic and diluted	<u>\$ (0.22)</u>	<u>\$ (0.21)</u>	<u>\$ (0.69)</u>	<u>\$ (0.59)</u>
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. stockholders — basic and diluted	<u>156,607,468</u>	<u>151,130,212</u>	<u>154,713,922</u>	<u>134,334,685</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (35,701)	\$ (31,642)	\$ (110,768)	\$ (80,971)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	(4,597)	(9,158)	(17,452)	(11,074)
Comprehensive loss:	\$ (40,298)	\$ (40,800)	\$ (128,220)	\$ (92,045)
Comprehensive loss attributable to redeemable noncontrolling interests and noncontrolling interests	(1,814)	(484)	(3,394)	(2,040)
Foreign currency translation adjustments, net of tax attributable to noncontrolling interests	48	12	67	(22)
Comprehensive loss attributable to redeemable noncontrolling interests and noncontrolling interests	(1,766)	(472)	(3,327)	(2,062)
Comprehensive loss attributable to ATAI Life Sciences N.V. stockholders	<u>\$ (38,532)</u>	<u>\$ (40,328)</u>	<u>\$ (124,893)</u>	<u>\$ (89,983)</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE NONCONTROLLING
INTERESTS AND STOCKHOLDERS' EQUITY
(Amounts in thousands, except share and per share amounts)
(unaudited)

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity Attributable to ATAI Life Sciences N.V. Stockholders	Noncontrolling Interests	Total Stockholders' Equity
		Shares	Amount						
Balances at December 31, 2021	\$ —	160,677,001	\$ 18,002	\$ 725,045	\$ (8,336)	\$ (357,803)	\$ 376,908	\$ 9,051	\$ 385,959
Issuance of shares upon exercise of stock options	—	42,827	5	127	—	—	132	—	132
Stock-based compensation expense	—	—	—	10,208	—	—	10,208	—	10,208
Foreign currency translation adjustment, net of tax	—	—	—	—	(4,373)	—	(4,373)	(11)	(4,384)
Net loss	—	—	—	—	—	(36,869)	(36,869)	(689)	(37,558)
Balances at March 31, 2022	\$ —	160,719,828	\$ 18,007	\$ 735,380	\$ (12,709)	\$ (394,672)	\$ 346,006	\$ 8,351	\$ 354,357
Conversion of convertible notes to common stock	—	960,000	101	1,039	—	—	1,140	—	1,140
Issuance of shares upon exercise of stock options	—	47,957	6	112	—	—	118	—	118
Issuance of subsidiary preferred shares	—	—	—	—	—	—	—	600	600
Issuance of subsidiary common shares	—	—	—	—	—	—	—	357	357
Stock-based compensation expense	—	—	—	9,511	—	—	9,511	—	9,511
Foreign currency translation adjustment, net of tax	—	—	—	—	(8,482)	—	(8,482)	30	(8,452)
Net loss	—	—	—	—	—	(36,618)	(36,618)	(891)	(37,509)
Balances at June 30, 2022	\$ —	161,727,785	\$ 18,114	\$ 746,042	\$ (21,191)	\$ (431,290)	\$ 311,675	\$ 8,447	\$ 320,122
Conversion of convertible notes to common stock	—	3,360,000	346	3,427	—	—	3,773	—	3,773
Issuance of shares upon exercise of stock options	—	787,522	94	1,827	—	—	1,921	—	1,921
Stock-based compensation expense	—	—	—	10,515	—	—	10,515	—	10,515
Foreign currency translation adjustment, net of tax	—	—	—	—	(4,597)	—	(4,597)	48	(4,549)
Net loss	—	—	—	—	—	(33,887)	(33,887)	(1,814)	(35,701)
Balances at September 30, 2022	\$ —	165,875,307	\$ 18,554	\$ 761,811	\$ (25,788)	\$ (465,177)	\$ 289,400	\$ 6,681	\$ 296,081

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-In Capital	Share Subscription s Receivable	Accumulated Other Comprehensi ve Income (Loss)	Accumulated Deficit	Total Stockholders' Equity Attributable to ATAI Life Sciences N.V. Stockholders	Noncontrolling Interests	Total Stockholders' Equity
		Shares	Amount							
Balances at December 31, 2020	\$ —	114,735,712	\$ 13,372	\$ 261,626	\$ —	\$ 5,819	\$ (189,995)	\$ 90,822	\$ 4,546	\$ 95,368
Issuance of common shares, net of issuance costs of \$4.9 million	—	15,552,688	1,881	162,497	(140,868)	—	—	23,510	—	23,510
Issuance of common shares under the Hurdle Share Option Plan (see Note 12)	—	7,281,376	—	—	—	—	—	—	—	—
Issuance of noncontrolling interest	—	—	—	—	—	—	—	—	885	885
Stock-based compensation expense	—	—	—	212	—	—	—	212	—	212
Foreign currency translation adjustment, net of tax	—	—	—	—	—	(3,842)	—	(3,842)	(184)	(4,026)
Net income	—	—	—	—	—	—	688	688	3,356	4,044
Balances as of March 31, 2021	\$ —	137,569,776	\$ 15,253	\$ 424,335	\$ (140,868)	\$ 1,977	\$ (189,307)	\$ 111,390	\$ 8,603	\$ 119,993
Settlement of issuance of common shares, net of issuance costs of \$4.9 million	—	—	—	—	140,868	—	—	140,868	—	140,868
Issuance of common shares, net of issuance costs of \$9.0 million	—	17,250,000	2,046	229,535	—	—	—	231,581	—	231,581
Issuance of noncontrolling interest	2,555	—	—	—	—	—	—	—	3,649	3,649
Stock-based compensation expense	—	—	—	37,512	—	—	—	37,512	—	37,512
Foreign currency translation adjustment, net of tax	—	—	—	—	—	1,960	—	1,960	150	2,110
Net income (loss)	(2,555)	—	—	—	—	—	(48,461)	(48,461)	(2,357)	(50,818)
Balances as of June 30, 2021	\$ —	154,819,776	\$ 17,299	\$ 691,382	\$ —	\$ 3,937	\$ (237,768)	\$ 474,850	\$ 10,045	\$ 484,895
Conversion of convertible notes to common stock	—	4,838,176	571	5,853	—	—	—	6,424	—	6,424
Issuance of noncontrolling interest	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	12,240	—	—	—	12,240	—	12,240
Foreign currency translation adjustment, net of tax	—	—	—	—	—	(9,170)	—	(9,170)	12	(9,158)
Net income (loss)	—	—	—	—	—	—	(31,158)	(31,158)	(483)	(31,641)
Balances as of September 30, 2021	\$ —	159,657,952	\$ 17,870	\$ 709,475	\$ —	\$ (5,233)	\$ (268,926)	\$ 453,186	\$ 9,574	\$ 462,760

See accompanying notes to the unaudited condensed consolidated financial statements.

ATAI LIFE SCIENCES N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (110,768)	\$ (80,971)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	115	18
Amortization of debt discount	—	192
Change in fair value of contingent consideration liability—related parties	(525)	191
Change in fair value of securities carried at fair value	981	—
Change in fair value of derivative liability	—	(41)
Change in fair value of warrant liability	(53)	87
Unrealized loss on other investments held at fair value	—	5,530
Gain on dilution of equity method investment	—	(16,923)
Loss on conversion of convertible notes	—	513
Gain on consolidation of a variable interest entity	—	(3,543)
Losses from investments in equity method investees	14,680	9,440
In-process research and development expense	357	8,934
Stock-based compensation expense	30,235	49,964
Unrealized foreign exchange gains	(9,536)	(8,289)
Other	(158)	43
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,778)	(9,657)
Accounts payable	(2,436)	(1,671)
Accrued liabilities	4,924	3,266
Deferred revenue	—	180
Net cash used in operating activities	<u>(73,962)</u>	<u>(42,737)</u>
Cash flows from investing activities		
Purchases of property and equipment	(631)	(121)
Capitalized internal-use software development costs	(170)	(650)
Cash paid for securities carried at fair value	(256,554)	—
Proceeds from sale and maturities of securities carried at fair value	94,055	—
Cash acquired in asset acquisitions, net	—	47
Cash paid for equity method investments	—	(5,362)
Cash paid for other investments	(600)	(23,659)
Loans to related parties	(3,000)	(2,625)
Cash paid for other assets	—	(273)
Net cash used in investing activities	<u>(166,900)</u>	<u>(32,643)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	—	409,884
Cash paid for common stock issuance costs	—	(12,350)
Proceeds from issuance of share option awards	—	534
Proceeds from sale of investment	—	2,417
Proceeds from issuance of shares upon exercise of stock options	2,171	—
Proceeds from issuance of subsidiary preferred shares	600	—
Proceeds from conversion of convertible notes to common stock	4,635	6,067
Proceeds from debt financings	15,000	—
Financing costs paid	(699)	—
Proceeds from issuance of convertible promissory notes	—	1,587
Net cash provided by financing activities	<u>21,707</u>	<u>408,139</u>
Effect of foreign exchange rate changes on cash	(572)	303
Net increase (decrease) in cash and cash equivalents	(219,727)	333,062
Cash and cash equivalents – beginning of the period	362,266	97,246
Cash and cash equivalents – end of the period	<u>\$ 142,539</u>	<u>\$ 430,308</u>
Supplemental disclosures of non cash investing and financing information:		
Right of use asset obtained in exchange for operating lease liabilities	\$ 487	\$ —
Issuance of subsidiary shares to non-controlling interests in connection with Columbia stock purchase agreement	\$ 357	\$ —
Deferred financing costs included in accounts payable and accrued expenses	\$ 1,046	\$ —
Issuance of derivative instrument related to convertible promissory notes	\$ —	\$ 646
Fair value of noncontrolling interests issued in connection with consolidation of a VIE	\$ —	\$ 392
Fair value of redeemable noncontrolling interests issued in connection with consolidation of a VIE	\$ —	\$ 2,555
Fair value of noncontrolling interests issued in connection with asset acquisitions	\$ —	\$ 885
Issuance of subsidiary shares in connection with the conversion of convertible notes	\$ —	\$ 3,258

See accompanying notes to the unaudited condensed consolidated financial statements.

1. Organization and Description of Business

ATAI Life Sciences N.V. (“atai”) is the parent company of ATAI Life Sciences AG and, along with its subsidiaries, is a clinical-stage biopharmaceutical company aiming to transform the treatment of mental health disorders. atai was founded in 2018 as a response to the significant unmet need and lack of innovation in the mental health treatment landscape. atai is dedicated to acquiring, incubating and efficiently developing innovative therapeutics to treat depression, anxiety, addiction, and other mental health disorders.

Since inception, atai has either created wholly owned subsidiaries or has made investments in certain controlled entities, including variable interest entities (“VIEs”) for which atai is the primary beneficiary under the VIE model (collectively, the “Company”). atai is headquartered in Berlin, Germany.

The Company has determined that it has one operating and reporting segment.

Corporate Reorganization and Initial Public Offering

atai was incorporated pursuant to the laws of the Netherlands as a Dutch private company with limited liability on September 10, 2020 for the purposes of becoming a holding company for ATAI Life Sciences AG and consummating the corporate reorganization described below. atai did not conduct any operations prior to the corporate reorganization other than activities incidental to its formation. ATAI Life Sciences AG was formed as a separate company on February 7, 2018.

In contemplation of the consummation of atai’s initial public offering (“IPO”) of common shares, atai undertook a corporate reorganization (the “Corporate Reorganization”). The Corporate Reorganization consisted of several steps as described below:

- **Exchange of ATAI Life Sciences AG Securities for ATAI Life Sciences B.V. Common Shares and Share Split:** In April 2021, the existing shareholders of ATAI Life Sciences AG each became a party to a separate notarial deed of issue under Dutch law and (i) subscribed for new common shares in ATAI Life Sciences B.V. and (ii) transferred their respective shares in ATAI Life Sciences AG, on a 1 to 10 basis (the “Exchange Ratio”), to ATAI Life Sciences B.V. as a contribution in kind on the common shares in ATAI Life Sciences B.V. As a result of the issuance of common shares in ATAI Life Sciences B.V. to the shareholders of ATAI Life Sciences AG and the contribution and transfer of their respective shares in ATAI Life Sciences AG to ATAI Life Sciences B.V., ATAI Life Sciences AG became a wholly owned subsidiary of ATAI Life Sciences B.V. No shareholder rights or preferences changed as a result of the share for share exchange. In connection with such exchange, the common share in ATAI Life Sciences B.V. held by Apeiron was cancelled. On June 7, 2021, shares of ATAI Life Sciences B.V. were split applying a ratio of 1.6 to one, and the nominal value of the shares was reduced to €0.10, pursuant to a shareholders’ resolution and amendment to the articles of association.
- **Conversion of ATAI Life Sciences B.V. into ATAI Life Sciences N.V.:** Immediately preceding the Company’s IPO, the legal form of ATAI Life Sciences B.V. was converted from a Dutch private company with limited liability to a Dutch public company, and the articles of association of ATAI Life Sciences N.V., became effective. Following the Corporate Reorganization, ATAI Life Sciences N.V. became the holding company of ATAI Life Sciences AG.

The Corporate Reorganization, as described above, is considered a continuation of ATAI Life Sciences AG resulting in no change in the carrying values of assets or liabilities. As a result, the financial statements for periods prior to the Corporate Reorganization are the financial statements of ATAI Life Sciences AG as the predecessor to atai for accounting and reporting purposes. All share, per-share and related information presented in these condensed consolidated financial statements and corresponding disclosure notes have been retrospectively adjusted, where applicable, to reflect the impact of the share exchange and share split resulting from the Corporate Reorganization. In connection with the Corporate Reorganization, outstanding share awards and option grants of ATAI Life Sciences AG were exchanged for share awards and option grants of ATAI Life Sciences B.V. with identical restrictions.

On June 22, 2021, atai closed the IPO of its common shares on the Nasdaq Stock Market (“Nasdaq”). As part of the IPO, the Company issued and sold 17,250,000 shares of its common shares, which included 2,250,000 shares sold pursuant to the exercise of the underwriters’ over-allotment option, at a public offering price of \$15.00 per share. The Company received net proceeds of approximately \$231.6 million from the IPO, after deducting underwriters’ discounts and commissions of \$18.1 million and offering costs of \$9.0 million.

Impact of COVID-19 Pandemic

The COVID-19 pandemic has continued to present global public health and economic challenges during the nine months ended September 30, 2022. Although some research and development timelines have been impacted by delays related to the COVID-19 pandemic, the Company has not experienced material financial impacts on its business and operations as a result. The Company continues to monitor the impact of the COVID-19 pandemic on its employees and business and has undertaken business continuity measures to mitigate potential disruption to its operations.

The future impact of COVID-19 on the Company's business and operations, including its research and development programs and related clinical trials, will largely depend on future developments, which are highly uncertain, such as the duration of the pandemic, the spread of the disease and variants thereof, the availability and effectiveness of vaccines and related roll-out efforts, breakthrough infections among the vaccinated, vaccine hesitancy, the implementation of vaccine mandates, travel restrictions, social distancing and related government actions around the world, business closures or business disruptions and the ultimate impact of COVID-19 on financial markets and the global economy.

Liquidity and Going Concern

The Company has incurred significant losses and negative cash flows from operations since its inception. As of September 30, 2022, the Company had cash and cash equivalents of \$142.5 million, short-term securities of \$161.5 million and its accumulated deficit was \$465.2 million. The Company has historically financed its operations through the sale of equity securities, debt financings, sale of convertible notes and revenue generated from licensing and collaboration arrangements. The Company has not generated any revenues to date from the sale of its product candidates and does not anticipate generating any revenues from the sale of its product candidates unless and until it successfully completes development and obtains regulatory approval to market its product candidates.

The Company currently expects that its existing cash and cash equivalents and short-term securities as of September 30, 2022 will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from the date the condensed consolidated financial statements are issued.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and follow the requirements of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements as certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted.

The Company's condensed consolidated financial statements include the accounts of the Company and the accounts of the Company's subsidiaries. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative U.S. GAAP included in the Accounting Standards Codification ("ASC"), and Accounting Standards Update ("ASU") issued by the Financial Accounting Standards Board ("FASB"). All intercompany transactions and accounts have been eliminated in consolidation.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company's financial position, its results of operations and comprehensive loss, and its cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other future annual or interim period. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2022.

Significant Accounting Policies

During the nine months ended September 30, 2022, there were no significant changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2021 except as described below.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made in the accompanying condensed consolidated financial statements include, but are not limited to the fair value of the Company's investment in Intelgenx Technologies Corp. ("IntelGenx"), securities carried at fair value, contingent consideration liability—related parties, in-process research and development assets ("IPRD"), redeemable noncontrolling interests and noncontrolling interests recognized in acquisitions, the valuations of common shares prior to IPO and share-based awards, and accruals for research and development costs.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable. Actual results may differ from those estimates or assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. As of September 30, 2022 and December 31, 2021, cash and cash equivalents consisted of cash on deposit and cash held in high-yield savings accounts and money market funds.

Investment Securities Portfolio

The following table sets forth the fair value of atai's available-for-sale securities portfolio at the dates indicated:

	Fair Value	
	September 30, 2022	December 31, 2021
Money Market Funds	\$ 94,055	\$ —
U.S. Treasuries	3,883	—
Commercial Paper	33,138	—
Corporate Notes/Bonds	65,015	—
U.S. Government Agencies	59,482	—
	<u>\$ 255,573</u>	<u>\$ —</u>

In January 2022, the Company invested in a certain investment portfolio, which is comprised of Money Market Funds, U.S. Treasury securities, Commercial Paper, Corporate Notes/Bonds, and U.S. government agencies securities. The Company classified securities in the investment portfolio as available-for-sale securities. Furthermore, the Company elected the fair value option for the available-for-sale securities in the investment portfolio (see Note 7). The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument-by-instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected are recognized as a change in fair value of securities on the Consolidated Statements of Operations and the amortized cost of investments approximates their fair value.

Fair Value Measurements

Assets and liabilities recorded at fair value on a recurring basis in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company's contingent consideration liability—related parties, derivative liability associated with the Perception convertible promissory notes, IntelGenx Initial Warrants and IntelGenx Additional Units Warrant, and warrant liability with Neuronasal Inc. are carried at fair value, determined according to Level 3 inputs in the fair value hierarchy described above (See Note 7). The IntelGenx common stock and securities carried at fair value are determined according to Level 2 inputs in the fair value hierarchy above. The carrying amount reflected in the accompanying consolidated balance sheets for cash, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values, due to their short-term nature.

The carrying amounts of the Company's remaining outstanding convertible promissory notes—related parties issued in 2018 and 2020 (collectively, the "2018 Convertible Notes") do not approximate fair value because the fair value is driven by the underlying value of the Company's common shares into which the notes are to be converted. As of September 30, 2022, the carrying amount and fair value amount of the 2018 Convertible Notes was \$0.4 million and \$16.8 million, respectively. As of December 31, 2021, the carrying amount and fair value amount of the 2018 Convertible Notes was \$0.8 million and \$69.7 million, respectively. Subsequent to the IPO, several noteholders of the 2018 Convertible Notes elected to convert their promissory notes into the Company's common shares. See Note 10 for additional discussion.

Fair Value Option

As permitted under Accounting Standards Codification 825, Financial Instruments, or ASC 825, the Company has elected the fair value option to account for its investment in common shares of IntelGenx, which otherwise would be subject to ASC 323. In accordance with ASC 825, the Company records this investment at fair value under Other investments held at fair value in the Company's consolidated balance sheets and changes in fair value are recognized as a component of other income (expense), net in the consolidated statements of operations. The carrying value of the investment remained at zero as of September 30, 2022 and December 31, 2021, respectively.

Furthermore, as noted above the Company also elected the fair value option for its investment securities portfolio.

Debt Issuance Costs and Debt Discount

Debt issuance costs include incremental and direct costs incurred in relation to debt, such as legal fees, accounting fees, and other direct costs of the financing. Amounts paid to the lender are a reduction in the proceeds received by the Company and are generally considered a component of issuance discount, unless it is paid to compensate the lender for the services rendered or as a reimbursement of direct costs incurred by them in relation to the debt, in which case it would be akin to a debt issuance cost.

Debt issuance costs related to a recognized debt liability are presented in the unaudited condensed consolidated balance sheet as a direct deduction from the carrying amount of the debt liability rather than as an asset, consistent with the presentation of debt discounts, and are amortized to interest expense over the term of the related debt using the effective interest method.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

As described in "Recently Adopted Accounting Pronouncements" below, the Company early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. The Company expects to use the extended transition period for any other new or revised accounting standards during the period in which it remains an emerging growth company.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is a comprehensive new lease standard that amends various aspects of existing accounting guidance for leases. The core principle of Topic 842 requires lessees to recognize on the consolidated balance sheets a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for both finance and operating leases with lease terms greater than twelve months. The lease liability is measured at the present value of the unpaid lease payments and the right-of-use asset is derived from the calculation of the lease liability. Topic 842 also requires lessees to disclose key information about leasing arrangements. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. As a result of the Company having elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, ASU 2016-02 is effective for the Company beginning after December 15, 2021.

The Company adopted the new standard on January 1, 2022 using the modified transition approach as of the effective date.

The new standard provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients," which permitted it to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. As a result, the Company has continued to account for existing leases - i.e. leases for which the commencement date is before January 1, 2022 - in accordance with Topic 840 throughout the entire lease term, including periods after the effective date, with the exception that the Company applied the new balance sheet recognition guidance for operating leases and applied Topic 842 for remeasurements and modifications after the Transition Date. The Company also elected the hindsight expedient in determining the lease term and assessing impairment of right-of-use assets when transitioning to ASC 842. As a result, the Company evaluated the lease term for its existing leases as of the transition date, January 1, 2022.

The most significant impact of the adoption of Topic 842 on the Company's condensed consolidated financial statements was the recognition of a \$0.2 million operating lease right-of-use asset, a \$0.1 million current operating lease liability, and a \$0.1 million long-term operating lease liability on the Company's condensed consolidated balance sheet related to its existing facility operating lease. The Company did not have a deferred rent liability recorded in connection with its existing facility operating lease. There was no material impact to the Company's condensed consolidated balance sheet, statement of operations, and no cumulative-effect adjustment to accumulated deficit. The Company recorded an immaterial amount of general and administrative expense in its consolidated statement of operations related to lease expense, including short-term lease expense during the three and nine months ended September 30, 2022.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses. This update requires immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred. The new model is applicable to most financial assets and certain other instruments that are not measured at fair value through net income. In November 2019, the FASB issued ASU 2019-10, which delays adoption for "smaller reporting companies" as defined under the rules promulgated under the Exchange Act. Although, as of December 31, 2021, the Company was no longer a smaller reporting company, the Company qualified as a smaller reporting company at the time of its initial public offering and, as such, in accordance with ASU 2019-10, the effective date for adoption by the Company will begin after December 31, 2022. The Company does not expect that the adoption of this new standard will have a material impact on its condensed consolidated financial statements and related disclosures.

3. Acquisitions

2021 Acquisitions

PsyProtix, Inc.

In February 2021, the Company jointly formed PsyProtix with Chymia, LLC ("Chymia"). PsyProtix was created for the purpose of exploring and developing a metabolomics-based precision psychiatry approach, initially targeting the stratification and treatment of Treatment Resistant Depression ("TRD") patients. In February 2021, pursuant to a Series A Preferred Stock Purchase Agreement (the "PsyProtix Purchase Agreement"), the Company acquired shares of PsyProtix's Series A preferred stock in exchange for an initial payment of \$0.1 million in cash. In addition, pursuant to the PsyProtix Purchase Agreement, the Company agreed to make aggregate payments to PsyProtix of up to \$4.9 million upon the achievement of specified clinical milestones to complete the purchase of the shares and provide additional funding to PsyProtix. The PsyProtix Purchase Agreement resulted in the Company holding a 75.0% voting interest and Chymia holding a 25.0% voting interest in PsyProtix. In connection with the Company's agreement for additional funding, PsyProtix issued the corresponding Series A preferred shares to the Company provided that the shares are held in an escrow account (the "PsyProtix Escrow Shares"). The PsyProtix Escrow Shares will be released, from time to time, to the Company upon PsyProtix achieving certain milestones as defined in the PsyProtix Purchase Agreement with cash payments to be made by the Company. In addition, the Company has the right, but not the obligation, to make payment for the certain PsyProtix Escrow Shares at any time, regardless of the achievement of any milestones. The PsyProtix Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, PsyProtix shall automatically repurchase a pro rata portion of the Escrow Shares from atai ("Repurchase Event") for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to PsyProtix and thereafter cancelled. The Repurchase Event is the sole remedy upon atai's failure to make the payment for the milestone shares. In addition, prior to the occurrence of the earlier of a certain milestone event or reaching of the Company's capital contribution threshold of \$5.0 million, PsyProtix will issue additional shares of common stock to Chymia to maintain Chymia's current ownership percentage. This anti-dilution right was concluded to be embedded in the common shares held by Chymia.

Immediately following the closing of the PsyProtix Purchase Agreement, PsyProtix loaned \$0.1 million to Chymia in exchange for a duly executed promissory note (the "Chymia Note"). The Chymia Note shall accrue interest at a 5% rate per annum until payment in full. The aggregate principal amount of \$0.1 million, together with all accrued and unpaid interest and all other amounts payable are due to be paid on the date that is the earlier of (i) five years from the promissory note agreement date or (ii) the occurrence of a liquidation event or a deemed liquidation event (as defined in the PsyProtix's certificate of incorporation). As of September 30, 2022, the Chymia Note was \$0.1 million and included as a component of long-term notes receivable—related parties on the consolidated balance sheets.

The PsyProtix Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of PsyProtix. The Company concluded that PsyProtix was not considered a business based on its assessment under ASC 805 and accounted for the Company's acquisition in PsyProtix as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company did not recognize a gain or a loss in connection with the consolidation of PsyProtix as the fair value of the consideration paid of \$0.1 million was equivalent to the fair value of the identifiable assets acquired of \$0.1 million.

In October 2021, pursuant to the Board consent letter and the PsyProtix Purchase Agreement discussed above, the Company released a payment in the amount of \$0.5 million upon the achievement of specified clinical milestones. Accordingly, 500,000 shares of Series A Preferred Stock were released from the escrow account to the Company. The Company's equity ownership interest in PsyProtix remained unchanged as the PsyProtix Escrow Shares were already deemed issued, outstanding and legally owned by atai.

Psyber, Inc.

Psyber is a globally based startup focused on the development of brain-computer interface-enabled digital therapeutics for treating mental health issues. Psyber was created as a joint venture between the Company and the founders of Psyber. In February 2021, pursuant to a Series A Preferred Stock Purchase Agreement (the “Psyber Purchase Agreement”), the Company acquired shares of Psyber’s Series A Preferred Stock in exchange for an initial payment of \$0.2 million in cash. In addition, pursuant to the Psyber Purchase Agreement, the Company agreed to make aggregate payments to Psyber of up to \$1.8 million upon the achievement of specified clinical milestones to complete the purchase of the shares and provide additional funding to Psyber. The Psyber Purchase Agreement resulted in the Company holding a 75.0% voting interest and the founders of Psyber jointly holding a 25.0% voting interest in Psyber. In connection with the Company’s agreement for additional funding, Psyber issued the corresponding Series A preferred shares to the Company provided that the shares are held in an escrow account (the “Psyber Escrow Shares”). The Psyber Escrow Shares will be released, from time to time, to the Company upon Psyber achieving certain milestones as defined in the Psyber Purchase Agreement with cash payments to be made by the Company. In addition, the Company has the right, but not the obligation, to make payment for the certain Psyber Escrow Shares at any time, regardless of the achievement of any milestones. The Psyber Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, Psyber shall automatically repurchase a pro rata portion of the Escrow Shares from atai (“Repurchase Event”) for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to Psyber and thereafter cancelled. The Repurchase Event is the sole remedy upon atai’s failure to make the payment for the milestone shares. In addition, prior to the occurrence of the earlier of a certain milestone event or reaching of the Company’s capital contribution threshold of \$2.0 million, Psyber will issue additional shares of common stock to the founders of Psyber to maintain the founders’ current ownership percentage. This anti-dilution right was concluded to be embedded in the common shares held by the founders of Psyber.

The Psyber Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of Psyber. The Company concluded that Psyber was not considered a business based on its assessment under ASC 805 and accounted for the Company’s acquisition in Psyber as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company recognized a de minimis gain for the three months ended March 31, 2021. The gain was calculated as the sum of the consideration paid of \$0.2 million, less the fair value of identifiable net assets acquired of \$0.2 million.

InnarisBio, Inc.

In February 2021, the Company jointly formed InnarisBio with UniQuest Pty Ltd (“UniQuest”) for the purpose of adding a solgel-based direct-to-brain intranasal drug delivery technology to the Company’s platform. In March 2021, pursuant to a Series A Preferred Stock Purchase Agreement (the “InnarisBio Purchase Agreement”), the Company acquired shares of InnarisBio’s Series A preferred stock in exchange for an initial payment of \$1.1 million in cash. In addition, pursuant to the InnarisBio Purchase Agreement, the Company agreed to make aggregate payments to InnarisBio of up to \$3.9 million upon the achievement of specified clinical milestones to complete the purchase of the shares and provide additional funding to InnarisBio. The InnarisBio Purchase Agreement resulted in the Company holding an 82.0% voting interest and UniQuest holding a 18.0% voting interest in InnarisBio. In connection with the Company’s agreement for additional funding, InnarisBio issued the corresponding shares of Series A preferred stock to the Company provided that the shares are held in an escrow account (the “InnarisBio Escrow Shares”). The InnarisBio Escrow Shares will be released, from time to time, to the Company upon InnarisBio achieving certain milestones as defined in the InnarisBio Purchase Agreement with cash payments to be made by the Company. In addition, the Company has the right, but not the obligation, to make payment for the InnarisBio Escrow Shares at any time, regardless of the achievement of any milestones. The InnarisBio Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, InnarisBio shall automatically repurchase a pro rata portion of the Escrow Shares from atai (“Repurchase Event”) for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to InnarisBio and thereafter cancelled. The Repurchase Event is the sole remedy upon atai’s failure to make the payment for the milestone shares.

The InnarisBio Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of InnarisBio. The Company concluded that InnarisBio was not considered a business based on its assessment under ASC 805 and accounted for the Company’s acquisition in InnarisBio as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company recognized a de minimis loss on consolidation for the three months ended March 31, 2021. The loss was calculated as the sum of the consideration paid of \$1.1 million, the fair value of the noncontrolling interest issued of \$0.9 million, less the fair value of identifiable net assets acquired of \$2.0 million. The fair value of the contingent milestone payments of \$0.1 million was included in the total purchase consideration for the noncontrolling interest and recognized as a liability by InnarisBio at the date of acquisition. The fair value of the IPR&D acquired of \$1.0 million was reflected as acquired in-process research and development expense on the consolidated statements of operations for the three months ended March 31, 2021 as it had no alternative future use at the time of the acquisition.

In November 2021, pursuant to the InnarisBio Purchase Agreement discussed above, the Company released a payment in the amount of \$1.2 million upon the achievement of specified clinical milestones. Accordingly, 1,238,000 shares of Series A Preferred Stock were released from the escrow account to the Company. The Company's equity ownership interest in InnarisBio remained unchanged as the InnarisBio Escrow Shares were already deemed issued, outstanding and legally owned by the Company.

Neuronasal, Inc.

Neuronasal, Inc. ("Neuronasal") is developing a novel intranasal formulation of N-acetylcysteine for acute mild traumatic brain injury. The Company first acquired investments in Neuronasal in December 2019 pursuant to a Preferred Stock Purchase Agreement (the "Neuronasal PSPA"). In December 2019, in connection with the original purchase of the preferred shares, Neuronasal and the Company entered into the Secondary Sale and Put Right Agreement (the "Neuronasal Secondary Sale Agreement"), whereby upon the achievement of certain contingent development milestones, existing common shareholders have the right to sell and the Company has the option but not the obligation to purchase additional shares of common stock at a price determined based on the fair market value per share on the date of exercise. These options that will allow the Company to purchase additional common shares are contingent upon the exercise of the options by Neuronasal's common shareholders to sell shares to the Company. On March 10, 2021, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares for approximately \$0.8 million based on the achievement of certain development milestones. Also, pursuant to the Neuronasal Secondary Sale Agreement, the Company purchased additional common shares for approximately \$0.3 million. On May 17, 2021, pursuant to the Neuronasal PSPA the Company exercised its option to purchase additional shares of Series A preferred stock of Neuronasal for an aggregate cost of \$1.0 million. The additional purchase on May 17, 2021 resulted in the Company obtaining an aggregate 56.5% ownership interest in Neuronasal, including the Company's previously acquired investments in Neuronasal's common and preferred stock, and provided the Company with control of Neuronasal's board of directors and the unilateral rights to control all decisions related to the significant activities of Neuronasal. Prior to May 17, 2021, the Company accounted for its investments in Neuronasal's common stock under the equity method and Neuronasal's preferred stock under the measurement alternative (See Note 5). Following the closing of this acquisition on May 17, 2021, the results of Neuronasal have been consolidated in the Company's consolidated financial statements.

TryptageniX, Inc.

TryptageniX, Inc. ("TryptageniX"), a Delaware corporation, was incorporated by CB Therapeutics, Inc. ("CBT") on November 17, 2021, for the purpose of developing and commercializing Intellectual Property ("IP") and to develop innovative biosynthetic methods to manufacture bioidentical, clinically relevant compounds, including psychoactive compounds which are highly difficult to produce sustainably through traditional methods. TryptageniX will generate New Chemical Entities ("NCE"). In December 2021, pursuant to the Stock Purchase Agreement ("TryptageniX-ATAI Stock Purchase Agreement"), atai acquired Class A Common Stock in exchange for \$2.0 million and received a certificate representing additional Class A Common Stock to be held in escrow ("Escrow Shares") by TryptageniX to be released upon achievement of specified clinical milestones and corresponding milestone payments. The TryptageniX-ATAI Stock Purchase Agreement resulted in the Company holding a 65% equity ownership interest and CBT holding a 35% equity ownership interest in TryptageniX. The Escrow Shares will be released, from time to time, to the Company upon TryptageniX achieving certain milestones as defined in the TryptageniX Purchase Agreement with cash payments to be made by the Company. Notwithstanding anything to the contrary, atai shall be the owner of the Escrow Shares and has the right, but not the obligation, to make payment for the Escrow Shares at any time, regardless of the achievement of any milestones. The Escrow Shares have voting and all other rights until an event of default occurs where the Company fails to make a payment within 10 days following the written notice of the achievement of the relevant milestone. In the event of default, TryptageniX shall automatically repurchase a pro rata portion of the Escrow Shares from atai ("Repurchase Event") for a purchase price per share equal to the par value of such Escrow Shares. Upon the Repurchase Event, the Escrow Shares are released from escrow to TryptageniX and thereafter cancelled. The Repurchase Event is the sole remedy upon atai's failure to make the payment for the milestone shares.

On December 3, 2021, the Company made an additional payment of \$1.0 million to CBT for the first installment of a \$2.0 million exclusivity fee to become a party to the TryptageniX-ATAI Stock Purchase Agreement. The fee represents the exclusive right to the CBT technology and know-how defined in the TryptageniX Stockholders Agreement. The remaining installment of \$1.0 million shall be paid no later than the second anniversary of the acquisition date, either in cash or in common shares of atai.

The TryptageniX-ATAI Stock Purchase Agreement provided the Company unilateral rights to control all decisions related to the significant activities of TryptageniX. The Company concluded that the acquired assets and activities of TryptageniX did not constitute a business based on its assessment under ASC 805 and accounted for the acquisition as an initial consolidation of a VIE that is not a business under ASC 810 (See Note 4). The assets acquired, liabilities assumed, and noncontrolling interest in the transaction were measured based on their fair values. The Company did not recognize a gain or a loss in connection with the consolidation of TryptageniX as the fair value of the consideration paid of \$1.0 million was equivalent to the fair value of identifiable net assets acquired of \$6.5 million, less the fair value of the noncontrolling interest issued of \$3.9 million, fair value of the contingent consideration of \$0.9 million, and fair value of liability for seller financing of \$0.8 million. In December 2021, the Company elected to expense the entire fair value of the acquired IPR&D asset of \$6.5 million as it had no alternative use at the acquisition date.

All acquisitions discussed above were considered asset acquisitions and accordingly, no goodwill was recognized upon consolidation.

4. Variable Interest Entities

Consolidated VIEs

At each reporting period, the Company reassesses whether it remains the primary beneficiary for Variable Interest Entities (“VIEs”) consolidated under the VIE model.

The entities consolidated by the Company are comprised of wholly and partially owned entities for which the Company is the primary beneficiary under the VIE model as the Company has (i) the power to direct the activities that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses that could potentially be significant to the VIE, or the right to receive benefits from the VIE that could potentially be significant to the VIE. The results of operations of the consolidated entities are included within the Company’s condensed consolidated financial statements from the date of acquisition to September 30, 2022.

As of September 30, 2022 and December 31, 2021, the Company has accounted for the following consolidated investments as VIEs, excluding the wholly owned subsidiaries:

Consolidated Entities	Relationship as of September 30, 2022	Relationship as of December 31, 2021	Date Control Obtained	Ownership % September 30, 2022	Ownership % December 31, 2021
Perception Neuroscience Holdings, Inc.	Controlled VIE	Controlled VIE	November 2018	58.9%	58.9%
Kures, Inc.	Controlled VIE	Controlled VIE	August 2019	64.5%	54.1%
EntheogeniX Biosciences, Inc.	Controlled VIE	Controlled VIE	November 2019	80.0%	80.0%
DemeRx IB, Inc.	Controlled VIE	Controlled VIE	December 2019	59.5%	59.5%
Recognify Life Sciences, Inc.	Controlled VIE	Controlled VIE	November 2020	51.9%	51.9%
PsyProtix, Inc.	Controlled VIE	Controlled VIE	February 2021	75.0%	75.0%
Psyber, Inc.	Controlled VIE	Controlled VIE	February 2021	75.0%	75.0%
InnarisBio, Inc.	Controlled VIE	Controlled VIE	March 2021	82.0%	82.0%
Neuronasal, Inc.	Controlled VIE	Controlled VIE	May 2021	56.5%	56.5%
TryptageniX Inc.	Controlled VIE	Controlled VIE	December 2021	65.0%	65.0%

As of September 30, 2022 and December 31, 2021, the assets of the consolidated VIEs can only be used to settle the obligations of the respective VIEs. The liabilities of the consolidated VIEs are obligations of the respective VIEs and their creditors have no recourse to the general credit or assets of atai.

EntheogeniX Biosciences, Inc.

In November 2019, the Company entered into a series of agreements with Cyclica Inc. ("Cyclica") to form EntheogeniX Biosciences, Inc. ("EntheogeniX"), a company dedicated to developing the next generation of innovative mental health drugs employing an AI-enabled computational biophysics platform designed to optimize and accelerate drug discovery. Based on the Company's assessment of the transaction at the time of acquisition, the Company concluded that EntheogeniX was not a business and accounted for the Company's investment as an initial consolidation of a VIE that is not a business under ASC 810.

In February and September 2022, pursuant to the business plan as contemplated in the Stockholders Agreement and Subscription for Shares pursuant to the Contribution and Subscription Agreement, atai purchased additional shares of Class A common stock for an aggregate purchase price of \$2.2 million. As a result of anti-dilution protection available to Cyclica, the Company's ownership percentage in EntheogeniX did not change due to the Class A common stock purchase. As of September 30, 2022 and December 31, 2021, the Company owned 80% of the outstanding common stock of EntheogeniX.

The purchase of additional Class A common stock was deemed to be a reconsideration event. The Company determined that EntheogeniX is still considered a VIE subsequent to the additional Class A common stock purchase as EntheogeniX does not have sufficient equity at risk to carry out its principal activities without additional subordinated financial support.

The following table presents the assets and liabilities (excluding intercompany balances that were eliminated in consolidation) for all VIEs as of September 30, 2022 (in thousands):

	Perception	Kures	EntheogeniX	DemeRx IB	Recognify	PsyProtix	Psyber	InnarisBio	Neuronasal	TryptageniX
Assets:										
Current assets:										
Cash	\$ 12,773	\$ 654	\$ 993	\$ 13,171	\$ 1,029	\$ 9	\$ 826	\$ 330	\$ —	\$ 1,192
Accounts receivable	195	—	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	763	235	90	22	25	66	—	169	58	2,850
Total current assets	13,731	889	1,083	13,193	1,054	75	826	499	58	4,042
Long term notes receivable	—	—	—	1,000	—	100	—	—	—	—
Other assets	—	—	—	75	—	8	269	—	67	—
Total assets	\$ 13,731	\$ 889	\$ 1,083	\$ 14,268	\$ 1,054	\$ 183	\$ 1,095	\$ 499	\$ 125	\$ 4,042
Liabilities:										
Current liabilities:										
Accounts payable	\$ 564	\$ 162	\$ 262	\$ 259	\$ 54	\$ 24	\$ 19	\$ 3	\$ 106	\$ —
Accrued liabilities	1,426	101	132	330	482	25	31	23	684	390
Other current liabilities	12	1	—	108	2	1	1	1	161	—
Total current liabilities	2,002	264	394	697	538	50	51	27	951	390
Contingent consideration liability	1,330	—	—	—	—	—	—	68	—	510
Other non-current liabilities	—	103	190	285	110	398	11	185	841	40
Total liabilities	\$ 3,332	\$ 367	\$ 584	\$ 982	\$ 648	\$ 448	\$ 62	\$ 280	\$ 1,792	\$ 940

The following table presents the assets and liabilities (excluding intercompany balances that were eliminated in consolidation) for all consolidated VIEs as of December 31, 2021 (in thousands):

	Perception	Kures	EntheogeniX	DemeRx IB	Recognify	PsyProtix	Psyber	InnarisBio	Neuronasal	TryptageniX
Assets:										
Current assets:										
Cash	\$ 23,099	\$ 1,048	\$ 198	\$ 8,511	\$ 2,519	\$ 512	\$ 542	\$ 1,487	\$ 95	\$ 2,000
Unbilled receivable	64	—	—	—	—	—	—	—	—	—
Prepaid expenses and other current assets	1,138	104	—	70	4	1	—	62	207	—
Total current assets	24,301	1,152	198	8,581	2,523	513	542	1,549	302	2,000
Property and equipment, net	1	—	—	—	—	—	—	—	—	—
Long term notes receivable	—	—	—	1,075	—	104	—	—	—	—
Other assets	—	—	—	—	—	—	99	—	—	—
Total assets	\$ 24,302	\$ 1,152	\$ 198	\$ 9,656	\$ 2,523	\$ 617	\$ 641	\$ 1,549	\$ 302	\$ 2,000
Liabilities:										
Current liabilities:										
Accounts payable	\$ 598	\$ 235	\$ 53	\$ 439	\$ 29	\$ 51	\$ 15	\$ —	\$ 326	\$ —
Accrued liabilities	887	120	9	180	44	50	63	10	749	—
Current portion of contingent consideration liability - related parties	51	—	—	—	—	—	—	—	—	—
Deferred revenue	12	—	—	—	—	—	—	—	—	—
Short-term notes payable	—	—	—	—	—	—	—	—	38	—
Total current liabilities	1,548	355	62	619	73	101	78	10	1,113	—
Contingent consideration liability	1,489	—	—	—	—	—	—	93	—	850
Other non-current liabilities	—	—	—	—	—	—	—	—	336	820
Total liabilities	\$ 3,037	\$ 355	\$ 62	\$ 619	\$ 73	\$ 101	\$ 78	\$ 103	\$ 1,449	\$ 1,670

Noncontrolling Interests

The Company recognizes noncontrolling interests related to its consolidated VIEs and provides a rollforward of the noncontrolling interests balance, as follows (in thousands):

	Perception	Kures	Recognify	Total
Balance as of December 31, 2021	\$ 5,232	\$ —	\$ 3,819	\$ 9,051
Net loss attributable to noncontrolling interests - preferred	(571)	—	(118)	(689)
Comprehensive loss attributable to noncontrolling interests	(11)	—	—	(11)
Balance as of March 31, 2022	\$ 4,650	\$ —	\$ 3,701	\$ 8,351
Issuance of noncontrolling interests	—	957	—	957
Net loss attributable to noncontrolling interests - preferred	(800)	—	(91)	(891)
Comprehensive income attributable to noncontrolling interests	30	—	—	30
Balance as of June 30, 2022	\$ 3,880	\$ 957	\$ 3,610	\$ 8,447
Issuance of noncontrolling interests	—	—	—	—
Net loss attributable to noncontrolling interests - preferred	(977)	(149)	(330)	(1,456)
Net loss attributable to noncontrolling interests - common	—	(358)	—	(358)
Comprehensive income attributable to noncontrolling interests	47	1	—	48
Balance as of September 30, 2022	\$ 2,950	\$ 451	\$ 3,280	\$ 6,681

	Perception	Recognify	Psyber	InnarisBio	Neuronasal	Total
Balance as of December 31, 2020	\$ —	\$ 4,546	\$ —	\$ —	\$ —	\$ 4,546
Issuance of noncontrolling interests	—	—	8	877	—	885
Net income (loss) attributable to noncontrolling interests - common	1,755	—	(8)	(877)	—	870
Net income (loss) attributable to noncontrolling interests - preferred	2,608	(122)	—	—	—	2,486
Comprehensive loss attributable to noncontrolling interests	(184)	—	—	—	—	(184)
Balance as of March 31, 2021	\$ 4,179	\$ 4,424	\$ —	\$ —	\$ —	\$ 8,603
Issuance of noncontrolling interests	3,257	—	—	—	392	3,649
Net income (loss) attributable to noncontrolling interests - common	(1,755)	(217)	—	—	(392)	(2,364)
Net income (loss) attributable to noncontrolling interests - preferred	7	—	—	—	—	7
Comprehensive loss attributable to noncontrolling interests	150	—	—	—	—	150
Balance as of June 30, 2021	\$ 5,838	\$ 4,207	\$ —	\$ —	\$ —	\$ 10,045
Issuance of noncontrolling interests	—	—	—	—	—	—
Net income (loss) attributable to noncontrolling interests - common	—	—	—	—	—	—
Net income (loss) attributable to noncontrolling interests - preferred	(287)	(196)	—	—	—	(483)
Comprehensive loss attributable to noncontrolling interests	12	—	—	—	—	12
Balance as of September 30, 2021	\$ 5,563	\$ 4,011	\$ —	\$ —	\$ —	\$ 9,574

Redeemable Noncontrolling Interests

In connection with the consolidation of Kures, Inc. (“Kures”) the Company recognized the shares of Kures common stock and Series A-1 preferred stock held by the founders of Kures as redeemable noncontrolling interests as they contain embedded put options that are exercisable by the founders following a successful completion of a future event, which is not solely within the control of the Company.

In connection with the consolidation of DemeRx IB, the Company recognized common stock held by DemeRx as redeemable noncontrolling interests as they are redeemable upon the occurrence of events that are not solely within the control of the Company.

In connection with the consolidation of Neuronasal, the Company recognized the shares of Neuronasal common stock held by the founders of Neuronasal as redeemable noncontrolling interests as they contain embedded put options that are exercisable by the founders following a successful completion of a future event, which is not solely within the control of the Company.

The redeemable noncontrolling interests were initially measured at fair value upon issuance and are redeemable at fair value at the holder’s option upon the successful completion or occurrence of future events. As of September 30, 2022 and December 31, 2021, the Company did not adjust the carrying value of the redeemable noncontrolling interests based on their estimated redemption values since it was not probable that the events that would allow the shares to become redeemable would occur. Subsequent adjustments to increase or decrease the carrying values of the redeemable noncontrolling interests to their estimated redemption values will be made if and when it becomes probable that such events will occur.

As of September 30, 2022 and December 31, 2021, the balance of redeemable noncontrolling interests in temporary equity on the consolidated balance sheets was zero. There was no net gain or loss attributable to redeemable noncontrolling interests included in net loss in the condensed consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021.

	Neuronasal	Total
Balance as of December 31, 2020	\$ —	\$ —
Issuance of redeemable noncontrolling interests	—	—
Net loss attributable to redeemable noncontrolling interests - common	—	—
Balance as of March 31, 2021	<u>\$ —</u>	<u>\$ —</u>
Issuance of redeemable noncontrolling interests	2,555	2,555
Net loss attributable to redeemable noncontrolling interests - common	(2,555)	(2,555)
Balance as of June 30, 2021	<u>\$ —</u>	<u>\$ —</u>
Issuance of redeemable noncontrolling interests	—	—
Net loss attributable to redeemable noncontrolling interests - common	—	—
Balance as of September 30, 2021	<u>\$ —</u>	<u>\$ —</u>

Non-consolidated VIEs

The Company evaluated the nature of its investments in Innoplexus AG (“Innoplexus”), DemeRx NB, Inc. (“DemeRx NB”) and IntelGenx and determined that the investments are VIEs as of the date of the Company’s initial investment through September 30, 2022. The Company is not the primary beneficiary as it did not have the power to direct the activities that most significantly impact the investments’ economic performance and therefore concluded that it did not have a controlling financial interest that would require consolidation as of September 30, 2022 and December 31, 2021.

The Company will reevaluate if the investments meet the definition of a VIE upon the occurrence of specific reconsideration events. The Company accounted for these investments under either the equity method, fair value option, or the measurement alternative included within ASC 321 (See Note 5). As of September 30, 2022, the Company’s maximum exposure for its non-consolidated VIEs was \$8.5 million relating to the carrying values in other investments and other investments held at fair value and \$7.1 million relating to the carrying value in long term notes receivable – related party. As of December 31, 2021, the Company’s maximum exposure for its non-consolidated VIEs was \$11.6 million relating to the carrying values in its other investments and \$3.8 million relating to the carrying value in short term notes receivable—related party.

5. Equity Method Investments and Other Investments

Equity Method Investments

As of September 30, 2022 and December 31, 2021, the Company accounted for the following investments in the investee's common stock under the equity method (amounts in thousands):

Investee	Date First Acquired	September 30, 2022		As of December 31, 2021	
		Common Stock Ownership %	Carrying Value	Common Stock Ownership %	Carrying Value
Innoplexus A.G.	August 2018	35.0%	\$ —	35.0%	\$ —
COMPASS Pathways plc	December 2018	22.5%	—	22.8%	16,131
GABA Therapeutics, Inc	November 2020	7.5% ⁽¹⁾	—	7.5% ⁽¹⁾	—
Total			\$ —		\$ 16,131

(1) The Company is deemed to have significant influence over this entity through its total ownership interest in the entity's equity, including the Company's investment in the respective entity's preferred stock, described below in Other Investments. The Company's total ownership interest, considering both preferred and common stock is 54.7%.

COMPASS Pathways plc

COMPASS Pathways plc ("COMPASS") is a mental health care company dedicated to pioneering the development of a new model of psilocybin therapy with its product COMP360. The Company first acquired investments in COMPASS in December 2018.

Equity Investment

Through a series of open market transactions between November 23, 2021 and December 7, 2021, the Company purchased an additional 1,490,111 of COMPASS ADSs at an aggregate purchase price of \$47.4 million. The additional shares acquired resulted in an increase in the Company's ownership of COMPASS ADSs to 22.8%. The Company applied the cost accumulation model and recorded its investment at cost. At the date of the investment, a basis difference was identified as the cost basis of the Company's investment in COMPASS exceeded the Company's proportionate share of the underlying net assets in COMPASS. The Company concluded that the basis differences were primarily attributable to COMPASS's IPR&D associated with COMP360, a psilocybin therapy, which COMPASS recently completed a Phase IIb clinical trial for. As the Company's investment in COMPASS did not meet the definition of a business due to substantially all of the estimated fair value of the gross assets being concentrated in COMP360 and the associated IPR&D, the basis differences were attributable to the IPR&D with no alternative future use and were immediately expensed at the time of the additional investment. As of September 30, 2022, the Company owned 22.5% of COMPASS ADS. Based on quoted market prices, the market value of the Company's ownership in COMPASS was \$102.6 million as of September 30, 2022.

Upon the completion of the COMPASS IPO and through September 30, 2022, the Company is deemed to continue to have significant influence over COMPASS primarily through its ownership interest in COMPASS' equity and the Company's representation on COMPASS board of directors. Accordingly, the Company's investment in COMPASS' ADS was accounted for in accordance with the equity method through September 30, 2022.

During the three months ended September 30, 2022 and 2021, the Company recognized its proportionate share of COMPASS' net loss of \$0.6 million and \$3.1 million, respectively, as losses from investments in equity method investees, net of tax on the condensed consolidated statements of operations. During the nine months ended September 30, 2022 and 2021, the Company recognized its proportionate share of COMPASS' net loss of \$10.1 million and \$5.2 million, respectively, as losses from investments in equity method investees, net of tax on the condensed consolidated statements of operations.

Other Investments

The Company has accounted for its other investments that do not have a readily determinable fair value under the measurement alternative. As of September 30, 2022 and December 31, 2021, the carrying values of other investments, which consisted of investments in the investee's preferred stock and common stock not in the scope of ASC 323 were as follows (in thousands):

	September 30, 2022	December 31, 2021
GABA Therapeutics, Inc.	\$ 7,130	\$ 10,260
DemeRx NB, Inc.	1,024	1,024
Juvenescence Limited	344	344
Total	\$ 8,498	\$ 11,628

The Company's investments in the preferred stock of Neuronasal (through May 2021), Innoplexus, GABA, and DemeRx NB are not considered as in-substance common stock due to the existence of substantial liquidation preferences and therefore did not have subordination characteristics that were substantially similar to the common stock. Although the Company's investment in Juvenescence Limited ("Juvenescence") is in common stock, it is not able to exercise significant influence over the operating and financial decisions of Juvenescence. The Company concluded that its ownership interests in above Other Investments do not have a readily determinable fair value and are accounted for under the measurement alternative. Under the measurement alternative, the Company measured its other investments at cost, less any impairment, plus or minus, if any, observable price changes in orderly transactions for an identical or similar investment of the same issuer.

During the three and nine months ended September 30, 2022 and 2021 there were no observable changes in price recorded related to the Company's Other Investments.

During the three and nine months ended September 30, 2022 and 2021, the Company evaluated all of its other investments to determine if certain events or changes in circumstance during these time periods in 2022 and 2021 had a significant adverse effect on the fair value of any of its investments in non-consolidated entities. Based on this analysis, the Company did not note any impairment indicators associated with the Company's Other Investments.

Innoplexus AG

Innoplexus is a technology company that provides "Data as a Service" and "Continuous Analytics as a Service" solutions that aims to help healthcare organizations leverage their technologies and expedite the drug development process across all stages—preclinical, clinical, regulatory and commercial. The Company first acquired investments in Innoplexus in August 2018.

As of December 31, 2020, the Company owned 35.0% of the common stock issued by Innoplexus. The Company has significant influence over Innoplexus through its noncontrolling representation on the investee's supervisory board. Accordingly, the Company's investment in Innoplexus' common stock was accounted for in accordance with the equity method. The Company's investment in Innoplexus' preferred stock did not meet the criteria for in-substance common stock. As such, the investment in Innoplexus' preferred stock was accounted for under the measurement alternative as discussed below.

In February 2021, the Company entered into a Share Purchase and Assignment Agreement (the "Innoplexus SPA") to sell its shares of common and preferred stock held in Innoplexus to a current investor of Innoplexus (the "Purchaser") in exchange for an initial purchase price of approximately \$2.4 million. In addition, the Company is entitled to receive contingent payments based on the occurrence of subsequent equity transactions or liquidity events at Innoplexus as determined under the Innoplexus SPA.

Pursuant to the Innoplexus SPA, the Purchaser is required to hold a minimum number of shares equivalent to the number of shares purchased from the Company through December 31, 2026. In the event that the Purchaser is in breach of this requirement, the purchaser is required to pay the Company an additional purchase price of approximately \$9.6 million. The transaction was accounted for as a secured financing as it did not qualify for sale accounting under ASC Topic 860, *Transfers and Servicing* (ASC 860), due to the provision under the Innoplexus SPA which constrained the Purchaser from its right to pledge or exchange the underlying shares and provided more than a trivial benefit to the Company. The initial proceeds from the transaction are reflected as a secured borrowing liability of \$2.1 million as of September 30, 2022, which is included in Other liabilities in the Company's condensed consolidated balance sheet. The Company will continue to account for its investment in Innoplexus' common stock under the equity method of accounting and its investment in Innoplexus' preferred shares under the measurement alternative.

In addition, the Innoplexus SPA also provides the right for the Company to receive additional consideration with a maximum payment outcome of \$22.3 million should the equity value of Innoplexus exceed certain thresholds upon the occurrence of certain events. The Company concluded that this feature met the definition of a derivative which required bifurcation. As the probability of the occurrence of certain events defined in the Innoplexus SPA was less than remote, the Company concluded that the fair value of the embedded derivative ascribed to this feature was de minimis as of September 30, 2022.

The carrying value of the Company's investment in Innoplexus was zero as of September 30, 2022 and December 31, 2021.

GABA Therapeutics, Inc.

GABA is a California based biotechnology company focused on developing GRX-917 for anxiety, depression and a broad range of neurological disorders. The Company is deemed to have significant influence over GABA through its total ownership interest in GABA's equity, including the Company's investment in GABA's preferred stock, and the Company's noncontrolling representation on GABA's board of directors.

Common Stock Investment

The Company's investment in GABA's common stock was accounted for in accordance with the equity method. The Company's investment in GABA's preferred stock did not meet the criteria for in-substance common stock. As such, the investment in GABA's preferred stock is accounted for under the measurement alternative as discussed below.

The carrying value of the investment in GABA common stock was reduced to zero as of December 31, 2020 due to IPR&D charges with no alternative future use and remained zero as of September 30, 2022. Accordingly, GABA's net losses attributable to the Company were determined based on the Company's ownership percentage of preferred stock in GABA and recorded to the Company's investments in GABA preferred stock discussed below. During the three months ended September 30, 2022 and 2021, the Company recognized its proportionate share of GABA's net loss of \$1.8 million and \$1.7 million as losses from investments in equity method investees, net of tax on the consolidated statements of operations. During the nine months ended September 30, 2022 and 2021, the Company recognized its proportionate share of GABA's net loss of \$4.5 million and \$2.8 million, respectively, as losses from investments in equity method investees, net of tax on the consolidated statements of operations.

Preferred Stock Investment

In August 2019, GABA and the Company entered into the Preferred Stock Purchase Agreement (the "GABA PSPA"), whereby GABA issued shares of its Series A preferred stock to the Company at a price of approximately \$5.5 million. At closing, the Company had an overall ownership interest of over 20% in GABA and a noncontrolling representation on the board. On May 15, 2021, GABA and the Company entered into an Amendment to Preferred Stock Purchase Agreement (the Amended GABA PSPA") under which the GABA PSPA was amended. In September 2022, pursuant to the Amended PSPA, GABA issued additional shares of its Series A preferred stock to the Company at a price of approximately \$0.6 million. As of September 30, 2022 and December 31, 2021, the investment in GABA's preferred stock was recorded in Other Investments on the consolidated balance sheets under the measurement alternative under ASC 321.

Pursuant to the GABA PSPA, the Company is obligated to purchase additional shares of Series A preferred stock for up to \$10.0 million with the same price per share as its initial investment, upon the achievement of specified contingent clinical development milestones. On April 13, 2021, pursuant to the GABA PSPA, the Company purchased additional shares of Series A preferred stock of GABA, for an aggregate cost of \$5.0 million based on the achievement of certain development milestones. On May 21, 2021, the Company exercised its option to purchase additional shares of Series A preferred stock prior to the achievement of certain development milestone for an aggregate cost of \$5.0 million. The completion of the Series A Preferred stock purchase in May 2021 was deemed to be a reconsideration event at which point GABA was no longer deemed a VIE as GABA now had sufficient equity at risk to finance its activities through the initial development period without additional subordinated financial support. Entities that do not qualify as a VIE are assessed for consolidation under the voting interest model ("VOE model"). Under the VOE model, the Company consolidates the entity if it determines that it, directly or indirectly, has greater than 50% of the voting shares and that other equity holders do not have substantive voting, participating or liquidation rights. While the Company holds greater than 50% of the outstanding equity interest of GABA, the Company does not have the power to control the entity. Concurrent with the exercise of the option, the Company executed a side letter with the other equity holders of GABA agreeing to forego the rights to additional seats on the board of directors, resulting in the Company lacking the ability to control the investee. The Company concluded that it does not have a controlling financial interest that would require consolidation under the VOE model and accounted for the investments in GABA preferred stock under the measurement alternative per ASC 323.

As of December 31, 2021, the Company completed the purchase of the additional shares of Series A preferred stock for \$10.0 million pursuant to the GABA PSPA. Pursuant to the Amended GABA PSPA, the Company is obligated to purchase additional shares of Series A preferred stock from GABA for up to \$1.5 million with the same price per share as its initial investment upon the achievement of specified contingent clinical development milestones.

In accordance with the Amended GABA PSPA, the Company also has the option but not the obligation to purchase the aforementioned additional shares of Series A preferred stock at any time prior to the achievement of any milestone at the same price per share as its initial investment. In August 2019, pursuant to the Right of First Refusal and Co-Sale Agreement, the Company has the option but not the obligation to purchase additional shares of common stock for up to \$2.0 million from the existing common shareholders.

In November 2020 the Company exercised its option to purchase additional shares of common stock of GABA at a price of approximately \$1.8 million pursuant to an Omnibus Amendment Agreement under which the Right of First Refusal and Co-Sale Agreement was amended.

Neuronasal, Inc.

Neuronasal is developing a novel intranasal formulation of N-acetylcysteine ("NAC") for acute mild traumatic brain injury.

Common Stock Investment

In October 2020, upon the achievement of certain development milestones, the Company made a cash contribution of \$0.3 million in exchange for 9.8% of the outstanding common stock of Neuronasal. The carrying value of the investment in Neuronasal common stock was reduced to zero as of December 31, 2020 due to IPR&D charges with no alternative future use. Accordingly, Neuronasal's net losses attributable to the Company was determined based on the Company's ownership percentage of preferred stock in Neuronasal and recorded to the Company's investments in Neuronasal preferred stock discussed below.

On March 10, 2021, upon the achievement of certain development milestones, the Company made another cash contribution of \$0.5 million in exchange for 10.8% of the outstanding common stock of Neuronasal. The Company recorded its investment in Neuronasal common stock at the carrying cost basis of \$0.5 million. At the date of the investment, a basis difference was identified as the cost basis of the Company's investment in Neuronasal exceeded the Company's proportionate share of the underlying net assets in Neuronasal. The Company concluded that the basis differences were primarily attributable to Neuronasal's IPR&D associated with Neuronasal's novel intranasal formulation of NAC. As the Company's investments in Neuronasal did not meet the definition of a business due to substantially all of the estimated fair value of the gross assets being concentrated in NAC, the basis differences were attributable to the IPR&D with no alternative future use, and were immediately expensed on the dates of investments. The Company's proportionate share of the basis difference exceeded its carrying value of the equity method investment in Neuronasal and as a result, the March 2021 equity investment balance of \$0.5 million was reduced to zero. For the three months ended March 31, 2021, the Company recognized losses from investments in equity method investees, net of tax of \$0.5 million in association with the basis difference charge in the Company's consolidated statements of operations.

The Company was deemed to have significant influence over Neuronasal through its total ownership interest in Neuronasal's equity through the acquisition date of May 17, 2021 (see Note 3), including the Company's investment in Neuronasal's preferred stock, and the Company's noncontrolling representation on Neuronasal's board of directors. Accordingly, the Company's investment in Neuronasal's common stock was accounted for in accordance with the equity method. Immediately prior to the acquisition, the Company recognized its proportionate share of Neuronasal's year to date net loss of \$1.0 million, as losses from investments in equity method investees, net of tax on the consolidated statements of operations.

The Company's investment in Neuronasal's preferred stock did not meet the criteria for in-substance common stock. As such, the investment in Neuronasal's preferred stock was accounted for under the measurement alternative as discussed below.

Preferred Stock Investment

In December 2019, Neuronasal and the Company entered into the Neuronasal PSPA and the Neuronasal Secondary Sale Agreement, whereby Neuronasal issued shares of its Series A preferred stock to the Company at a price of approximately \$0.5 million. At closing, the Company had a less than 20% of ownership interest in Neuronasal and a noncontrolling representation on the board. In October 2020, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares at a price of approximately \$0.8 million. The investment in Neuronasal preferred shares was recorded in Other Investments on the consolidated balance sheets under the measurement alternative under ASC 321 as of September 30, 2022 and December 31, 2021.

In October 2020, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares at a price of approximately \$0.8 million upon the achievement of a specified contingent clinical development milestone. On March 10, 2021, pursuant to the Neuronasal PSPA, the Company purchased additional Series A preferred shares for approximately \$0.8 million based on the achievement of certain development milestones.

On May 17, 2021, pursuant to the Neuronasal PSPA and the Neuronasal Secondary Sale Agreement, the Company, at its sole option, purchased additional shares of Series A preferred stock of Neuronasal for an aggregate cost of \$1.0 million. Upon the closing of the purchase on May 17, 2021, the Company obtained a controlling financial interest in Neuronasal. The Company derecognized its other investments in Neuronasal and began to consolidate the operations of Neuronasal into its financial statements. See Note 3, "Acquisitions" for further discussion.

DemeRx NB

In December 2019, the Company jointly formed DemeRx NB with DemeRx. DemeRx and DemeRx NB entered into a Contribution Agreement whereby DemeRx assigned all of its rights, title, and interests in and to all of its assets relating to DMX-1002, Noribogaine, in exchange for shares of common stock of DemeRx NB. DemeRx NB will use the contributed intellectual property to develop Noribogaine. Noribogaine is an active metabolite of ibogaine designed to have a longer plasma half-life and potentially reduced hallucinogenic effects compared to ibogaine.

In connection with the Contribution Agreement, the parties entered into a Series A Preferred Stock Purchase Agreement (the "DemeRx NB PSPA") pursuant to which the Company purchased shares of Series A preferred stock of DemeRx NB at a purchase price of \$1.0 million. At closing, the Company had less than 20% of ownership interest in DemeRx NB and a noncontrolling representation on DemeRx NB's board of directors. The investment in DemeRx NB was recorded in Other Investments on the condensed consolidated balance sheets under the measurement alternative under ASC 321.

Pursuant to the DemeRx NB PSPA, the Company also has the option but not the obligation to purchase additional shares of DemeRx NB's Series A preferred stock at a purchase price of up to an aggregate of \$19.0 million with the same price per share as its initial investment in December 2019. As of September 30, 2022, the Company has not exercised its option to purchase any shares of Series A preferred stock of DemeRx NB.

Other Investments Held at Fair Value

IntelGenx Technologies Corp.

IntelGenx is a novel drug delivery company focused on the development and manufacturing of novel oral thin film products for the pharmaceutical market. In March 2021, IntelGenx and the Company entered into the Strategic Development Agreement and Purchaser Rights Agreement (“PPA”). On May 14, 2021, IntelGenx and the Company executed a Securities Purchase Agreement (the “IntelGenx SPA”) after obtaining IntelGenx shareholder approval, whereby IntelGenx issued shares of its common stock and warrants to the Company at a price of approximately \$12.3 million. Each warrant (the “Initial Warrants”) entitles the Company to purchase one share at a price of \$0.35 per share for a period of three years from the closing of the initial investment in March 2021. Pursuant to the IntelGenx SPA, the Company has the right to purchase (in cash, or in certain circumstances, the Company’s equity) additional units for a period of three years from the closing of the initial investment (the “Additional Unit Warrants”). Each Additional Unit Warrant will be comprised of (i) one share of common stock and (ii) one half of one warrant (the “Additional Warrants”). The price for the Additional Unit Warrants will be (i) until the date which is 12 months following the closing and the purchase does not result in the Company owning more than 74,600,000 common shares of IntelGenx, \$0.331 (subject to certain exceptions), and (ii) until the date which is 12 months following the closing and the purchase results in the Company owning more than 74,600,000 common shares of IntelGenx or following the date which is 12 months following the closing regardless of the number of shares held by the Company, the lower of (A) a 20% premium to the volume weighted average price of the common share for the thirty trading days immediately preceding the news release of the additional closing, and (B) \$0.50 if purchased in the second year following closing or \$0.75, if purchased in the third year following closing. Each Additional Warrant will entitle the Company, for a period of three years from the date of issuance, to purchase one share at the lesser of either (i) a 20% premium to the price of the corresponding additional share, or (ii) the price per share under which shares of IntelGenx are issued under convertible instruments that were outstanding on February 16, 2021, provided that the Company may not exercise Additional Warrants to purchase more than the lesser of (x) 44,000,000 common shares of IntelGenx, and (y) the number of common shares issued by IntelGenx under outstanding convertibles held by other investors as of February 16, 2021. Following the initial closing, the Company held a 25% voting interest in IntelGenx. Pursuant to the PPA, the Company is entitled to designate a number of directors to the IntelGenx’s board of directors in the same proportion as the shares of common stock held by the Company to the outstanding of IntelGenx common shares.

Pursuant to the Strategic Development Agreement, the Company engages IntelGenx to conduct research and development projects (“Development Project”) using IntelGenx’s proprietary oral thin film technology. Under the terms of the Strategic Development Agreement, the Company can select four (4) program products. As of the effective date of the Strategic Development Agreement, the Company nominated two (2) program products - DMT and Salvinorin A. 20% of any funds that IntelGenx received or will receive through the Company’s equity investment under the IntelGenx SPA will be available to be credited towards research and development services that IntelGenx conducts for the Company under the Development Projects. The Company is eligible to receive a total credit of \$2.5 million. For the three months ended September 30, 2022, there was an immaterial amount of research and development services performed in relation to the Strategic Development Agreement. For the nine months ended September 30, 2022, research and development services performed in relation to the Strategic Development Agreement were \$0.5 million, which was applied as a credit in accordance with the Strategic Development Agreement. No material research and development services were performed during the three and nine months ended September 30, 2021.

The Company has significant influence over IntelGenx through ownership interest in IntelGenx’s equity and the Company’s noncontrolling representation on IntelGenx’s board of directors. The Company qualified for and elected to account for its investment in the IntelGenx common stock under the fair value option. The Company believes that the fair value option better reflects the underlying economics of the IntelGenx common stock investment. The Initial Warrants and Additional Units Warrant, (collectively the “Warrants”) are accounted for at fair value under ASC 321 and recorded in Other investments held at fair value on the consolidated balance sheets. The Company applied a calibrated model and determined that the initial aggregate fair value is equal to the transaction price and recorded the common shares at \$3.0 million, the Initial Warrants at \$1.2 million and the Additional Unit Warrants at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the consolidated statements of operations. The Company recognizes subsequent changes in fair value of the common shares and the Warrants as a component of other income (expense), net in the consolidated statement of operations. The carrying amount of the investment was reduced to zero as of December 31, 2021, during the three and nine months ended September 30, 2022, the Company recognized a \$0 mark-to-market (“MTM”) gain/loss in the consolidated statements of operations. The carrying value of the investment remained at zero as of September 30, 2022 and December 31, 2021, respectively.

Summarized Financial Information

The following is a summary of financial data for investments accounted for under the equity method of accounting (in thousands):

Balance Sheets

	September 30, 2022	
	COMPASS	GABA
Current assets	\$ 218,451	\$ 3,670
Non-current assets	6,069	—
Total assets	<u>\$ 224,520</u>	<u>\$ 3,670</u>
Current liabilities	\$ 29,533	\$ 417
Non-current liabilities	425	—
Total liabilities	<u>\$ 29,958</u>	<u>\$ 417</u>

	December 31, 2021	
	COMPASS	GABA
Current assets	\$ 295,300	\$ 7,673
Non-current assets	5,598	—
Total assets	<u>\$ 300,898</u>	<u>\$ 7,673</u>
Current liabilities	\$ 15,107	\$ 199
Non-current liabilities	1,379	—
Total liabilities	<u>\$ 16,486</u>	<u>\$ 199</u>

Statements of operations

	Three Months Ended September 30, 2022		
	COMPASS	Neuronasal ⁽¹⁾	GABA
Revenue	\$ —	\$ —	\$ —
Loss from continuing operations	\$ (25,536)	\$ —	\$ (2,060)
Net loss	\$ (18,371)	\$ —	\$ (2,060)

	Three Months Ended September 30, 2021		
	COMPASS	Neuronasal ⁽¹⁾	GABA
Revenue	\$ —	\$ —	\$ —
Loss from continuing operations	\$ (21,768)	\$ —	\$ (1,730)
Net loss	\$ (15,849)	\$ —	\$ (1,730)

	Nine Months Ended September 30, 2022		
	COMPASS	Neuronasal ⁽¹⁾	GABA
Revenue	\$ —	\$ —	\$ —
Loss from continuing operations	\$ (78,212)	\$ —	\$ (5,630)
Net loss	\$ (60,579)	\$ —	\$ (5,630)

	Nine Months Ended September 30, 2021		
	COMPASS	Neuronasal ⁽¹⁾	GABA
Revenue	\$ —	\$ —	\$ —
Loss from continuing operations	\$ (54,898)	\$ (985)	\$ (2,776)
Net loss	\$ (46,092)	\$ (985)	\$ (2,776)

(1) Results from operations for Neuronasal are through May 17, 2021 at which point the entity is consolidated.

6. Notes Receivable

Long Term Notes Receivable – Related Party

Loan to IntelGenx Corp.

On March 8, 2021, the Company and IntelGenx entered into a loan agreement under which the Company provided a loan to IntelGenx for an aggregate principal amount of \$2.0 million (the “March Term Loan”). Pursuant to the loan agreement, IntelGenx may, by written notice, request an advance up to an additional \$0.5 million as an additional term loan if no event of default has occurred as defined in the loan agreement. On May 11, 2021, the Company paid an additional advance of \$0.5 million as an additional term loan (the “May Term Loan”, and together with the March Term Loan the “Term Loans”). The Term Loans were originally due to mature 120 days following the special shareholder meeting of IntelGenx Tech Corp. to approve an additional investment in IntelGenx Tech Corp. by the Company (“Maturity Date”). On May 14, 2021, the Company amended the loan agreement under which the Maturity Date will be the first business day following the first closing of a subscription for additional units if the proceeds from such subscription amount to at least \$3.0 million. The loan bears an annualized interest rate of 8% and such interest is accrued daily. The principal amount of the Term Loans plus any accrued interest shall become due and payable on the Maturity Date. On September 14, 2021, the Company entered into an amended and restated loan agreement, which among other things, increased the principal amount of loans available to IntelGenx by \$6.0 million, up to a total of \$8.5 million. The additional loan amount of \$6.0 million are funded via two separate tranches of \$3.0 million each in the beginning of 2022 and 2023 respectively, subject to certain conditions. In addition, the amendment further extended the Maturity Date to January 5, 2024. The first tranche was funded in January 2022.

Pursuant to the terms of the Term Loans, upon the occurrence of an event of default, the Company may accelerate the Term Loans and declare the principal and any accrued and unpaid interests of the Term Loans to be immediately due and payable. In addition, IntelGenx may prepay the Term Loans in whole or in part at any time without premium or penalty. Any prepayment of the principal shall be accompanied by a payment of interest accrued to date thereon. The Company concluded that these embedded features do not meet the criteria to be bifurcated and separately accounted for as derivatives.

The Company recorded the Term Loans at cost which included the principal balance of the note and accrued interest in Long term notes receivables – related parties on its consolidated balance sheets. As of September 30, 2022, the Term Loans have an outstanding balance of \$5.9 million. For the three and nine months ended September 30, 2022, the Company recognized interest income of \$0.1 million and \$0.3 million associated with the Term Loans. For the three and nine months ended September 30, 2021, the Company recognized an immaterial amount of interest income associated with the Term Loans. The Company assesses the Term Loans for impairment and records an impairment loss when information becomes available that indicates it is probable that the Term Loans have been impaired and the amount of the loss can be reasonably estimated. As of September 30, 2022, no impairment indicators were present.

Investment in DemeRx Promissory Note—Related Party

On January 3, 2020, DemeRx IB loaned to DemeRx Inc. \$1.0 million pursuant to the terms of a Promissory Note (the “DemeRx Note”). Pursuant to the terms of the DemeRx Note, the aggregate principal amount of \$1.0 million together with all accrued and unpaid interest and any other amounts payable are due to be paid on the date that is the earlier of (i) 5 years from the initial closing and (ii) the closing of an initial public offering or a deemed liquidation event of DemeRx IB (the “DemeRx Maturity Date”). Pursuant to the terms of the DemeRx Note, DemeRx may, in its sole discretion pay any amount due under the DemeRx Note, in cash or through cancellation shares of common stock of DemeRx IB, par value \$0.0001 per share, of the fair market value of such shares.

The Company recorded the DemeRx Note at cost which included the principal balance of the DemeRx Note and accrued interest, net of any payments received, on its condensed consolidated balance sheets. As of September 30, 2022, and December 31, 2021, respectively, the DemeRx Note had an outstanding balance of \$1.1 million and \$1.1 million, respectively. For the three and nine months ended September 30, 2021, the Company recognized an immaterial amount of interest income associated with the DemeRx Note as a component of Other Income in the consolidated statements of operations. For the three and nine months ended September 30, 2022, the Company did not earn any interest income associated with the DemeRx Note.

7. Fair Value Measurement

The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation (in thousands):

	Fair Value Measurements as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Cash & Money market funds	\$ 94,055	\$ —	\$ —	\$ 94,055
Investment in securities at fair value:				
U.S. Treasuries	—	3,883	—	3,883
Commercial Paper	—	33,138	—	33,138
Corporate Notes/Bonds	—	65,015	—	65,015
U.S. Government Agencies	—	59,482	—	59,482
Other investment at fair value	—	—	—	—
	<u>\$ 94,055</u>	<u>\$ 161,518</u>	<u>\$ —</u>	<u>\$ 255,573</u>
Liabilities:				
Contingent consideration liability - related parties	\$ —	\$ —	1,908	\$ 1,908
Warrant Liability	—	—	—	283
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,908</u>	<u>\$ 2,191</u>
	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Cash & Money market funds	\$ 271,856	\$ —	\$ —	\$ 271,856
Investment in securities at fair value:				
U.S. Treasuries	—	—	—	—
Commercial Paper	—	—	—	—
Corporate Notes/Bonds	—	—	—	—
U.S. Government Agencies	—	—	—	—
Other investment at fair value	—	—	—	—
	<u>\$ 271,856</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 271,856</u>
Liabilities:				
Contingent consideration liability - related parties	\$ —	\$ —	\$ 2,483	\$ 2,483
Warrant liability	—	—	336	336
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,819</u>	<u>\$ 2,819</u>

Investment Securities Portfolio - Fair Value Option

The Company elected the fair value option for the securities in the investment portfolio. The fair value is based on quoted market prices, when available. When a quoted market price is not readily available, the Company uses the market price from its last sale of similar assets. The cash and cash equivalents held by the Company are categorized as Level 1 investments as quoted market prices are readily available for these investments. All other investments in the investment portfolio are categorized as Level 2 investments as inputs utilized to fair value these securities are either directly or indirectly observable, such as the market price from the last sale of similar assets.

The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses and to ensure that the adequate liquidity is maintained at all times to meet anticipated cash flow needs.

The unrealized gains and losses on the available-for-sale securities, represented by change in the fair value of the investment portfolio, is reported in earnings. Since the investment in the available-for-sale securities are already measured at fair value, no separate credit losses would be recorded in the financials.

Contingent Consideration Liability—Related Parties—Perception, InnarisBio, and TryptageniX

The contingent consideration liability—related parties in the table above relates to milestone and royalty payments in connection with the acquisition of Perception Neuroscience Holdings, Inc. (“Perception”), InnarisBio and TryptageniX. The fair value of the contingent consideration liability—related parties was determined based on significant inputs not observable in the market, which represent Level 3 measurements within the fair value hierarchy. The fair value of the contingent milestone and royalty liabilities was estimated based on the discounted cash flow valuation technique. The technique considered the following unobservable inputs:

- the probability and timing of achieving the specified milestones and royalties as of each valuation date,
- the probability of executing the license agreement,
- the expected first year of revenue, and
- market-based discount rates

The fair value of the contingent milestone and royalty liabilities for InnarisBio was estimated to be \$0.1 million and \$0.1 million as of September 30, 2022 and December 31, 2021, respectively.

The fair value of the Perception contingent milestone and royalty liabilities could change in future periods depending on prospects for the outcome of R-Ketamine milestone meetings with the FDA or other regulatory authorities, and whether the Company realizes a significant increase or decrease in sales upon commercialization. The most significant assumptions in the discounted cash flow valuation technique that impacts the fair value of the milestone contingent consideration are the projected milestone timing and the probability of the milestone being met. Further, significant assumptions in the discounted cash flow that impacts the fair value of the royalty contingent consideration are the projected revenue over ten years, the timing of royalties on commercial revenue, and the probability of success rate for a commercial R-Ketamine product. The valuations as of September 30, 2022 and December 31, 2021, respectively, used inputs that were unobservable inputs with the most significant being the discount rates for royalties on projected commercial revenue and clinical milestones and probability of success estimates over the following ten years, which represent Level 3 measurements within the fair value hierarchy.

The fair value of the contingent milestone and royalty liabilities for Perception was estimated to be \$1.3 million and \$1.5 million as of September 30, 2022 and December 31, 2021, respectively.

The fair value of the Perception contingent consideration liability - related parties was calculated using the following significant unobservable inputs:

Valuation Technique	Significant Unobservable Inputs	September 30, 2022	December 31, 2021
		Input Range	Input Range
Discounted cash flow	Milestone contingent consideration:		
	Discount rate	19.6%	11.4%
	Probability of the milestone	51.9%	51.9%
Discounted cash flow with SBM	Royalty contingent consideration:		
	Discount rate for royalties	25.4% - 28.9%	19.2% - 20.1%
	Discount rate for royalties on milestones	17.2% - 20.7%	10.9% - 11.8%
	Probability of success rate	26.5% - 51.9%	26.5% to 100.0%

The fair value of the contingent liability for TryptageniX was estimated to be \$0.5 million and \$0.9 million as of September 30, 2022, and December 31, 2021, respectively. The contingent liability is comprised of R&D milestone success fee payments and royalties payments. The fair value of the success fee liability was estimated based on the scenario-based method within the income approach. The fair value of the contingent liability for TryptageniX was determined based on significant unobservable inputs, including the discount rate, estimated probabilities of success, and timing of achieving certain clinical milestones. The fair value of the royalties liability was determined to be de minimis as the products are in the early stages of development. The Company will continue to assess the appropriateness of the fair value of the contingent liability as the products continue through development.

Warrant Liability

The warrant liability in the table above relates to issued and outstanding warrants to purchase shares of Neuronasal’s common stock acquired in connection with the acquisition of Neuronasal. The warrants were classified within other liabilities in the accompanying condensed consolidated balance sheet as the underlying common stock was determined to be contingently, but not currently, redeemable. The warrant liability was recorded at fair value utilizing the Black-Scholes option pricing model. As summarized below, certain key inputs in connection with the Black-Scholes option pricing model represent Level 3 measurements within the fair value hierarchy. The Black Scholes option pricing model is based on the estimated market value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends, and expected volatility of the price of the underlying common stock. The Company adjusted the carrying value of the warrant to its estimated fair value at each reporting date, with any related increase or decrease in the fair value recorded as a component of other income (expense), net in the condensed consolidated statement of operations.

The fair value of the warrant liability was estimated to be \$0.3 million and \$0.3 million as of September 30, 2022 and December 31, 2021, respectively.

The following table summarizes significant unobservable inputs that are included in the valuation of the warrant liability as of September 30, 2022:

	September 30, 2022	
Stock Price	\$	27.79
Expected Volatility		95 %

The following table summarizes significant unobservable inputs that are included in the valuation of the warrant liability as of December 31, 2021:

	December 31, 2021	
Stock Price	\$	50.56
Expected Volatility		100 %

IntelGenx Common Stock, Initial Warrants and Additional Units Warrant

The Company’s investment in IntelGenx consists of Common Shares, Initial Warrants and Additional Units Warrant (collectively the “Warrants”). The Company determined that the Warrants do not meet the definition of a derivative instrument under ASC 815. The Company has classified the Common Shares as Level 2 assets and the Warrants as Level 3 assets in the fair value hierarchy. The Company determined that the initial aggregate fair value was equal to the transaction price and recorded the Common Shares at \$3.0 million, the Initial Warrants at \$1.2 million and the Additional Units Warrant at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the consolidated statements of operations. The Warrants are measured at fair value on a quarterly basis and any changes in the fair value will be recorded as a component of other income (expense), net in the condensed consolidated statement of operations.

The fair value of Common Shares is estimated by applying a discount for lack of marketability (“DLOM”) of 5.0% as of December 31, 2021 and September 30, 2022. The Company estimated a DLOM in connection with the valuation of the Common Shares at initial recognition and as of September 30, 2022 to reflect the restrictions associated with the Common Shares. As of September 30, 2022 the only restriction that remains is the unregistered nature of the Common Shares. The fair value of Common Shares, which is included in Other investments held at fair value in the consolidated balance sheet, was zero as of September 30, 2022 and December 31, 2021, respectively.

The Initial Warrant asset was recorded at fair value utilizing the Black-Scholes option pricing model. The Black Scholes option pricing model is based on the estimated market value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends, and expected volatility of the price of the underlying common stock. The expected volatility is based on a peer group volatility which is a Level 3 input within the fair value hierarchy. The fair value of the Initial Warrants, which is included in Other investments held at fair value in the condensed consolidated balance sheet, was zero as of September 30, 2022 and December 31, 2021, respectively.

The following table summarizes significant unobservable inputs that are included in the valuation of the Initial Warrants as of September 30, 2022:

	September 30, 2022	
Value of Underlying	\$	0.11
Expected Volatility		105 %

The following table summarizes significant unobservable inputs that are included in the valuation of the Initial Warrants as of December 31, 2021:

	December 31, 2021	
Value of Underlying	\$	0.34
Expected Volatility		105 %

The fair value of the Additional Units is estimated using a Binomial Lattice in a risk-neutral framework (a special case of the Income Approach). Specifically, the future stock price of the IntelGenx is modeled assuming a Geometric Brownian Motion in a risk-neutral framework. For each modeled future price, the Additional Unit is calculated based on the contractual terms (incorporating any optimal early exercise), and then discounted at the term-matched risk-free rate. Finally, the value of the Additional Units is calculated as the probability-weighted present value over all future modeled payoffs. The fair value of the Additional Units, which is included in Other investments held at fair value in the condensed consolidated balance sheet, was zero as of September 30, 2022 and December 31, 2021, respectively.

The following table summarizes significant unobservable inputs that are included in the valuation of the Additional Units Warrant as of September 30, 2022:

	September 30, 2022	
Value of Underlying	\$	0.11
Expected Volatility		105 %

The following table summarizes significant unobservable inputs that are included in the valuation of the Additional Units Warrant as of December 31, 2021:

	December 31, 2021	
Value of Underlying		0.34
Expected Volatility		105 %

The following table provides a roll forward of the aggregate fair values of the Company's financial instruments described above, for which fair value is determined using Level 3 inputs (in thousands):

	Contingent Consideration Liability - Related Parties	Warrant Liability
Balance as of December 31, 2021	\$ 2,483	\$ 336
Initial fair value of instrument	—	—
Change in fair value	—	—
Extinguishment of liability	(50)	—
Balance as of March 31, 2022	<u>\$ 2,433</u>	<u>\$ 336</u>
Initial fair value of instrument	—	—
Change in fair value	(95)	(53)
Extinguishment of liability	—	—
Balance as of June 30, 2022	<u>\$ 2,338</u>	<u>\$ 283</u>
Initial fair value of instrument	—	—
Change in fair value	(430)	—
Extinguishment of liability	—	—
Balance as of September 30, 2022	<u>\$ 1,908</u>	<u>\$ 283</u>

	Other Investments Held at Fair Value	Contingent Consideration Liability - Related Parties	Derivative Liability	Warrant Liability
Balance as of December 31, 2020	\$ —	\$ 1,705	\$ 214	\$ —
Initial fair value of instrument	—	101	304	—
Change in fair value	—	(251)	(41)	—
Balance as of March 31, 2021	\$ —	\$ 1,555	\$ 477	\$ —
Initial fair value of instrument	9,358	—	343	249
Change in fair value	(4,720)	911	—	40
Extinguishment of liability	—	—	(820)	—
Balance as of June 30, 2021	\$ 4,638	\$ 2,466	\$ —	\$ 289
Initial fair value of instrument	—	—	—	—
Change in fair value	(440)	(469)	—	47
Balance as of September 30, 2021	\$ 4,198	\$ 1,997	\$ —	\$ 336

8. Prepaid Expenses and Other Current Assets

Prepaid expenses consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Prepaid research and development related expenses	\$ 3,404	\$ 2,692
Tax receivables	5,352	5,406
Prepaid insurance	3,302	3,049
Other	1,367	756
Total	\$ 13,425	\$ 11,903

9. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued accounting, legal, and other professional fees	\$ 5,392	\$ 2,667
Taxes payable	6,677	8,137
Accrued external research and development expenses	5,126	861
Accrued payroll	3,989	2,832
Accrued advisory fees	—	169
Other liabilities	958	163
Total	\$ 22,142	\$ 14,829

10. Debt

Convertible Promissory Notes

2018 Convertible Promissory Notes—Related Parties

Convertible promissory notes—related parties, net of discounts and deferred issuance costs, consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Convertible notes issued in November 2018	—	\$ 125
Convertible notes issued in October 2020	380	623
Unamortized discount and deferred issuance costs	—	(5)
Total	\$ 380	\$ 743

During November 2018, the Company executed a terms and conditions agreement (the “Convertible Note Agreement”) under which it was authorized to issue up to €1.0 million or \$1.2 million in convertible promissory notes to investors. An investor would become a party to the Convertible Note Agreement and would be issued a convertible promissory note by executing and delivering a subscription form. In November 2018, certain investors subscribed to the Convertible Note Agreement and the Company issued convertible promissory notes in the aggregate principal amount of €0.2 million or \$0.2 million.

In October 2020, certain investors subscribed to the Convertible Note Agreement and the Company issued the remainder of the 2018 Convertible Notes in the aggregate principal amount of €0.8 million or \$1.0 million (collectively, the “2018 Convertible Notes”). The total aggregate principal amount of the 2018 Convertible Notes is \$1.2 million as of December 31, 2020. The 2018 Convertible Notes are non-interest-bearing, unsecured and are due and payable on September 30, 2025, unless previously redeemed, converted, purchased or cancelled (the “Maturity Date”). Each 2018 Convertible Note has a notional value of €1 and is convertible into one share of ATAI Life Sciences AG upon the payment of €17.00. Conversion rights may be exercised by a noteholder at any time prior to maturity, except during certain periods subsequent to the consummation of the IPO. The 2018 Convertible Notes may be declared for early redemption by the noteholders upon occurrence of specified events of default, including payment default, insolvency and a material adverse change in the Company’s business, operations or financial or other condition. Upon early redemption, the conversion right with respect to the 2018 Convertible Notes may no longer be exercised.

In connection with the Convertible Note Agreement, the Company issued convertible notes in the principal amounts of €0.1 million or \$0.1 million to the founders of Perception, who are also related parties of the Company in November 2018 (See Note 17). Perception is a biotech firm acquired by the Company on November 5, 2018. Upon the purchase of certain assets of Perception in November 2018, Perception was deemed to have been a VIE, of which the Company is the primary beneficiary (See Note 4).

In addition, in connection with the Convertible Note Agreement, the Company issued convertible notes in the principal amounts of €0.5 million or \$0.6 million to Apeiron, the family office of the Company’s co-founder, and €0.3 million or \$0.4 million to one other shareholder of the Company and the founder of COMPASS in October 2020.

The Company concluded that both the embedded conversion feature, which is exercisable by the investor at any time during the maturity, and the contingent put option, which would trigger upon the occurrence of an event of default of the 2018 Convertible Notes, do not meet the criteria to be bifurcated and separately accounted for as derivatives and the notes were recorded net of discount and issuance costs, or a reduction to the carrying value of the notes issued in November 2018, with a corresponding adjustment to additional paid in capital. The discount is being amortized using the effective interest method over the period from the respective date of issuance to the Maturity Date.

The Company determined that the October 2020 notes were issued in exchange for services previously provided by the Company’s founders and other shareholders and were fully vested and non-forfeitable upon issuance. These instruments were therefore considered share based compensation awards to non-employees, and the instruments were initially measured and recorded at their grant date fair value based on a Black-Scholes option- pricing model.

The fair value of the October 2020 notes exceeded the principal amount that will be due at maturity. Therefore, at initial recognition, the October 2020 notes were accounted for as convertible debt issued at a substantial premium, such that the face value of the October 2020 Notes are recorded as a liability and the premium was recorded as paid-in capital.

Conversion of 2018 Convertible Promissory Notes - Related Parties

As described in Note 1, the Company undertook a corporate reorganization. Upon the Corporate Reorganization, ATAI Life Sciences N.V became the sole shareholder of ATAI Life Sciences AG. In connection with the Corporate Reorganization, all former shareholders of ATAI Life Sciences AG contributed their shares of ATAI Life Sciences AG to ATAI Life Sciences N.V. and received sixteen shares in ATAI Life Sciences N.V. for every one share of ATAI Life Sciences AG. In 2021, several noteholders elected to convert their convertible promissory notes into shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for an aggregate amount of €5.8 million or \$6.9 million in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements.

In May 2022 and July 2022, certain noteholders elected to convert some of their convertible promissory notes into shares of ATAI Life Sciences N.V. The investors paid €17.00 per share for the aggregate amount of €4.6 million or \$4.6 million in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements.

The Company accounted for the conversion of the 2018 Convertible Notes as a conversion such that carrying values of these notes were derecognized with an offset to common stock at par of ATAI Life Sciences AG and the excess of the carrying values of these notes over the common stock at par of ATAI Life Sciences AG was recorded as additional paid-in capital. Concurrently, with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for shares of ATAI Life Sciences N.V. through a transfer and sale arrangement. As ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V., the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition.

Perception Convertible Promissory Notes

On March 16, 2020, Perception entered into a convertible promissory note agreement with the Company and other investors, including related parties, which provided for the issuance of convertible notes of \$3.9 million (the “Perception Note Purchase Agreement”).

The notes bear interest at an annual rate of 5% and, unless earlier converted, were due and payable on June 30, 2022 (the “Perception March 2020 Notes”).

On December 1, 2020, Perception entered into an additional convertible promissory note agreement (the “Perception December 2020 Convertible Note Agreement”) with the Company and other investors, including related parties, which provided for the issuance of convertible notes of up to \$12.0 million. Pursuant to the Perception December 2020 Convertible Note Agreement, the convertible notes are issued in two tranches: (i) up to \$7.0 million under the first tranche funding (the “First Tranche Funding”), with \$6.2 million and \$0.8 million issued in December 2020 and January 2021, respectively, and (ii) up to an additional \$5.0 million under the second tranche funding (the “Second Tranche Funding”), was issued in May 2021.

Under the Second Tranche Funding, Perception issued \$4.2 million to the Company, \$0.2 million to Apeiron, and \$0.3 million to Sonia Weiss Pick and Family, and \$0.4 million to other investors.

The notes bear interest at an annual rate of 5% and, unless earlier converted, were due and payable on February 28, 2022 (the “Perception December 2020 Notes” and together with the Perception March 2020 Notes, the “Perception Convertible Notes”).

In the event of a qualified sale of preferred stock resulting in gross proceeds to Perception of at least \$5.0 million, all the principal and accrued and unpaid interest under the Perception Convertible Notes will automatically convert, into the same equity securities issued by Perception at a 25% discount from the lowest price of the security issued. In the event that Perception receives upfront proceeds of \$5.0 million or more in a licensing transaction, all the principal and accrued and unpaid interest under the Perception convertible notes will automatically convert, into shares of Series A Preferred Stock of Perception at a price per share of \$0.75 for the Perception March 2020 Notes and 75% of the fair market value of the Series A Preferred Stock of Perception for the Perception December 2020 Notes. Upon a change in control of Perception, all the principal and accrued and unpaid interest under the Perception Convertible Notes will automatically convert into shares of Series A Preferred Stock of Perception at a price per share of \$0.75. The Perception Convertible Notes issued to the Company represent intercompany debt and are eliminated upon consolidation.

The Perception March 2020 Notes contained an embedded conversion features in the event of a qualified financing whereas the Perception December 2020 Notes contained both embedded conversion features in the event of a qualified financing and upon the occurrence of a licensing transaction. The Company concluded that both the embedded conversion features met the definition of embedded derivatives that were required to be bifurcated and accounted for as a separate unit of accounting.

As of December 31, 2020, the Company recorded the fair value of the derivative liabilities of \$0.4 million as a liability with the offset being recorded as a debt discount on the issuance dates of the Perception Convertible Notes.

Both the liability and the offsetting debt discount are presented together in convertible promissory notes and derivative liability on the consolidated balance sheets. The resulting debt discount is being amortized to interest expense using the effective interest method over the terms of the Perception Convertible Notes. This interest expense is recorded in other income (expense), net in the consolidated statements of operations. The derivative liabilities are subsequently remeasured to fair value at each reporting date with changes in fair value recognized as a component of other income (expense), net in the consolidated statements of operations.

Upon issuance of the notes under the Second Tranche Funding, the Company recorded the fair value of the derivative liabilities of \$0.3 million as a liability with an offset being recorded as a debt discount.

On June 10, 2021, Perception received proceeds of \$20.0 million pursuant to the license and collaboration arrangement between Perception and Otsuka Pharmaceutical Co., LTD (“Otsuka”) (See Note 16). Upon receipt of the proceeds, the Perception Convertible Notes automatically converted into 6,456,595 shares of Series A preferred stock of Perception pursuant to their original terms. The Company, Sonia Weiss Pick and Family, Apeiron, and other investors received 5,403,791 shares, 440,415 shares, 27,809 shares and 584,580 shares of Perception Series A preferred stock, respectively, upon conversion of the Perception Convertible Notes. The amounts associated with the shares of Perception Series A preferred stock issued to the Company represent intercompany transactions and are eliminated upon consolidation.

Upon receipt of the proceeds described above, the Company remeasured the derivative liability immediately prior to the conversion of the Perception Notes and recorded a net gain of \$41,000 resulting from the change in fair value of the derivative liability in June 2021. The conversion of the Perception December 2020 Notes was accounted for as an extinguishment as the notes were converted pursuant to an embedded conversion feature upon a licensing transaction, which was determined to be a redemption feature. Accordingly, the Company recorded a loss on extinguishment of notes of \$0.5 million in the consolidated statements of operations in June 2021. The loss on extinguishment of notes represents the difference between (i) carrying value including derivative liability of the Perception December 2020 Notes of \$2.2 million and (ii) the fair value of Perception Series A preferred stock into which the notes converted of \$2.7 million.

The conversion of the Perception March 2020 Notes was accounted for as a conversion as the notes converted pursuant to a conversion feature. Accordingly, the Company derecognized the carrying amount of the Perception March 2020 notes issued to Sonia Weiss and Family and other investors in the aggregate amount of \$0.6 million with an offset to Series A preferred stock, and no gain or loss was recognized. The shares issued upon conversion of the Perception March 2020 and December 2020 Notes issued to the Company represent an intercompany transaction and, therefore, eliminate in consolidation.

The Company recognized interest expense of \$0.2 million, including amortization of debt discount of \$0.2 million during the nine months ended September 30, 2021. As of September 30, 2021, there was no unamortized debt discount due to the conversion of the Perception Convertible Notes into Series A convertible preferred stock of Perception on June 10, 2021. As such, the Company did not recognize any interest during the three months ended September 30, 2021. The debt issuance costs associated with the Perception Convertible Notes were not material.

Term Loan

Hercules Loan and Security Agreement

In August 2022, the Company and certain subsidiaries, as guarantors, and Hercules Capital, Inc. entered into a Loan and Security Agreement (the "Hercules Loan Agreement"). The Loan Agreement provides for term loans in an aggregate principal amount of up to \$175.0 million under multiple tranches (the "2022 Term Loan Facility"), available as follows: (i) a term loan advance in the amount of \$15.0 million on the Closing Date (the "Tranche 1A Advance"); (ii) at any time after the Closing Date but on or prior to March 15, 2023 (the "Tranche 1B Expiration Date"), term loan advances in an aggregate principal amount of up to \$20.0 million (the "Tranche 1B Advances"); (iii) at any time beginning upon the earlier of (A) the Tranche 1B Expiration Date and (B) the date on which all amounts available to be drawn under the Tranche 1B Advances have been drawn and on or prior to December 15, 2023 (the "Tranche 1C Expiration Date"), term loan advances in an aggregate principal amount of up to \$25.0 million (the "Tranche 1C Advances" and together with the Tranche 1A Advance and the Tranche 1B Advances, the "Tranche 1 Advances"); (iv) subject to us achieving certain performance milestones and, beginning upon the earlier of (A) the date on which all amounts available to be drawn under the Tranche 1C Advances have been drawn and (B) the Tranche 1C Expiration Date, on or prior to June 30, 2024, term loan advances in an aggregate principal amount of \$15.0 million (the "Tranche 2 Advances"); and (v) subject to approval by the Lenders' respective investment committees in its discretion, on or prior to March 31, 2025, term loan advances in an aggregate principal amount of up to \$100.0 million (the "Tranche 3 Advances"). With the exception of the first \$15.0 million tranche available on the Closing Date, each of the tranches may be drawn down in \$5.0 million increments at the Company's election, subject to applicable conditions to draw.

The 2022 Term Loan Facility will mature on August 1, 2026 (the "Maturity Date"), which may be extended until February 1, 2027 if the Company achieves certain performance milestones, raises at least \$175.0 million of unrestricted new net cash proceeds from certain permitted sources after the Closing Date and prior to June 30, 2024, and satisfies certain other specified conditions. The outstanding principal balance of the 2022 Term Loan Facility bears interest at a floating interest rate per annum equal to the greater of either (i) the prime rate as reported in the Wall Street Journal plus 4.55% and (ii) 8.55%. Accrued interest is payable monthly following the funding of each term loan advance. The Company may make payments of interest only, without any loan amortization payments, for a period of thirty (30) months following the Closing Date, which period may be extended to (i) thirty-six months if certain additional performance milestones have been achieved; and (ii) forty-two months if certain additional performance milestones have been achieved. At the end of the interest only period, the Company is required to begin repayment of the outstanding principal of the 2022 Term Loan Facility in equal monthly installments.

The Hercules Loan Agreement contains customary closing and commitment fees, prepayment fees and provisions, events of default and representations, warranties and affirmative and negative covenants, including a financial covenant requiring the Company to maintain certain levels of cash in accounts subject to a control agreement in favor of the Agent (the “Qualified Cash”) at all times commencing from the Closing Date, which includes a cap on the amount of cash that can be held by, among others, certain of our foreign subsidiaries in Australia and the United Kingdom. In addition, the financial covenant under the Loan Agreement requires that beginning on the later of (i) July 1, 2023 and (ii) the date on which the aggregate outstanding amount borrowed under the 2022 Term Loan Facility is equal to or greater than \$40.0 million, the Company shall maintain Qualified Cash in an amount no less than the sum of (1) 33% of the outstanding amount under the 2022 Term Loan Facility, and (2) the amount of the Borrowers’ and Subsidiary Guarantors’ accounts payable that have not been paid within 180 days from the invoice date of the relevant account payable, subject to certain exceptions; provided, that the financial covenant shall not apply on any day that the Company’s market capitalization is at least \$600.0 million measured on a consecutive 10-business day period immediately prior to such date of measurement and tested on a daily basis. Upon the occurrence of an event of default, including a material adverse effect, subject to certain exceptions, on ATAI NV and ATAI AG’s, taken together, business, operations, properties, assets or financial condition, and subject to any specified cure periods, all amounts owed by the Company may be declared immediately due and payable by the Lenders. As of September 30, 2022 the Company was in compliance with all applicable covenants under the Hercules Loan Agreement.

In addition, the Company is required to make a final payment fee (the “End of Term Charge”) upon the earlier of (i) the Maturity Date, (ii) the date that the Company prepays, in full or in part, the principal balance of the 2022 Term Loan Facility, or (iii) the date that the outstanding balance of the 2022 Term Loan Facility becomes due and payable. The End of Term Charge is 6.95% of the aggregate original principal amount of the term loans so repaid or prepaid under the Loan Agreement.

The Company may, at its option, prepay the term loans in full or in part, subject to a prepayment penalty equal to (i) 2.00% of the principal amount prepaid if the prepayment occurs on or prior to the first anniversary of the Closing Date, (ii) 1.0% of the principal amount prepaid if the prepayment occurs after the first anniversary and on or prior to the second anniversary of the Closing Date, and (iii) 0.5% of the principal amount prepaid if the prepayment occurs after the second anniversary and prior to the Maturity Date.

The Company incurred financing expenses related to the Hercules Loan Agreement, which are recorded as an offset to long-term debt on the Company’s condensed consolidated balance sheets. These deferred financing costs are being amortized over the term of the debt using the effective interest method, and are included in other income (expense), net in the Company’s condensed consolidated statements of operations. During the three and nine months ended September 30, 2022, interest expense included \$0.1 million of amortized deferred financing costs related to the 2022 Term Loan Facility.

Outstanding debt obligations are as follows (in thousands):

	September 30, 2022
Principal amount	\$ 15,000
End of the term charge	1,042
Less: unamortized issuance discount	(291)
Less: unamortized issuance costs	(120)
Less: unamortized end of term charge	(1,010)
Net carrying amount	<u>14,621</u>
Less: current maturities	-
Long-term debt, net of current maturities and unamortized debt discount and issuance costs	<u>\$ 14,621</u>

11. Common Stock

In January 2021, pursuant to an additional closing from the common stock issuance in November and December 2020, the Company issued and sold 2,133,328 shares of common stock to Apeiron, for cash proceeds of \$12.2 million. In March 2021, the Company issued and sold 13,419,360 shares of common stock to new and existing investors, including related parties, at a price of €9.69 or \$11.71 per share, for cash proceeds of \$152.2 million, net of issuance costs of \$4.9 million.

On June 22, 2021, atai closed the IPO of its common stock on Nasdaq. As part of the IPO, the Company issued and sold 17,250,000 shares of its common stock, which included 2,250,000 shares sold pursuant to the exercise of the underwriters’ over-allotment option, at a public offering price of \$15.00 per share. The Company received net proceeds of \$231.6 million from the IPO, after deducting underwriters’ discounts and commissions of \$18.1 million and offering costs of \$9.0 million.

All common stockholders have identical rights. Each share of common stock entitles the holder to one vote on all matters submitted to the stockholders for a vote.

All holders of common stock are entitled to receive dividends, as may be declared by the Company's supervisory board. Upon liquidation, common stockholders will receive distribution on a pro rata basis. As of September 30, 2022 and December 31, 2021, no cash dividends have been declared or paid.

12. Stock-Based Compensation

Atai Life Sciences 2020 Equity Incentive Plan

Effective August 21, 2020, the Company adopted an equity-based compensation plan, the 2020 Employee, Director and Consultant Equity Incentive Plan (as amended from time to time, "2020 Incentive Plan"). The 2020 Incentive Plan is administered by the Company's supervisory board. The plan is intended to encourage ownership of shares by employees, directors and certain consultants to the Company in order to attract and retain such individuals, to induce them to work for the benefit of the Company and to provide additional incentive for them to promote the success of the Company. The 2020 Incentive Plan enables the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to executive officers, directors and employees and consultants of the Company.

The Company has reserved up to 22,658,192 shares of common stock, excluding any shares issued under its Hurdle Share Option Program ("HSOP") described below, for issuance to executive officers, directors, other employees and consultants of the Company pursuant to the 2020 Incentive Plan. Shares that are expired, terminated, surrendered, or canceled without having been fully exercised will be available for future awards. As of September 30, 2022, there were no shares available for future grants under the 2020 Incentive Plan and any shares subject to outstanding options originally granted under the 2020 Equity Incentive Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant to the atai Life Sciences 2021 Incentive Award Plan discussed below.

Atai Life Sciences 2021 Incentive Award Plan

Effective April 23, 2021, the Company adopted and the atai shareholders approved the 2021 Incentive Award Plan ("2021 Incentive Plan"). The 2021 Incentive Plan is administered by the Company's supervisory board. The plan is intended to encourage ownership of shares by employees, directors, and certain consultants to the Company in order to attract and retain such individuals, to induce them to work for the benefit of the Company or of an affiliate and to provide additional incentive for them to promote the success of the Company. The 2021 Incentive Plan enables the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to executive officers, directors and other employees and consultants of the Company.

The Company has reserved up to 46,738,794 shares of common stock, for issuance to executive officers, directors and employees and consultants of the Company pursuant to the 2021 Incentive Plan. In accordance with the evergreen clause in the Company's 2021 Incentive Plan, effective as of January 1, 2022, the number of shares initially available for issuance was increased by 8,033,850 shares of common stock. Shares that are expired, terminated, surrendered, or canceled without having been fully exercised will be available for future awards. As of September 30, 2022, 34,335,085 shares were available for future grants under the 2021 Incentive Plan.

Stock Options

The stock options outstanding noted below consist primarily of both service and performance-based options to purchase Common Stock. These stock options have a five-year contractual term. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The following is a summary of stock option activity from December 31, 2021 to September 30, 2022:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	26,687,620	\$ 6.85	4.85	\$ 74,525
Granted	11,198,993 ⁽¹⁾	5.25	—	—
Exercised	(878,306)	2.48	—	—
Cancelled or forfeited	(3,474,065)	9.60	—	—
Outstanding as of September 30, 2022	33,534,242 ⁽²⁾	\$ 6.15	5.72	\$ 16,333
Options exercisable as of September 30, 2022	14,600,778	\$ 4.64	3.45	\$ 15,549

- (1) Includes (a) 9,458,527 stock options that will vest over a four-year service period, (b) 603,928 stock options that will vest immediately upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement, (c) 150,982 stock options that will vest immediately upon the satisfaction of specified performance-based vesting conditions, which became probable of achievement during the three months ended September 30, 2022, (d) 112,792 stock options

that partially vest on date of grant, then over a three-year service period and upon the satisfaction of specified performance-based vesting conditions, which were achieved during the three months ended September 30, 2022, (e) 488,764 stock options that vest upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement, and (f) 384,000 stock options that will vest on the one-year anniversary of the date of grant.

- (2) The 18,933,464 outstanding unvested stock options includes (a) 15,415,138 that will continue to vest over a one to four-year service period, (b) 1,818,477 that will continue to vest over a three to four-year service period and upon the satisfaction of specified performance-based vesting conditions, (c) 100,000 stock options that will continue to vest over a two-year service period and upon the satisfaction of specified market-based conditions tied to price of the Company's publicly traded shares, (d) 538,827 stock options that will vest immediately upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement, (e) 134,707 stock options that will vest immediately upon the satisfaction of specified performance-based vesting conditions, which are considered probable of achievement, (f) 542,315 stock options that will continue to vest over a three-year service period and upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement, and (g) 384,000 stock options that will vest on the one-year anniversary of the date of grant.

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2022 was \$3.32.

The Company estimated the fair value of each stock option using the Black-Scholes option-pricing model on the date of grant. During the nine months ended September 30, 2022, the assumptions used in the Black-Scholes option pricing model were as follows:

	September 30,	
	2022	2021
Weighted average expected term in years	6.06	3.85
Weighted average expected stock price volatility	71.5%	80.6%
Risk-free interest rate	1.46% - 3.38%	(0.76%) - 1.27%
Expected dividend yield	0%	0%

For the three months ended September 30, 2022 and 2021, the Company recorded stock-based compensation expense of \$9.3 million and \$9.4 million, respectively. For the nine months ended September 30, 2022 and 2021, the Company recorded stock-based compensation expense of \$26.0 million and \$30.1 million, respectively.

As of September 30, 2022, total unrecognized compensation cost related to the unvested stock-based awards was \$72.2 million, which is expected to be recognized over a weighted average period of 1.96 years. As of September 30, 2022, total unrecognized compensation cost related to milestones that were not considered probable of achievement was \$3.3 million.

Atai Life Sciences Hurdle Share Option Plan

On August 21, 2020, the Partnership (as defined below) approved and implemented an employee stock option plan for selected executives, employees, and consultants of the Partnership (the so-called Hurdle Share Options Program or "HSOP Plan"), which became effective on January 2, 2021, the date the first grants under the HSOP Plan were made (the "HSOP Options"). This plan is primarily aimed at German-based executives, employees, and consultants of the Company (collectively, the "HSOP Participants"). The purpose of the HSOP Plan is to permit these individuals to indirectly participate in the appreciation in value of the Company through a German law private partnership, ATAI Life Sciences HSOP GbR (the "Partnership"). The HSOP Plan was established under the Partnership Agreement of the Partnership. The HSOP Plan requires the exercise price to be equal to the fair value of the shares on the date of grant.

The Partnership acquired 7,281,376 shares of atai common stock ("HSOP Shares") pursuant to the HSOP Plan. HSOP Options that are canceled or forfeited without having been fully exercised will be available for future awards. As of September 30, 2022, 132,752 HSOP Options were available for future grants under the HSOP Plan.

The HSOP Plan mimics the economics of a typical stock option plan, however, with the HSOP Shares to which the HSOP Options refer already being issued to the Partnership. Each HSOP Option contains both service and performance-based vesting conditions, including a liquidity-based condition, and gives the holder the option to request the distribution of HSOP Shares under its vested HSOP Options. The nominal amount paid at the grant date is refundable if the HSOP Options do not vest or are forfeited. Otherwise, the nominal amount is refundable until the later of the occurrence of a Liquidity Event (as defined in the "HSOP Plan") or the exercise date.

The HSOP Shares issued under the HSOP Plan to the Partnership are indirectly owned by HSOP Participants (being the holders of HSOP Options) via their interest in the Partnership. The grantee is required to pay a nominal value (€0.06 per share) for the shares upon grant (“Nominal Upfront Payment”). Accordingly, the HSOP Shares issued to the Partnership and allocated to the HSOP Options holders are not considered outstanding for accounting purposes. Therefore, the Company accounted for the Nominal Upfront Payment as an in-substance early exercise provision under ASC 718 as the nominal amount is deducted from the exercise price upon exercise. As of September 30, 2022, the remaining \$0.5 million Nominal Upfront Payment was recorded as an Other liability on the consolidated balance sheets.

HSOP Options

The HSOP Options outstanding noted below consist of service and performance-based options to request the distribution of HSOP Shares. These HSOP Options have a fifteen-year contractual term. These HSOP Options vest over a three to four-year service period, only if and when a “Liquidity Event” (as defined in the Partnership agreement) occurs within fifteen years of the date of grant. If a Change in Control (as defined in the Partnership agreement) or in the event the holder’s service with the Partnership is terminated due to his death or disability by June 30, 2021 or December 31, 2021, an additional 25% or 12.5%, respectively, HSOP Options will accelerate and vest upon the occurrence of the transaction. These awards are subject to the risk of forfeiture until vested by virtue of continued employment or service to the Company.

The liquidity-based performance condition contingent upon the achievement of a Liquidity Event was satisfied in June of 2021, therefore, the Company began recognizing expense for all associated options that were previously deemed improbable of vesting.

The following is a summary of stock option activity for from December 31, 2021 to September 30, 2022:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	7,046,496	6.64	14.01	\$ 6,961
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled or forfeited	—	—	—	—
Outstanding as of September 30, 2022	7,046,496	\$ 6.64	13.26	\$ —
Options exercisable as of September 30, 2022	5,844,267	\$ 6.64	13.26	—

For the three months ended September 30, 2022 and 2021, the Company recorded stock-based compensation expense of \$1.1 million and \$2.6 million, respectively. For the nine months ended September 30, 2022 and 2021, the Company recorded stock-based compensation expense of \$3.7 million and \$19.2 million, respectively.

As of September 30, 2022, total unrecognized compensation cost related to the unvested stock-based awards was \$4.2 million which is expected to be recognized over a weighted average period of 0.6 years.

Subsidiary Equity Incentive Plans

Certain controlled subsidiaries of the Company adopted their own equity incentive plans (each, an “EIP”). Each EIP is generally structured so that the applicable subsidiary, and its affiliates’ employees, directors, officers and consultants are eligible to receive non-qualified and incentive stock options and restricted stock unit awards under their respective EIP. Standard option grants have time-based vesting requirements, generally vesting over a period of four years with a contractual term of ten years. Such time-based stock options use the Black-Scholes option pricing model to determine grant date fair value. Certain awards issued to employees partially vest on date of grant, then over a three-year service period and upon the satisfaction of specified performance-based vesting conditions, which are not considered probable of achievement as of September 30, 2022.

For the three months ended September 30, 2022 and 2021, the Company recorded share-based compensation expense of \$0.1 million and \$0.2 million, respectively, in relation to subsidiary EIPs. For the nine months ended September 30, 2022 and 2021, the Company recorded share-based compensation expense of \$0.6 million and \$0.6 million, respectively, in relation to subsidiary EIPs. As of September 30, 2022, there was \$8.3 million of total unrecognized stock-based compensation expense related to unvested EIP awards to employees and non-employee directors expected to be recognized over a weighted-average period of approximately 1.9 years.

Stock-Based Compensation

Stock-based compensation expense is allocated to either Research and development or general and administrative expense on the condensed consolidated statements of operations based on the cost center to which the option holder belongs.

The following table summarizes the total stock-based compensation expense by function for the three months ended September 30, 2022, which includes expense related to stock options and restricted stock awards (in thousands):

	Three Months Ended September 30, 2022			
	Atai ESOP	Atai HSOP	Other Subsidiaries Equity Plan	Total
Research and development	\$ 3,934	\$ —	\$ 123	\$ 4,057
General and administrative	5,324	1,124	10	6,458
Total share based compensation expense	<u>\$ 9,258</u>	<u>\$ 1,124</u>	<u>\$ 133</u>	<u>\$ 10,515</u>

The following table summarizes the total stock-based compensation expense by function for the three months ended September 30, 2021, which includes expense related to stock options and restricted stock awards (in thousands):

	Three Months Ended September 30, 2021			
	Atai ESOP	Atai HSOP	Other Subsidiaries Equity Plan	Total
Research and development	\$ 5,248	\$ —	\$ 153	\$ 5,401
General and administrative	4,183	2,593	63	6,839
Total share based compensation expense	<u>\$ 9,431</u>	<u>\$ 2,593</u>	<u>\$ 216</u>	<u>\$ 12,240</u>

The following table summarizes the total stock-based compensation expense by function for the nine months ended September 30, 2022, which includes expense related to stock options and restricted stock awards (in thousands):

	Nine Months Ended September 30, 2022			
	Atai ESOP	Atai HSOP	Other Subsidiaries Equity Plan	Total
Research and development	\$ 11,221	\$ —	\$ 418	\$ 11,639
General and administrative	14,783	3,651	162	18,596
Total share based compensation expense	<u>\$ 26,004</u>	<u>\$ 3,651</u>	<u>\$ 580</u>	<u>\$ 30,235</u>

The following table summarizes the total stock-based compensation expense by function for the nine months ended September 30, 2021, which includes expense related to stock options and restricted stock awards (in thousands):

	Nine Months Ended September 30, 2021			
	Atai ESOP	Atai HSOP	Other Subsidiaries Equity Plan	Total
Research and development	\$ 13,946	\$ —	\$ 464	\$ 14,410
General and administrative	16,123	19,243	188	35,554
Total share based compensation expense	<u>\$ 30,069</u>	<u>\$ 19,243</u>	<u>\$ 652</u>	<u>\$ 49,964</u>

13. Income Taxes

The Company records its quarterly income tax expense by utilizing an estimated annual effective tax rate applied to its period to date earnings as adjusted for any discrete items arising during the quarter. The tax effect for discrete items are recorded in the period in which they occur. The Company recorded \$0.1 million and \$0.4 million of income tax expense for the three months ended September 30, 2022 and 2021 respectively. The Company recorded \$0.2 million and \$0.4 million of income tax expense for the nine months ended September 30, 2022 and 2021, respectively. The income tax expense during these periods was primarily driven by current tax on earnings of subsidiaries in Australia, the United States, and the United Kingdom. The primary difference between the effective tax rate and the statutory tax rate is a result of certain income tax deductions available in the United States that are permanent in nature. The Company continues to maintain a full valuation allowance against its deferred tax assets with the exception of certain deferred tax assets relating to certain subsidiaries in Australia, the United States and the United Kingdom.

14. Net Income (Loss) Per Share

Basic and diluted net loss per share attributable to atai stockholders were calculated as follows (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	\$ (35,701)	\$ (31,642)	\$ (110,768)	\$ (80,971)
Net loss attributable to redeemable noncontrolling interests and noncontrolling interests	(1,814)	(484)	(3,394)	(2,040)
Net loss attributable to ATAI Life Sciences N.V. shareholders - basic and diluted	\$ (33,887)	\$ (31,158)	\$ (107,374)	\$ (78,931)
Denominator:				
Weighted average common shares outstanding attributable to ATAI Life Sciences N.V. Stockholders - basic and diluted	156,607,468	151,130,212	154,713,922	134,334,685
Net loss per share attributable to ATAI Life Sciences N.V. shareholders - basic and diluted	\$ (0.22)	\$ (0.21)	\$ (0.69)	\$ (0.59)

HSOP Shares issued to the Partnership and allocated to the HSOP Participants are not considered outstanding for accounting purposes and not included in the calculation of basic weighted average common shares outstanding in the table above because the HSOP Participants have a forfeitable right to distributions until the HSOP Options vest and are exercised, at which time the right becomes nonforfeitable.

The following also represents the maximum amount of outstanding shares of potentially dilutive securities that were excluded from the computation of diluted net income (loss) per share attributable to common shareholders for the periods presented because including them would have been antidilutive:

Potentially dilutive securities to the Company's common shares:

	As of September 30,	
	2022	2021
Options to purchase common stock	33,534,242	24,692,224
HSOP options to purchase common stock	7,046,496	7,148,624
2018 Convertible Promissory Notes - Related Parties (Note 10)	6,201,824	11,161,824
	<u>46,782,562</u>	<u>43,002,672</u>

The remaining 2018 Convertible Notes would be issuable upon the exercise of conversion rights of convertible note holders for 387,614 shares of common stock of ATAI Life Sciences AG, respectively. Upon conversion, it is expected that the remaining 2018 Convertible Notes would be exchanged on a one-for-sixteen basis for shares of ATAI Life Sciences N.V. which is reflected in the table above. See Note 10 for additional discussion.

15. Commitments and Contingencies

Research and Development Agreements

The Company may enter into contracts in the ordinary course of business with clinical research organizations for clinical trials, with contract manufacturing organizations for clinical supplies and with other vendors for preclinical studies, supplies and other services and products for operating purposes.

Leases

In May 2022 the Company entered into a five year lease arrangement that has not yet commenced. The Company expects the lease to commence by the end of 2022. This lease will require lease payments over the term of approximately \$1.8 million.

Indemnification

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, lessors, business partners, board members, officers and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company, negligence or willful misconduct of the Company, violations of law by the Company, or intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon the Company to provide indemnification under such agreements, and thus, there are no claims that the Company is aware of that could have a material effect on the Company's consolidated financial statements.

The Company also maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify the Company's directors. To date, the Company has not incurred any material costs and has not accrued any liabilities in the consolidated financial statements as a result of these provisions.

Contingencies

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. The Company is unable to predict the outcome of these matters or the ultimate legal and financial liability, and at this time cannot reasonably estimate the possible loss or range of loss and accordingly has not accrued a related liability. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. The Company currently believes that the outcome of these legal proceedings, either individually or in the aggregate, will not have a material effect on its consolidated financial position, results of operations or cash flows.

16. License Agreements

Otsuka License and Collaboration Agreement

On March 11, 2021, Perception entered into a license and collaboration agreement (the "Otsuka Agreement") with Otsuka under which Perception granted exclusive rights to Otsuka to develop and commercialize products containing arketamine, known as PCN-101, in Japan for the treatment of any depression, including treatment-resistant depression, or major depressive disorder or any of their related symptoms or conditions. Under the terms of the Otsuka Agreement, Otsuka received an exclusive right to develop and commercialize products containing PCN-101 in Japan at its own cost and expense. Perception retained all rights to PCN-101 outside of Japan.

Otsuka owed Perception an upfront, non-refundable payment of \$20.0 million as of the execution of the Otsuka Agreement. Perception is also entitled to receive aggregate payments of up to \$35.0 million if certain development and regulatory milestones are achieved for the current or a new intravenous formulation of a product and up to \$66.0 million in commercial milestones upon the achievement of certain commercial sales thresholds. Otsuka is obligated to pay Perception a tiered, double-digit royalty on net sales of products containing PCN-101 in Japan, subject to reduction in certain circumstances.

The Otsuka Agreement will expire upon the fulfillment of Otsuka's royalty obligations on a product-by-product basis. Otsuka shall have the right to terminate this agreement in its entirety for convenience at any time (a) on ninety (90) days' prior written notice to Perception if such notice is given before the first regulatory approval of the first licensed product in the Otsuka territory, or (b) on one hundred and eighty (180) days' prior written notice to Perception if such notice is given on or after the first regulatory approval of the first licensed product in the Otsuka territory. The Otsuka Agreement may be terminated in its entirety at any time during the term upon written notice by either party if the other party is in material breach of its obligations and has not cured such breach within thirty (30) days in the case of a payment breach, or within ninety (90) days in the case of all other breaches.

The Company first assessed the Otsuka Agreement under ASC 808 to determine whether the Otsuka Agreement or units of accounts within the Otsuka Agreement represent a collaborative arrangement based on the risks and rewards and activities of the parties.

The Company concluded that Otsuka is a customer in the context of the Otsuka Agreement and the units of account are within the scope of ASC 606. The Company determined that the combined promise of the exclusive license to PCN-101 and non-exclusive license to conduct clinical trials in Asia are a single performance obligation. The Company determined that the option rights for CMC study data, additional research services and development supply do not represent material rights to Otsuka as these options were issued at standalone selling prices. As such, they are not performance obligations at the outset of the arrangement.

Based on this assessment, the Company concluded three performance obligations existed at the outset of the Otsuka Agreement: (i) the exclusive license to PCN-101 and exclusive license to conduct clinical trials in Japan, (ii) Global Requested Ongoing Clinical Studies (as defined in the Otsuka Agreement) and (iii) Global Ongoing Clinical Studies (as defined in the Otsuka Agreement). The Company determined that the upfront payment of \$20.0 million constitutes the transaction price at the outset of the Otsuka Agreement. Future potential milestone payments were fully constrained as the risk of significant revenue reversal related to these amounts has not yet been resolved. The achievement of the future potential milestones is not within the Company's control and is subject to certain research and development success or regulatory approvals and therefore carry significant uncertainty. The Company will reevaluate the likelihood of achieving future milestones at the end of each reporting period. As all performance obligations will have been satisfied in advance of the achievement of the milestone events, if the risk of significant revenue reversal is resolved, any future milestone revenue from the arrangement will be added to the transaction price (and thereby recognized as revenue) in the period the risk is resolved.

For the three and nine months ended September 30, 2021, there were no additional milestones achieved under the Otsuka Agreement, except for the upfront transfer of the license. The Company satisfied the performance obligation related to the license upon delivery of the license and recognized the amount of \$19.7 million allocated to the license as license revenue during the nine months ended September 30, 2021. Additionally, the Company recognized revenues of \$0.4 million related to certain research and development services during the nine months ended September 30, 2021. As of September 30, 2021, the Company had current deferred revenue of \$0.2 million due to certain research and development services under the Otsuka Agreement.

For the three and nine months ended September 30, 2022, no additional milestones were achieved under the Otsuka Agreement and the Company did not recognize any revenue associated with the Otsuka Agreement based on performance completed during the period. The remaining deferred revenue balance related to the Otsuka Agreement is not material as of September 30, 2022. Additionally, the Company recognized an immaterial amount of license revenue for the three months ended September 30, 2022. The Company recognized \$0.2 million of license revenue for the nine months ended September 30, 2022 related to certain research and development services.

National University Corporation Chiba University License Agreement

In August 2017, Perception entered into a license agreement (the "CHIBA License"), with the National University Corporation Chiba University ("CHIBA"), relating to Perception's drug discovery and development initiatives. Under the CHIBA License, Perception has been granted a worldwide exclusive license under certain patents and know-how of CHIBA to research, develop, manufacture, use and commercialize therapeutic products.

During the three and nine months ended September 30, 2022 and 2021, respectively, the Company made no material payments pursuant to the CHIBA License.

Allergan License Agreement

In February 2020, Recognify entered into an amended and restated license agreement (the "Allergan License Agreement"), with Allergan Sales, LLC ("Allergan"), under which Allergan granted Recognify an exclusive (non-exclusive as to know-how), sublicensable and worldwide license under certain patent rights and know-how controlled by Allergan to develop, manufacture and commercialize certain products for use in all fields including the treatment of certain diseases and conditions of the central nervous system.

During the three and nine months ended September 30, 2022 and 2021, respectively, Recognify made no material payments pursuant to the Allergan License Agreement.

Columbia Stock Purchase and License Agreement

In June 2020, Kures entered into a license agreement with Trustees of Columbia University ("Columbia"), pursuant to which, Kures obtained an exclusive license under certain patents and technical information to discover, develop, manufacture, use and commercialize such patents or other products in all uses and applications ("Columbia IP"). In addition, in consideration for the rights to the Columbia IP, Kures entered into a Stock Purchase Agreement (the "SPA") with Columbia in contemplation of the license agreement. Pursuant to the SPA, Kures issued to Columbia certain shares of the Kures' capital stock, representing 5.0% of Kures common stock on a fully diluted basis. Furthermore, the SPA provided that from time to time, Kures shall issue to Columbia additional shares of Kures' common stock, at a per share price equal to the then fair market value of each such share, which price shall be deemed to have been paid in partial consideration for the execution, delivery and performance by Columbia of the License Agreement, such that the common stock held by Columbia shall equal to 5.0% of the common stock on a fully diluted basis, at all times up to and through the achievement of certain funding threshold.

In April 2022, Kures issued shares of Series A-2 Preferred Stock to certain investors upon the achievement of Series A-2 milestone events. Accordingly, the Company issued certain anti-dilution common stock to Columbia worth \$0.3 million. The Company expensed the cost incurred for acquiring license as research & development expense at inception. Since, the additional anti-dilution shares were issued as partial consideration towards the same license arrangement, the cost of such additional share was also expensed as research & development

expense during the nine months ended September 30, 2022. During the three and nine months ended September 30, 2022, respectively, the Company recognized \$0 and \$0.4 million of in-process research & development expense.

During the three and nine months ended September 30, 2021, Kures made no material payments in connection with the Columbia agreement.

Accelerate License Agreement

On April 27, 2021, Psyber entered into a license arrangement with Accelerate Technologies Pte. Ltd. ("Accelerate"), whereby Accelerate grants Psyber non-exclusive rights to license and use the technology to commercialize of Psyber's BCI-enabled companion digital therapeutics in United States of America, Singapore, Member Countries of the European Union, Canada, Australia and New Zealand as a potential treatment for mental health and behavior change, such as substance use disorders including opioid use disorder, mood and anxiety disorders including post-traumatic stress disorder, and treatment-resistant depression.

During the three and nine months ended September 30, 2022 and 2021, respectively, Psyber made no material payments pursuant to the Accelerate License agreement.

Dalriada License Agreement

On December 10, 2021, Invyxis, Inc. ("Invyxis"), a wholly owned subsidiary of the Company, entered into an exclusive services and license agreement (the "Invyxis ESLA") with Dalriada Drug Discovery Inc. ("Dalriada"). Under the Invyxis ESLA, Dalriada is to exclusively collaborate with Invyxis to develop products, services and processes with the specific purpose of generating products consisting of new chemical entities. Invyxis will pay Dalriada up to \$12.8 million in service fees for research and support services. In addition, Invyxis will pay Dalriada success milestone payments and low single digit royalty payments based on net product sales. Invyxis has the right, but not the obligation, to settle future royalty payments based on net product sales with the Company's common stock. Invyxis and Dalriada will determine the equity settlement based on a price per share determined by both parties.

In January 2022, in accordance with the Invyxis ESLA, Invyxis paid an upfront deposit of \$1.1 million, which was capitalized as prepaid research and development expense. The Company will expense the upfront deposit as the services are performed as a component of research and development expense in the consolidated statements of operations. During the three and nine months ended September 30, 2022, the Company recorded \$1.0 million and \$2.8 million as research and development expense, respectively. During the three and nine months ended September 30, 2022, Invyxis made no other service fee payments to Dalriada.

17. Related Party Transactions

atai Formation

In connection with the formation of atai in 2018, the Company entered into a series of transactions with its shareholders, Apeiron, Galaxy Group Investments LLC. ("Galaxy") and HCS Beteiligungsgesellschaft mbH ("HCS") whereby these shareholders contributed their investments in COMPASS, Innoplexus and Juvenescence to the Company in exchange for the Company's common stock of equivalent value. Apeiron is the family office of the Company's co-founder who owns 17.5% and 18.0% of the outstanding common stock in the Company as of September 30, 2022 and December 31, 2021, respectively. Galaxy is a NYC-based multi-strategy investment firm that owns 6.5% and 6.7% of the outstanding common stock in the Company as of September 30, 2022 and December 31, 2021, respectively.

Convertible Note Agreements with Perception

In March 2020, Perception entered into the Perception Note Purchase Agreement with the Company and other investors, including related parties, which provided for the issuance of convertible notes of up to \$3.9 million, among which Perception issued convertible notes in the aggregate principal amount of \$3.3 million to the Company and \$0.3 million to Sonia Weiss Pick and Family, and \$0.3 million to other investors. In addition, in December 2020, Perception entered into the Perception December 2020 Convertible Note Agreement with the Company and other investors, including related parties, which provided for the issuance of convertible notes of up to \$12.0 million in two tranches. Under the First Tranche Funding of \$7.0 million, Perception issued an aggregate principal amount of \$5.8 million to the Company and \$0.4 million to other investors as of December 31, 2020 and \$0.2 million to Apeiron, \$0.5 million to Sonia Weiss Pick and Family, and \$0.1 million to other investors in January 2021. Under the Second Tranche Funding of \$5.0 million, Perception issued an aggregate of \$4.2 million to the Company, \$0.2 million to Apeiron, \$0.3 million to Sonia Weiss Pick and Family, and \$0.4 million to other investors.

On June 10, 2021, Perception received \$20.0 million pursuant to the Otsuka Agreement. Upon receipt of the proceeds, the Perception Convertible Notes automatically converted into Series A preferred stock pursuant to their original terms. Sonia Weiss Pick and Family and Apeiron received 440,415 shares and 27,809 shares of Perception Series A preferred stock, respectively, upon conversion of the Perception Convertible Notes. The conversion of the Perception December 2020 Notes was accounted for an extinguishment. The March 2020 Notes were accounted for as a conversion. These transactions are further described in Note 10.

Common Stock

Since 2018, the Company engaged SMC as the underwriting bank to provide banking, advisory services and securities-related technical support of cash and non-cash capital increase transactions. In connection with the issuance of common stock in November 2020, the Company paid SMC an aggregate amount of \$4.5 million of advisory fees, of which approximately \$3.7 million was paid to Apeiron by SMC during the first quarter of 2021.

In January 2021, pursuant to an additional closing from the common stock issuance in November and December 2020, the Company issued and sold 2,133,328 shares of common stock to Apeiron at the same issuance price, for cash proceeds of \$12.2 million. In March 2021, in connection with the Company's issuance of 13,419,360 shares of common stock, at a price of €9.69 or \$11.71 per share, the Company issued common shares to Apeiron for a total purchase price of \$14.5 million, and issued common shares to Presight II, L.P. for a total purchase price of \$13.9 million (See Note 11). Apeiron is the co-managing member of the general partner of Presight II, L.P.

Directed Share Program

In connection with ATAI's initial public offering, the underwriters reserved 27% of the common shares for sale at the initial offering price to the Company's managing directors, supervisory directors and certain other parties. Apeiron participated in the program and purchased \$10.5 million of common stock.

Consulting Agreement with Mr. Angermayer

In January 2021, the Company entered into a consulting agreement, (the "Consulting Agreement"), with Mr. Angermayer, one of the Company's co-founders and supervisory director. Apeiron is the family office and merchant banking business of Mr. Angermayer. Pursuant to the Consulting Agreement, Mr. Angermayer agreed to render services to the Company on business and financing strategies in exchange for 624,000 shares under the 2020 Incentive Plan upon achievement of certain performance targets. The Consulting Agreement expires on March 31, 2024.

As a result of the Consulting Agreement, for the three and nine months ended September 30, 2022, the Company recorded \$0.2 million and \$0.6 million, respectively, of stock-based compensation included in general and administrative expense in its condensed consolidated statement of operations. As a result of this agreement, for the three and nine months ended September 30, 2021, the Company recorded \$0.2 million and \$0.5 million of stock-based compensation included in general and administrative expense in its condensed consolidated statement of operations.

For the three and nine months ended September 30, 2022, the Company recorded \$0.2 million and \$0.5 million, respectively, of stock-based compensation included in general and administrative expense in its condensed consolidated statement of operations related to Mr. Angermayer's service as Chairman of the supervisory board. For the three and nine months ended September 30, 2021, the Company recorded an immaterial amount of general and administrative expense in its condensed consolidated statement of operations related to Mr. Angermayer's service as Chairman of the supervisory board.

18. Defined Contribution Plan

The Company has a defined contribution retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan allows eligible employees to defer a portion of their annual compensation. The Company made an immaterial amount of 401(k) contributions for the three and nine months ended September 30, 2022 and 2021, respectively.

19. Subsequent Events

Neuronasal Disposition

In November 2022, we finalized and entered into a Redemption, Termination and Release Agreement ("Termination Agreement") with Neuronasal through which we have disposed of our equity interests in (and residual SPA funding obligations). Pursuant to the Neuronasal Termination Agreement, the Company transferred all of its approximately 56.5% equity interest in Neuronasal in exchange for the redemption consideration in the form of certain warrants. The Neuronasal Termination Agreement entitles the Company to purchase certain common stock in Neuronasal upon the occurrence of certain contingencies, such as an initial public offering or qualified financing event.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included in this Quarterly Report and our audited financial statements and related notes thereto for the year ended December 31, 2021, included in our Form 10-K.

This discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, you can identify these statements by forward-looking words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “should,” “estimate,” or “continue,” and similar expressions or variations. Such forward-looking statements are neither promises nor guarantees and are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance achievements and the timing of certain events to differ materially from actual future results, performance, achievements and the timing of certain events expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included in Part I, Item 1A of our Form 10-K and elsewhere in our Form 10-K and those discussed in the section titled “Risk Factors” in Part II, Item 1A of this Quarterly Report. The forward-looking statements in this Quarterly Report represent our views as of the date of this Quarterly Report. Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future. All references to years, unless otherwise noted, refer to our fiscal years, which end on December 31. Unless the context otherwise requires, all references in this subsection to “we,” “us,” “our,” “atai” or the “Company” refer to atai and its consolidated subsidiaries.

Business Overview

We are a clinical-stage biopharmaceutical company aiming to transform the treatment of mental health disorders. We were founded in 2018 as a response to the significant unmet need and lack of innovation in the mental health treatment landscape, as well as to the emergence of therapies that previously may have been overlooked or underused, including psychedelic compounds and digital therapeutics. We have built a pipeline consisting of eight drug and discovery programs and four enabling technologies, each led by focused teams with deep expertise in their respective fields and supported by our internal development and operational infrastructure. We believe that target indications of several of our therapeutic programs have potential market opportunities of at least \$1 billion in annual sales, if approved. A summary of our clinical and preclinical programs — including related prior evidence in humans based on third-party clinical trials or studies, recent advancements, and upcoming milestones, as applicable — follows under the heading "Our Emerging Clinical and Preclinical Programs" below.

Our business is organized along three strategic pillars:

- **Rapid-acting intervention:** first, second, and third generation compounds that result in rapid-acting improvement of mental health disorders;
- **Ongoing digital support:** additional care that is provided to patients before, during, and after initial treatment interventions;
- **Biomarker-driven precision mental health:** the identification of patient sub-types using biological and digital biomarkers.

Since our inception in 2018, we have focused substantially all of our efforts and financial resources on acquiring and developing product and technology rights, establishing our platform, building our intellectual property portfolio and conducting research and development activities for our product candidates within our atai companies that we consolidate based on our controlling financial interest of such entities. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive the development of our programs and enabling technologies for which we have either acquired a controlling or significant interest in or created de novo. We believe that this model provides our development teams the support and incentives to rapidly advance their therapeutic candidates or technologies in a cost-efficient manner. We look to optimize deployment of our capital in order to maximize value for our stakeholders.

We provide our development teams with access to shared services including scientific, intellectual property, clinical, and regulatory support, as well as project management, research and development, market strategy, and development and corporate finance. Our global team of subject matter professionals provides deep domain expertise in areas such as mental health drug development and life sciences intellectual property. Development teams have access to relevant expertise specific to each stage of their development. We believe our knowledge and specialization in psychedelics and mental health continuously enhance the quality of the services we provide through the sharing of learnings and experiences across the teams.

On June 22, 2021, we completed an IPO on Nasdaq, in which we issued and sold 17,250,000 common shares at a public offering price of \$15.00 per share, including 2,500,000 common shares sold pursuant to the underwriters' exercise of their option to purchase additional common shares, for aggregate net proceeds of \$231.6 million, after deducting underwriting discounts and commissions of \$18.1 million and offering costs of \$9.0 million. Prior to the IPO, we received gross cash proceeds of \$361.5 million from sales of our common shares and convertible notes.

We have incurred significant operating losses since our inception. Our net loss attributable to ATAI Life Sciences N.V. stockholders was \$33.9 million and \$107.4 million for the three and nine months ended September 30, 2022, respectively. Our net loss attributable to ATAI Life Sciences N.V. stockholders was \$31.2 million and \$78.9 million for the three and nine months ended September 30, 2021, respectively. As of September 30, 2022 and December 31, 2021, our accumulated deficit was \$465.2 million and \$357.8 million, respectively. Our ability to generate product revenue sufficient to achieve profitability will depend substantially on the successful development and eventual commercialization of product candidates at our atai companies that we consolidate based on our controlling financial interest of such entities as determined under the variable interest entity model ("VIE model") or voting interest entity model ("VOE model"). We expect to continue to incur significant expenses and increasing operating losses for at least the next several years.

Our historical losses resulted principally from costs incurred in connection with research and development activities, as well as general and administrative costs associated with our operations. In the future, we intend to continue to conduct research and development, preclinical testing, clinical trials, regulatory compliance, market access, commercialization and business development activities that, together with anticipated general and administrative expenses, will result in incurring further significant losses for at least the next several years. Our operating losses stem primarily from the development of our mental health research programs. Furthermore, we expect to incur additional costs associated with operating as a public company, including audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs. As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from sales of our product candidates, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, strategic collaborations and alliances or licensing arrangements. Our inability to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategies. There can be no assurances, however, that our current operating plan will be achieved or that additional funding will be available on terms acceptable to us, or at all.

As of September 30, 2022, we had cash and cash equivalents of \$142.5 million and short-term securities of \$161.5 million. We believe that our existing cash and short-term securities will be sufficient for us to fund our operating expenses and capital expenditure requirements for at least the next 12 months following the filing of this Quarterly Report. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. See "*Liquidity and Capital Resources—Liquidity Risk*" below.

We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of our common shares, issuances of convertible notes and a term loan.

Impactful Capital Allocation and Strategic Value Capture

Consistent with our strategy, we provide the necessary funding and operational support to our programs to maximize their probability of success in clinical development and commercialization. We also regularly review the status of our programs to assess whether there are alternative forms of ownership, partnership or other forms of collaboration that would optimize our economic interests and the success of our programs. To that end, we are focusing on clinical phase programs that we expect to generate meaningful data in the near term, and therefore prioritizing programs that we believe have the highest return potential and value. As a result, in July 2022 through reduction of capital allocation and operational resources, we decided to decelerate some of our drug discovery programs and Revixia Life Sciences. In November 2022, we finalized and entered into agreements through which we have disposed of our equity interests in (and residual Preferred Stock Purchase Agreement funding obligations to) Neuronasal and are also evaluating potential divestiture of our equity interests in certain deprioritized programs (such as DemeRx NB).

Our Emerging Clinical and Preclinical Programs

The table below summarizes the status of our product candidate portfolio as of the filing date of this Quarterly Report. Our pipeline currently consists of therapeutic candidates across multiple neuropsychiatric indications including depression, cognitive impairment associated with schizophrenia ("CIAS"), opioid use disorder ("OUD"), anxiety, and post-traumatic stress disorder ("PTSD"). We rely on third parties to conduct our preclinical and clinical trials and, as such, progress and timing of these preclinical and clinical trials and related milestone events — including those discussed in greater detail below — may be impacted by several factors including, but not limited to, changes in existing or future contractual obligations or arrangements with these third parties, geographic developments, such as site locations or regulatory requirements, and other changing circumstances associated with these third parties and the clinical trial sites. See the section titled “Risk Factors—Risks Related to Reliance on Third Parties” in the Form 10-K.

Program	Indication	Preclinical	Phase 1	Phase 2	Phase 3	Affiliate Company ¹
PCN-101 / R-ketamine	Treatment-Resistant Depression					Perception Neuroscience
RL-007 / Compound ²	Cognitive Impairment Associated With Schizophrenia					Recognify Life Sciences
GRX-917 / Deuterated etifoxine	Generalized Anxiety Disorder					GABA Therapeutics
VLS-01 / DMT	Treatment-Resistant Depression					Viridia Life Sciences
KUR-101 / Deuterated mitragynine	Opioid Use Disorder					Kures
DMX-1002 / Ibogaine	Opioid Use Disorder					DemeRx IB
EMP-01 / MDMA derivative	Post-Traumatic Stress Disorder					EmpathBio
LIMITED TO EQUITY INTEREST						
COMP360 / Psilocybin ³	Treatment-Resistant Depression					Compass Pathways
COMP360 / Psilocybin ³	Post-Traumatic Stress Disorder					Compass Pathways
COMP360 / Psilocybin ³	Anorexia Nervosa					Compass Pathways

Note: DMT = N,N-dimethyltryptamine; MDMA = 3,4-Methylenedioxymethamphetamine;

- (1) Perception, Recognify, DemeRx IB, and Kures are all VIEs; GABA is a non-consolidated VIE with operational involvement through MSA model; Viridia and EmpathBio are wholly owned subsidiaries; COMPASS Pathways is a non-controlling equity interest.
- (2) RL-007 compound is (2R, 3S)-2-amino-3-hydroxy-3-pyridin-4-yl-1-pyrrolidin-1-yl-propan-1-one(L)-(+)-tartrate salts.
- (3) Developing COMP360, a formulation of psilocybin, administered with psychological support from specially trained therapists.

The following is a summary of our clinical and preclinical programs, including related prior evidence in humans based on third-party clinical trials or studies, recent advancements, and upcoming milestones, as applicable.

Perception Neuroscience: PCN-101(R-Ketamine) for Treatment-Resistant Depression (TRD)

- **Product concept:** PCN-101 is a parenteral formulation of R-ketamine, a glutamatergic modulator that is a component of racemic ketamine and is being developed as a rapid-acting antidepressant, with the potential to be an at-home alternative to S-ketamine (marketed as SPRAVATO®).
- **Prior evidence in humans:** In a third-party, open label clinical trial, another formulation of R-ketamine was observed to produce a rapid and durable response with limited dissociative side effects in a small number of patients with TRD.

- **Recent advancements:** In September 2020, Perception Neuroscience completed a Phase 1 trial of PCN-101, which supported the advancement of PCN-101 into a randomized, double-blind, placebo-controlled Phase 2a proof-of-concept trial designed to assess the efficacy, safety, dose response, and duration of response of a single intravenous (IV) infusion dose of PCN-101 in patients with TRD. In September 2021, this Phase 2a proof-of-concept trial of PCN-101 for TRD was initiated in Europe. Additionally, in December 2021, the U.S. Food and Drug Administration (U.S. FDA) gave Investigational New Drug ("IND") clearance to conduct a clinical DDI study of PCN-101 and to conduct a portion of the PCN-101 Phase 2a proof-of-concept trial in the United States. The clinical phase of the DDI study, which was conducted to assess the pharmacokinetics of PCN-101 when used concurrently with certain classes of other drugs, was completed in June 2022. As of October 2022, the last patient has been dosed in the Phase 2a proof-of-concept study.
- **Upcoming milestones:** A topline data readout of the Phase 2a proof-of-concept trial is expected around year-end 2022. For this study, patients received either a single dose of placebo, 30 mg, or 60 mg of PCN-101 via IV in addition to their existing treatment regimen, and will be assessed for change in depressive symptomology using the Montgomery-Asberg Depression Rate Scale ("MADRS") with the primary endpoint being at 24 hours and secondary assessments at intervals over 14 days. In addition to monitoring for vital signs and adverse events, sedation and dissociation will be assessed via the Modified Observer's Assessment of Alertness ("MOAA/S") scale and the Clinician-Administered Dissociative States Scale ("CADSS"), respectively. The topline results of the DDI trial are also anticipated around year-end 2022. Additionally, a Phase 1 relative bioavailability bridging study of the current intravenous formulation and a subcutaneous formulation supporting at-home use is expected to initiate in the first half of 2023, with topline results available in mid 2023.

Recognify Life Sciences: RL-007 for CIAS

- **Product concept:** RL-007 is an orally available compound that modulates cholinergic, glutamatergic and GABA-B receptors, thereby putatively altering the excitatory/inhibitory balance in the brain to produce pro-cognitive effects. We are developing this compound for the treatment of CIAS.
- **Prior evidence in humans:** In third-party studies, other formulations of this compound have been shown to improve aspects of cognitive function in experimental paradigms involving healthy subjects as well as in a Phase 2 trial in patients suffering from diabetic peripheral neuropathic pain.
- **Recent advancements:** In April 2021, Recognify initiated a Phase 2a proof-of-mechanism study for RL-007 in 32 CIAS patients, after receiving IND clearance from the U.S. FDA to commence clinical trials for the treatment of CIAS. The study was designed to evaluate the effects of RL-007 on safety, tolerability, electroencephalogram-based biomarkers, and cognition. In December 2021, we announced positive biomarker data from the Phase 2a study of RL-007 in CIAS patients. RL-007 was well tolerated and demonstrated a clinically meaningful pro-cognitive profile consistent with previous Phase 1 and Phase 2 trials of this compound. Changes in quantitative electroencephalogram ("qEEG") consistent with a previous Phase 1 trial involving a scopolamine challenge were noted. These results support the progression of RL-007 to a double-blind, placebo-controlled Phase 2b proof-of-concept trial with the goal of demonstrating the pro-cognitive benefit of RL-007 in CIAS.
- **Upcoming milestones:** We anticipate the Phase 2b proof-of-concept trial to be initiated by the end of this year with results expected in the first half of 2024.

GABA: GRX-917 (deuterated Etifoxine) for GAD

- **Product concept:** GRX-917 is a deuterated version of etifoxine, a compound that is approved as a treatment for anxiety disorders in France and other countries. GRX-917 is anticipated to provide the same differentiated clinical profile as etifoxine with the increased metabolic stability conferred by deuteration potentially resulting in lower doses and/or less frequent dosing.
- **Prior evidence in humans:** Etifoxine has been shown to have both the rapid onset and magnitude of anxiolytic efficacy of benzodiazepines, without their sedating or addicting properties. Furthermore, etifoxine is not associated with abuse, dependence or respiratory depression and has been observed to have no significant impact on motor skills or cognition.
- **Recent advancements:** In June 2021, GABA initiated a Phase 1 single and multiple ascending dose trial of GRX-917. The Phase 1 trial was a randomized, double-blind, placebo-controlled study of the safety, tolerability and pharmacokinetics of single and multiple-ascending doses of GRX-917 up to 300mg given every twelve hours for seven days. In October 2022, we announced positive preliminary results in the Phase 1 study. GRX-917 was well-tolerated with no dose-limiting toxicities, and both single ascending dose and multiple ascending doses showed only mild adverse events comparable to placebo. Additionally, the data confirmed an improved pharmacokinetic profile including longer half-life and increased bioavailability compared to etifoxine. Quantitative electroencephalography (qEEG) data showed dose-dependent increases in frontal beta power, providing evidence of target engagement and mechanism of action.
- **Upcoming milestones:** We anticipate initiating an efficacy study in healthy volunteers in the second half of 2022 with results expected in the second half of 2023.

Viridia Life Sciences: VLS-01(N,N-dimethyltryptamine) for TRD

- **Product concept:** VLS-01 is a buccal transmucosal film formulation of DMT, the active moiety of the traditional hallucinogenic drink ayahuasca. DMT is characterized by an intrinsically short duration of psychedelic effect, with a serum half-life estimated at less than 10 minutes. VLS-01 is formulated to provide a psychedelic experience lasting 30 to 45 minutes, thus potentially enabling a shorter clinic visit compared to many other psychedelic compounds that may require a patient to be monitored for four or more hours.
- **Prior evidence in humans:** Ayahuasca administration was shown to provide significant antidepressant effects compared with placebo at one, two and seven days after dosing in a double-blind, randomized, placebo-controlled third-party clinical trial in patients with TRD.
- **Recent advancements:** A Phase 1 open-label single ascending dose trial of VLS-01 was initiated in May of this year. The study compares the safety, tolerability, and pharmacokinetics of VLS-01 administered by both buccal and oral routes, as well as the pharmacodynamics of DMT using qEEG and other measures. The Phase 1 trial is the first application of our app-based digital therapeutics technology (DTx) to a pipeline product, and this technology will be used to prepare subjects prior to dosing. In October 2022, we announced that the first patient was dosed.
- **Upcoming milestones:** We expect topline results for the Phase 1 study during the first half of 2023. Additionally, we expect the initiation of a Phase 2a proof-of-concept study in the first half of 2023, with results expected in the first half of 2024.

Kures: KUR-101(deuterated mitragynine) for OUD

- **Product concept:** KUR-101 is a formulation of deuterated mitragynine that is being developed for the treatment of OUD. Mitragynine is the active component of the leaves of the kratom tree (*Mitragyna speciosa*).
- **Prior evidence in humans:** Kratom has a long history of traditional medicine use as an analgesic in parts of Southeast Asia, and its use in the United States has increased in recent years, particularly amongst individuals seeking to reduce prescription opioid consumption or manage opioid withdrawal symptoms. Published third-party human data involving isolated mitragynine are limited, but recent mechanistic insights suggest that this compound may be well-suited for the medically assisted therapy of OUD.
- **Recent advancements:** KUR-101 is being evaluated in a Phase 1 randomized, double-blind, two-part study of the safety, tolerability, pharmacokinetics, analgesic and respiratory effects of KUR-101 in healthy volunteers. Part 1 is a five-cohort, single ascending dose study of KUR-101. Part 2 is a three-period crossover study to compare the analgesic and respiratory effects of a single dose of KUR-101, a single dose of immediate release oxycodone (OxyNorm®), and a single dose of placebo in healthy male volunteers. As of September 2022, Part 1 of the Phase 1 trial has been completed. Preliminary results indicated that KUR-101 is generally well-tolerated and that a single ascending dosing of KUR-101 produces dose-dependent analgesia (pain relief) with effects on respiration comparable to that of a placebo, as well as a dose-proportional pharmacokinetic (“PK”) profile that was unaffected by food. Dosing of subjects in Part 2 of the trial was completed in October 2022.
- **Upcoming milestones:** Part 2 of the Phase 1 study is designed to be a head-to-head comparator trial of KUR-101 versus the standard of care (oxycodone). Safety and analgesia data from this study are expected by the end of 2022.

DemeRx IB: DMX-1002 (ibogaine) for OUD

- **Product concept:** DMX-1002 is an oral formulation of ibogaine, a cholinergic, glutamatergic and monoaminergic receptor modulator that is a naturally occurring psychedelic product isolated from a West African shrub, which we are developing for the treatment of OUD.
- **Prior evidence in humans:** In third-party open label studies evaluating other formulations of ibogaine, significant reductions in opioid cravings were observed, both at discharge and at one month post treatment, and these were associated with improved mood in patients with OUD.
- **Recent advancements:** DMX-1002 is being tested in an ongoing Phase 1/2 trial to evaluate its safety, tolerability, pharmacokinetics, and efficacy in recreational drug users and healthy volunteers, to help inform future studies in patients with OUD. The dosing of 2 cohorts have been completed and dosing of participants of cohort 3 is scheduled to begin in the first half of 2023.
- **Upcoming milestones:** We expect safety data from the Phase 1 period of the trial in the first half of 2023.

EmpathBio: EMP-01 (MDMA derivative) for PTSD

- **Product concept:** EMP-01 is an oral formulation of an MDMA derivative being developed for the treatment of PTSD. We are developing EMP-01 for the potential to have an improved therapeutic index compared to racemic MDMA.
- **Prior evidence in humans:** In a meta-analysis of 21 third-party trials of other formulations of MDMA combined with psychotherapy for the treatment of PTSD, the benefits of such treatment were statistically significant versus placebo or active placebo-assisted therapy alone. In addition, a recent third-party randomized, double-blind, placebo-controlled phase 3 study of 90 patients with severe PTSD showed a statistically significant reduction in PTSD symptoms in the MDMA-assisted psychotherapy group versus placebo.
- **Recent advancements:** In September 2022, after having received Medsafe central regulatory and the Health and Disability Ethics Committees approvals, we initiated our Phase 1 single ascending dose trial to assess the safety and tolerability of orally administered EMP-01 in up to 32 healthy volunteers. This trial will also incorporate our digital therapeutics technology, with the technology used to prepare subjects prior to dosing.
- **Upcoming milestones:** We anticipate topline results for the Phase 1 study in the second half of 2023.

Our Ownership Position in COMPASS

In addition to our emerging clinical and preclinical programs and enabling technologies, we led the Series A financing round in 2018 for COMPASS, co-led their Series B financing round in 2020 and continue to hold a significant equity ownership position in COMPASS. COMPASS is developing its investigational COMP360 psilocybin therapy, with an initial focus on TRD. Early signals from academic studies, using formulations of psilocybin not developed by COMP 360, have shown that psilocybin therapy may have the potential to improve outcomes for patients suffering with TRD, with rapid reductions in depression symptoms and effects lasting up to six months, after administration of a single high dose. In 2019, COMPASS completed a Phase 1 clinical trial administering COMP360, along with psychological support, the results of which showed that COMP360 was generally well-tolerated, supporting continued progression of Phase 2b studies. In November 2021, COMPASS announced positive topline results from its Phase 2b clinical trial evaluating COMP360 in conjunction with psychological support for the treatment of TRD. The topline results from the 233-participant trial showed a rapid and sustained response for patients receiving a single dose of COMP360 psilocybin with psychological support. COMPASS anticipates the initiation of a Phase 3 program in the fourth quarter of 2022, which is composed of three clinical trials, two pivotal trials and one long-term follow-up.

In addition, beyond TRD, COMPASS has on-going, multicenter Phase 2 trials in anorexia nervosa and PTSD. It is conducting a double-blind, randomized controlled Phase 2 clinical trial investigating the efficacy of COMP360 psilocybin, administered with psychological support, in people with anorexia nervosa and is conducting a Phase 2 clinical trial to assess the safety and tolerability of COMP360 psilocybin therapy in PTSD.

As of September 30, 2022, we beneficially owned 9,565,774 shares representing a 22.5% equity interest in COMPASS. Certain of our founding investors were also seed investors and founders of COMPASS. Our interest in the product candidates of COMPASS is limited to the potential appreciation of our equity interest.

Our Enabling Technologies

We believe our enabling technologies have the potential to support the development of our pipeline and be used as patient support tools. We currently have three enabling technologies housed at our atai companies: Introspect Digital Therapeutics, InnarisBio, and IntelGenx Technologies, which is a strategic investment of ours. Furthermore, products from Introspect Digital Therapeutics, InnarisBio, and IntelGenx Technologies are currently being tested in humans. We intend to use these enabling technologies to support the future development of our programs. For more information regarding our enabling technologies, see the section titled “Enabling Technologies” in Part 1, Item 1 of our Form 10-K filed with the SEC.

Our Drug Discovery Companies

Although we are currently prioritizing certain clinical phase programs as described further under the section titled “Impactful Capital Allocation and Strategic Value Capture,” above we also believe in the development of innovative and scalable solutions to better meet patient needs. In November 2019, we acquired a majority interest in EntheogeniX Biosciences, a controlled variable interest entity, which is based on an AI-enabled computational biophysics platform designed to optimize and accelerate drug discovery. PsyProtix, a majority owned subsidiary we launched in February 2021, is developing metabolomics-based biomarkers that stratify TRD patients with the aim of improving patient outcomes through a precision psychiatry approach. In addition, in December 2021 and January 2022, respectively, we announced the launch of two new companies, TryptageniX and Invyxis, to support this commitment in driving next-generation approaches in the treatment of mental health disorders. The approaches of these two companies’ to drug discovery are highly complementary to that of EntheogeniX Biosciences. TryptageniX will specialize in the biosynthesis of our naturally derived development candidates and Invyxis will bring proven medicinal chemistry tools and comprehensive biological screening approaches to our growing enterprise of drug

discovery and design. Expanding intellectual property has been essential to our strategy since inception, with key investments made to unlock NCEs. We have already made substantial progress in our drug discovery efforts to date, synthesizing and screening over 300 compounds and identifying novel scaffolds that display potential in targeting mental health disorders. For more information regarding our drug discovery companies, see the section titled “Drug Discovery Companies” in Part 1, Item 1 our Form 10-K filed with the SEC.

Financial Overview

Since our inception in 2018, we have focused substantially all of our efforts and financial resources on acquiring and developing product and technology rights, establishing our platform, building our intellectual property portfolio and conducting research and development activities for our product candidates within our atai companies that we consolidate based on our controlling financial interest of such entities. We operate a decentralized model to enable scalable drug or technological development at our atai companies. Our atai companies drive development of our programs and enabling technologies that we have either acquired a controlling or significant interest in or created *de novo*. We believe that this model provides our development teams the support and incentives to rapidly advance their therapeutic candidates or technologies in a cost-efficient manner. We look to optimize deployment of our capital in order to maximize value for our stakeholders.

Wholly owned subsidiaries and VIEs with greater than 50% ownership and deemed control are consolidated in our financial statements, and our net income (loss) is reduced for the non-controlling interest of the VIE’s share, resulting in net income (loss) attributable to atai stockholders.

Investments, where we have ownership in the underlying company’s equity greater than 20% and less than 50%, or where we have significant influence, are recorded under the equity method. We then record losses from investments in equity method investees, net of tax, for our proportionate share of the underlying company’s net results until the investment balance is adjusted to zero. If we make subsequent additional investments in that same company, we may record additional gains(losses) based on changes to our investment basis and also may record additional income(loss) in equity method investments.

We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of our common shares and from issuances of convertible notes and term loans.

Factors and Trends Affecting our Results of Operations

We believe that the most significant factors affecting our results of operations include:

Research and Development Expenses

Our ability to successfully develop innovative product candidates through our programs will be the primary factor affecting our future growth. Our approach to the discovery and development of our product candidates is still being demonstrated. As such, we do not know whether we will be able to successfully develop any of our product candidates. Developing novel product candidates requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. We have chosen to leverage our platform to initially focus on advancing our product candidates in the area of mental health.

All of our product candidates are still in development stages, and we have incurred and will continue to incur significant research and development costs for preclinical studies and clinical trials. We expect that our research and development expenses will constitute the most substantial part of our expenses in future periods in line with the advancement and expansion of the development of our product candidates.

Acquisitions/Investments

To continue to grow our business and to aid in the development of our various product candidates, we are continually acquiring and investing in companies that share our common goal towards advancing transformative treatments, including psychedelic compounds and digital therapeutics, for patients that suffer from mental health disorders.

Acquisition of In-Process Research and Development Expenses

In an asset acquisition, including the initial consolidation of a VIE that is not a business, acquired in-process research and development, or IPR&D, with no alternative future use is charged to the consolidated statements of operations as a component of operating expenses at the acquisition date.

Since inception, we have grown primarily by continually acquiring and investing in other companies. Our IPR&D expenses for the three and nine months ended September 30, 2022, were \$0 and \$0.4 million, respectively, representing 0% and 0.3%, respectively, of our total operating expenses. Our IPR&D expenses for the three and nine months ended September 30, 2021 were \$0 and \$9.0 million, respectively, representing 0% and 8.1%, respectively, of our total operating expenses. As we continue to acquire and invest in companies, we expect our IPR&D expenses to increase.

Stock-Based Compensation

In August 2020, we adopted the 2020 Equity Incentive Plan (the “2020 Incentive Plan”) and the Hurdle Share Option Plan (the “HSOP Plan”), which allowed us to grant stock-based awards to executive officers, directors, employees and consultants. Prior to our IPO, we issued stock options that vest over a two to four-year service period, only if and when a “Liquidity Event” (as defined in the plans) occurs, with accelerated vesting if a Liquidity Event occurred by specified dates. Upon the closing of our IPO, the stock-based award vesting contingent upon a Liquidity Event was no longer deferred.

Effective April 23, 2021, we adopted and our shareholders approved the 2021 Incentive Award Plan (the “2021 Incentive Plan”). The 2021 Incentive Plan enables us to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to our executive officers, directors and other employees and consultants. Any shares subject to outstanding options originally granted under the 2020 Incentive Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant to the 2021 Incentive Plan. For the three months ended September 30, 2022 and 2021, we incurred \$10.5 million and \$12.2 million of stock-based compensation expense, respectively. For the nine months ended September 30, 2022 and 2021, we incurred \$30.2 million and \$50.0 million of stock-based compensation expense, respectively.

Impact of COVID-19

The COVID-19 pandemic has continued to present global public health and economic challenges. Although some research and development timelines have been impacted by delays related to the COVID-19 pandemic, we have not experienced material financial impacts on our business and operations as a result. The full extent to which the COVID-19 pandemic will continue to directly or indirectly impact our results of operations and financial condition, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat it, the success or failure of ongoing vaccination programs worldwide, the emergence and spread of additional variants of COVID-19, as well as the overall impact on local, regional, national and international markets and the global economy. We continue to monitor the impact of the COVID-19 pandemic on our employees and business, including working remotely on a part or full time basis, and have, and will continue to, undertake business continuity measures to mitigate potential disruption to our operations and safety of our employees. For a discussion of the risks related to COVID-19 and impact to our Company’s business and operations, including our research and development programs and related clinical trials, refer to the section titled “Risk Factors” in Part I, Item 1A of the Form 10-K.

Basis of Presentation and Consolidation

Since our inception, we have created wholly owned subsidiaries or made investments in certain controlled entities, including partially-owned subsidiaries for which we have majority voting interest under the VOE model or for which we are the primary beneficiary under the VIE model, which we refer to collectively as our consolidated entities. Ownership interests in entities over which we have significant influence, but not a controlling financial interest, are accounted for as cost and equity method investments. Ownership interests in consolidated entities that are held by entities other than us are reported as redeemable convertible noncontrolling interests and noncontrolling interests in our condensed consolidated balance sheets. Losses attributed to redeemable convertible noncontrolling interests and noncontrolling interests are reported separately in our condensed consolidated statements of operations.

Components of Our Results of Operations

Revenue

On March 11, 2021, Perception Neuroscience, Inc. (“Perception”) entered into a license and collaboration agreement (the “Otsuka Agreement”), with Otsuka Pharmaceutical Co., LTD (“Otsuka”), under which we granted exclusive rights to Otsuka to develop and commercialize certain products containing arketamine in Japan for the treatment of depression and other select indications. Perception received an upfront, non-refundable payment of \$20.0 million in June 2021 and we are also eligible to receive up to \$35.0 million if certain development and regulatory milestones are achieved and up to \$66.0 million in commercial milestones upon the achievement of certain commercial sales thresholds. Perception is eligible to receive tiered, royalties ranging from low-teens to high-teens on net sales of licensed products subject to reduction in certain circumstances.

In March 2021, we satisfied the performance obligation related to the license upon delivery of the license and recognized the amount of \$19.7 million allocated to the license as license revenue. Additionally, in March 2021 we recognized revenues of \$0.4 million related to certain research and development services. As of September 30, 2021, we had current deferred revenue of \$0.2 million due to certain research and development services under the Otsuka Agreement which will be recognized over time as the respective study results are delivered. To date, there have been no milestones achieved under the Otsuka Agreement. License revenue of \$0.3 million and \$20.1 million was recorded for the three and nine months ended September 30, 2021, respectively.

We recognized \$0.2 million of license revenue for the nine months ended September 30, 2022. We recognized an immaterial amount of license revenue for the three months ended September 30, 2022. The remaining deferred revenue balance related to the Otsuka Agreement is not material as of September 30, 2022. To date, there have been no milestones achieved under the Otsuka Agreement.

For the foreseeable future, we may generate revenue from reimbursements of services under the Otsuka Agreement, as well as milestone payments under our current and/or future collaboration agreements. We do not expect to generate any revenue from the sale of products unless and until such time that our product candidates have advanced through clinical development and regulatory approval, if ever. We expect that any revenue we generate, if at all, will fluctuate from year-to-year as a result of the timing and amount of payments relating to such services and milestones and the extent to which any of our products are approved and successfully commercialized. Our ability to generate future revenues will also depend on our ability to complete preclinical and clinical development of product candidates or obtain regulatory approval for them.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts and the development of our product candidates, which include:

- employee-related expenses, including salaries, related benefits and stock-based compensation, for employees engaged in research and development functions;
- expenses incurred in connection with the preclinical and clinical development of our product candidates, including our agreements with third parties, such as consultants and contract research organizations (“CROs”);
- expenses incurred under agreements with consultants who supplement our internal capabilities;
- the cost of lab supplies and acquiring, developing and manufacturing preclinical study materials and clinical trial materials;
- costs related to compliance with regulatory requirements;
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other operating costs; and
- payments made in connection with third-party licensing agreements.

Research and development costs, including costs reimbursed under the Otsuka Agreement, are expensed as incurred, with reimbursements of such amounts being recognized as revenue. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received.

Our direct research and development expenses are tracked on a program-by-program basis for our product candidates and consist primarily of external costs, such as fees paid to outside consultants, CROs, contract manufacturing organizations (“CMOs”) and research laboratories in connection with our preclinical development, process development, manufacturing and clinical development activities. Our direct research and development expenses by program also include fees incurred under third-party license agreements.

We do not allocate internal research and development expenses consisting of employee and contractor-related costs, to specific product candidate programs because these costs are deployed across multiple product candidate programs under research and development and, as such, are separately classified.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase for the foreseeable future in connection with our planned preclinical and clinical development activities in the near term and in the future.

The successful development of our product candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our product candidates. This is due to the numerous risks and uncertainties associated with developing products, including the uncertainty of whether (i) any clinical trials will be conducted or progress as planned or completed on schedule, if at all, (ii) we obtain regulatory approval for our product candidates and (iii) we successfully commercialize product candidates.

Acquisition of In-Process Research and Development Expenses

Acquisition of IPR&D expenses consist of acquired in-process research and development with no future alternative use based on the probability of clinical success.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions, professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, which include allocated expenses for rent and maintenance of facilities, advertising, and information technology-related expenses.

We expect that our general and administrative expenses will increase in the future as we increase our general and administrative headcount to support our continued research and development and potential commercialization of our product candidates. We also have incurred increased expenses associated with being a public company, including increased costs for accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance costs, and investor and public relations costs.

Other Income (Expense), Net

Interest Income

Interest income consists of interest earned on cash balances held in interest-bearing accounts and interest earned on notes receivable. We expect that our interest income will fluctuate based on the timing and ability to raise additional funds as well as the amount of expenditures for our research and development of our product candidates and ongoing business operations.

Change in Fair Value of Contingent Consideration Liability—Related Parties

Changes in fair value of contingent consideration liability—related parties, consists of subsequent remeasurement of our contingent consideration liability—related parties with Perception, TryptageniX and InnarisBio for which we record at fair value. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion of our contingent consideration liability—related parties.

Change in Fair Value of Derivative Liability

Changes in fair value of derivative liability consists of subsequent remeasurement of our derivative liability relating to certain embedded features contained in the Perception convertible promissory notes for which we record at fair value. The Perception convertible promissory notes were converted during June 2021. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion of the Perception convertible promissory notes.

Change in Fair Value of Warrant Liability

Changes in fair value consist of subsequent remeasurement of our warrant liability relating to issued and outstanding warrants to purchase shares of Neuronasal's common stock acquired in connection with the acquisition of Neuronasal in May 2021.

Change in Fair Value of Securities carried at Fair Value

Changes in fair value of securities consists of changes in fair value of available for sale securities. We first purchased securities in January 2022.

Unrealized Loss on Other Investments Held at Fair Value

In May 2021, we received IntelGenx common shares, warrants and additional unit warrants for a price of approximately \$12.3 million. We determined that the initial aggregate fair value is equal to the transaction price and recorded the common shares at \$3.0 million, the warrants at \$1.2 million and the additional unit warrants at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the condensed consolidated statements of operations. Subsequently, changes in fair value of the common shares, the warrants and additional unit warrants are recorded as a component of other income (expense), net in the condensed consolidated statement of operations.

Loss on Conversion of Convertible Promissory Notes

In June 2021, upon the funding of the Otsuka Agreement, the Perception convertible promissory notes were converted into Perception Series A preferred stock. The loss represents the difference between (i) carrying value including derivative liability of the Perception December 2020 Notes of \$2.2 million and (ii) the fair value of Perception Series A preferred stock into which the notes converted of \$2.7 million.

Gain on Consolidation of a Variable Interest Entity

Gain on consolidation of a variable interest entity resulted from the purchase of additional shares of Neuronasal in May 2021. The gain was calculated as the sum of the consideration paid of \$1.0 million, the fair value of the noncontrolling interest issued of \$3.0 million, the carrying value of our investments in Neuronasal's common stock and preferred stock prior to May 2021 of \$0.8 million, less the fair value of identifiable net assets acquired of \$8.3 million.

Foreign exchange gain (loss), net

Foreign exchange gain (loss), net consists of the impact of changes in foreign currency exchange rates on our foreign exchange denominated assets and liabilities, relative to the U.S. dollar. The impact of foreign currency exchange rates on our results of operations fluctuates period over period based on our foreign currency exposures resulting from changes in applicable exchange rates associated with our foreign denominated assets and liabilities.

Other Income (Expense), net

Other income (expense), net consists principally of interest expense and impairment related to our other investments. Interest expense consists primarily of interest expense incurred in connection with our term loan under the Loan Agreement entered into in August 2022. Upon closing of the Loan Agreement, Hercules Capital, Inc. issued a term loan advance in the amount of \$15.0 million. See “—Liquidity and Capital Resources—Indebtedness” below for further discussion of the 2022 Term Loan Facility.

Provision For Income Taxes

For our consolidated entities, deferred income taxes are provided for the effects of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

We regularly assess the need to record a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Accordingly, we maintain a full valuation allowance against net deferred tax assets for all entities except for certain subsidiaries in Australia, the United States, and the United Kingdom as of September 30, 2022 which primarily relate to German and international tax loss carryforwards. In assessing the realizability on deferred tax assets, we consider whether it is more-likely-than-not that some or all of deferred tax assets will not be realized. The future realization of deferred tax assets is subject to the existence of sufficient taxable income of the appropriate character (e.g., ordinary income or capital gain) as provided under the carryforward provisions of local tax law. We consider the scheduled reversal of deferred tax liabilities (including the effect in available carryback and carryforward periods), future projected taxable income, including the character and jurisdiction of such income, and tax-planning strategies in making this assessment.

Unrecognized tax benefits arise when the estimated benefit recorded in the financial statements differs from the amounts taken or expected to be taken in a tax return because of the considerations described above. As of September 30, 2022 and December 31, 2021, we had no unrecognized tax benefits.

Gain on Dilution of Equity Method Investment

In May 2021, COMPASS completed an additional round of equity financing through the offering of 4,000,000 American Depositary Shares. We participated in this financing round but did not purchase enough shares to maintain our ownership percentage. As the purchase of shares resulted in a decrease in our equity ownership percentage in COMPASS, we recorded a gain on dilution of \$16.9 million.

Losses from Investments in Equity Method Investees, Net of Tax

Losses from investments in equity method investees, net of tax consists of our share of equity method investees losses on the basis of our equity ownership percentage, IPR&D charges resulting from basis differences and impairment related to our equity method investments.

Net Loss Attributable to Redeemable Noncontrolling Interests and Noncontrolling Interests

Net loss attributable to redeemable noncontrolling interests and noncontrolling interests in our consolidated statements of operations is a result of our investments in certain of our consolidated VIEs and consists of the portion of the net loss of these consolidated entities that is not allocated to us. Net losses in consolidated VIEs are attributed to redeemable noncontrolling interests and noncontrolling interests considering the liquidation preferences of the different classes of equity held by the shareholders in the VIE and their respective interests in the net assets of the consolidated VIE in the event of liquidation, and their pro rata ownership. Changes in the amount of net loss attributable to redeemable noncontrolling interests and noncontrolling interests are directly impacted by changes in the net loss of our VIEs and our ownership percentage changes.

Results of Operations

Comparison of the Three Months Ended September 30, 2022 and 2021 (unaudited)

	Three Months Ended September 30, (unaudited)		\$ Change	% Change
	2022	2021		
License revenue	\$ 24	\$ 266	(242)	-90.98%
Operating expenses:				
Research and development	19,028	13,363	5,665	42.39%
General and administrative	19,419	20,264	(845)	-4.17%
Total operating expenses	38,447	33,627	4,820	14.33%
Loss from operations	(38,423)	(33,361)	(5,062)	15.17%
Other income (expense), net:				
Interest income	145	8	137	1712.50%
Change in fair value of contingent consideration liability - related parties	430	469	(39)	-8.32%
Change in fair value of warrant liability	—	47	(47)	-100.00%
Change in fair value of securities carried at fair value	344	—	344	100.00%
Unrealized loss on other investments held at fair value	—	(70)	70	-100.00%
Foreign exchange gain (loss), net	4,470	6,462	(1,992)	-30.83%
Other expense, net	(100)	(29)	(71)	244.83%
Total other income (expense), net	5,289	6,887	(1,598)	-23.20%
Loss before income taxes	(33,134)	(26,474)	(6,660)	25.16%
Provision for income taxes	(135)	(368)	233	-63.32%
Losses from investments in equity method investees, net of tax	(2,432)	(4,800)	2,368	-49.33%
Net loss	\$ (35,701)	\$ (31,642)	(4,059)	12.83%
Net loss attributable to redeemable noncontrolling interests and noncontrolling interests	(1,814)	(484)	(1,330)	274.79%
Net loss attributable to ATAI Life Sciences N.V. stockholders	\$ (33,887)	\$ (31,158)	\$ (2,729)	8.76%

License Revenue

We recognized an immaterial amount of license revenue for the three months ended September 30, 2022, compared to \$0.3 million for the three months ended September 30, 2021. The decrease of \$0.2 million was related to certain research and development services provided pursuant to the Otsuka Agreement signed in March 2021. The remaining deferred revenue balance related to the Otsuka Agreement is not material as of September 30, 2022.

Research and Development Expenses

The table and discussion below present research and development expenses for the three months ended September 30, 2022 and 2021:

	<u>Three Months Ended September 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>		
	(in thousands, except percentages)			
Direct research and development expenses by program:				
PCN-101 (Perception)	\$ 3,696	\$ 1,340	\$ 2,356	175.8%
EMP-01 (EmpathBio Inc)	1,100	337	763	226.3%
KUR-101 (Kures)	1,057	992	65	6.5%
RL-007 (Recognify)	1,050	786	264	33.6%
Novel drug compounds (Invyxis)	1,035	—	1,035	100.0%
DMX-1002 (DemeRx IB)	670	841	(171)	-20.4%
Novel compounds (TryptageniX)	564	—	564	100.0%
Novel compounds (EntheogeniX)	552	195	357	183.1%
VLS-01 (Viridia)	522	526	(4)	-0.7%
RLS-01 (Revixia)	453	275	178	64.9%
Novel drug delivery (InnarisBio)	322	271	51	18.9%
Other (Introspect, Psyber, Psyprotix, Neuronasal)	147	377	(231)	-61.1%
Unallocated research and development expenses:				
Personnel expenses	7,396	7,159	237	3.3%
Professional and consulting services	262	75	187	248.9%
Other	202	189	13	6.9%
Total research and development expenses	<u>\$ 19,028</u>	<u>\$ 13,363</u>	<u>\$ 5,665</u>	42.4%

Research and development expenses were \$19.0 million for the three months ended September 30, 2022, compared to \$13.4 million for the three months ended September 30, 2021. The increase of \$5.6 million was primarily attributable to a \$5.2 million increase of direct costs at the platform companies as discussed below, a \$0.2 million net increase in personnel costs, which included a \$1.3 million decrease in stock-based compensation and a \$0.2 million increase in professional and consulting services fees.

The \$2.3 million increase in direct costs for PCN-101 was primarily due to an increase of \$1.4 million in clinical development costs, \$0.6 million increase in preclinical development costs, \$0.2 million increase in manufacturing costs and \$0.1 million of increased personnel costs.

The \$0.8 million increase in direct costs for EMP-001 was primarily due to an increase of \$0.7 million in preclinical development costs, \$0.2 increase in clinical development costs, offset by \$0.1 million decrease in manufacturing costs.

The \$0.1 million increase in direct costs for KUR-101 was primarily due to \$0.9 million increase in clinical development costs, offset by \$0.8 million decrease in preclinical development costs.

The \$0.3 million increase in direct costs for the RL-007 program was primarily due to an increase of \$0.1 million in clinical development costs and increase of \$0.1 million in manufacturing costs.

The direct costs of \$1.0 million for Invyxis relate to preclinical development and discovery costs.

The \$0.2 million decrease in direct costs for the DMX-1002 program relates to a decrease of \$0.1 million in clinical development costs and \$0.1 million decrease in preclinical development costs.

The direct costs of \$0.6 million for TryptageniX relate to preclinical development and discovery costs.

The \$0.4 million increase in direct costs for EntheogeniX was primarily due to \$0.4 million increase in preclinical development costs, partially offset by a slight decrease in manufacturing costs.

The direct costs for VLS-01 were consistent period over period due to \$0.3 million decrease in preclinical development and manufacturing costs, mostly offset by \$0.3 million increase in clinical development costs.

The \$0.2 million increase of direct costs for RLS-01 was primary attributable to preclinical development costs.

The \$0.1 million increase in direct costs for InnarisBio primarily relates to an increase in manufacturing costs.

During the three months ended September 30, 2022, we incurred \$0.2 million of direct costs in association with IntroSpect, Psyber, Psyprotix, and Neuronasal; direct costs associated with these programs were related to preclinical development and initial clinical-stage activities.

General and Administrative Expenses

General and administrative expense was \$19.4 million for the three months ended September 30, 2022 compared to \$20.3 million for the three months ended September 30, 2021. The decrease of \$0.9 million was largely attributable to a \$2.6 million reduction in value-added tax expense and \$0.7 million decrease in insurance cost, partially offset by a \$1.3 million increase in personnel costs, which included a \$0.4 million decrease in stock-based compensation and \$1.1 million increase in investor relations and other costs.

Interest Income

Interest income for the three months ended September 30, 2022 and 2021 primarily consisted of interest earned on our cash balances and notes receivable during these periods. Interest income did not change materially for the three months ended September 30, 2022 and 2021.

Change in Fair Value of Contingent Consideration Liability—Related Parties

The milestone and royalty payments in relation to the acquisition of Perception, InnarisBio and TryptageniX were recorded at the acquisition date or at the exercise date related to the call option, and is subsequently remeasured to fair value. For the three months ended September 30, 2022 we recognized income of \$0.4 million and for the three months ended September 30, 2021, we recognized income of \$0.5 million. The immaterial change in the fair value of the contingent consideration liability were primarily due to updates to certain assumptions used to calculate the Perception and TryptageniX contingent consideration liabilities, such as the discount rate.

Change in Fair Value of Warrant Liability

Changes in fair value consist of subsequent remeasurement of our warrant liability relating to issued and outstanding warrants to purchase shares of Neuronasal's common stock acquired in connection with the acquisition of Neuronasal in May 2021. The change in fair value of warrant liability for the three months ended September 30, 2022 and 2021 was not material.

Change in Fair Value of Securities carried at Fair Value

Changes in fair value of securities consists of changes in fair value of available for sale securities. We purchased the securities in January 2022. During the three months ended September 30, 2022, we recognized a gain of \$0.3 million relating to the change in fair value of securities.

Foreign Exchange Gain (Loss), net

We recorded a gain of \$4.5 million related to foreign currency exchange rates for the three months ended September 30, 2022 and a gain of \$6.4 million related to foreign currency exchange rate for the three months ended September 30, 2021. This was due to the impact of fluctuations in the foreign currency exchange rate between the Euro and the U.S. dollar on our foreign denominated balances.

Other expense, net

Other expense, net primarily consists of interest expense incurred in connection with our term loan under the Loan Agreement entered into in August 2022. Upon closing of the Loan Agreement, Hercules Capital, Inc. issued a term loan advance in the amount of \$15.0 million. The increase of \$0.1 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 was attributed to an increase in principal amounts of our debt.

Provision For Income Taxes

We incurred current income tax expense of \$0.1 million for the three months ended September 30, 2022 compared to \$0.4 million for the three months ended September 30, 2021. Our current income tax expense relates to book profits and thus taxable profits generated in our United States, Australian, and United Kingdom based subsidiaries.

Losses from Investments in Equity Method Investees

Losses from investment in equity method investees for the three months ended September 30, 2022 and 2021 was \$2.4 million and \$4.8 million, respectively. Loss from investment in equity method investees represents our share of equity method investee losses on the basis of our equity ownership percentages or based on our proportionate share of the respective class of securities in our other investments in the event that the carrying amount of our equity method investments was zero.

Comparison of the Nine Months Ended September 30, 2022 and 2021 (unaudited)

	Nine Months Ended September 30, (unaudited)		\$ Change	% Change
	2022	2021		
License revenue	\$ 195	\$ 20,146	(19,951)	-99.03%
Operating expenses:				
Research and development	52,437	34,974	17,463	49.93%
Acquisition of in-process research and development	357	8,934	(8,577)	-96.00%
General and administrative	54,623	66,868	(12,245)	-18.31%
Total operating expenses	107,417	110,776	(3,359)	-3.03%
Loss from operations	(107,222)	(90,630)	(16,592)	18.31%
Other income (expense), net:				
Interest income	361	80	281	351.25%
Change in fair value of contingent consideration liability - related parties	525	(191)	716	-374.87%
Change in fair value of derivative liability	—	41	(41)	-100.00%
Change in fair value of warrant liability	53	87	(34)	-39.08%
Change in fair value of securities carried at fair value	(981)	—	(981)	0.00%
Unrealized loss on other investments held at fair value	—	(5,530)	5,530	-100.00%
Loss on conversion of convertible promissory notes	—	(513)	513	-100.00%
Gain on consolidation of a variable interest entity	—	3,543	(3,543)	-100.00%
Foreign exchange gain (loss), net	11,515	5,446	6,069	111.44%
Other income (expense), net	(112)	(355)	243	-68.45%
Total other income (expense), net	11,361	2,608	8,753	335.62%
Loss before income taxes	(95,861)	(88,022)	(7,839)	8.91%
Provision for income taxes	(227)	(432)	205	-47.45%
Gain on dilution of equity method investments	—	16,923	(16,923)	-100.00%
Losses from investments in equity method investees, net of tax	(14,680)	(9,440)	(5,240)	55.51%
Net loss	\$ (110,768)	\$ (80,971)	(29,797)	36.80%
Net loss attributable to redeemable noncontrolling interests and noncontrolling interests	(3,394)	(2,040)	(1,354)	66.37%
Net loss attributable to ATAI Life Sciences N.V. stockholders	\$ (107,374)	\$ (78,931)	\$ (28,443)	36.04%

License Revenue

Perception satisfied the performance obligation related to the license under the Otsuka Agreement upon delivery of the license and we recognized \$19.7 million allocated to the license as license revenue during the nine months ended September 30, 2021. Additionally, we recognized revenues of \$0.4 million related to certain research and development services during the nine months ended September 30, 2021. For the nine months ended September 30, 2022, the Company recognized revenue of \$0.2 million related to certain research and development services performed during the period. No other performance obligations were satisfied during the nine month period ended September 30, 2022.

Research and Development Expenses

The table and discussion below present research and development expenses for the nine months ended September 30, 2022 and 2021:

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	<u>% Change</u>
	<u>2022</u>	<u>2021</u>		
	(in thousands, except percentages)			
Direct research and development expenses by program:				
PCN-101 (Perception)	\$ 9,503	\$ 5,412	\$ 4,091	75.6%
EMP-01 (EmpathBio Inc)	\$ 3,542	668	2,874	430.3%
KUR-101 (Kures)	\$ 3,065	1,680	1,385	82.4%
VLS-01 (Viridia)	\$ 2,098	1,593	505	31.7%
Novel drug compounds (Invyxis)	\$ 2,831	—	2,831	100.0%
DMX-1002 (DemeRx IB)	\$ 2,160	2,676	(516)	-19.3%
RLS-01 (Revixia)	\$ 1,797	555	1,242	223.9%
RL-007 (Recognify)	\$ 1,758	1,862	(104)	-5.6%
Novel compounds (TryptageniX)	\$ 1,265	—	1,265	100.0%
Novel compounds (EntheogeniX)	\$ 1,222	440	782	177.7%
Novel drug delivery (InnarisBio)	\$ 705	495	210	42.5%
Other (Introspect, Psyber, Psyprotix, Neuronasal)	\$ 804	566	238	42.0%
Unallocated research and development expenses:				
Personnel expenses	\$ 20,450	18,278	2,172	11.9%
Professional and consulting services	\$ 752	378	374	99.0%
Other	\$ 484	371	113	30.4%
Total research and development expenses	<u>\$ 52,437</u>	<u>\$ 34,974</u>	<u>\$ 17,463</u>	49.9%

Research and development expenses were \$52.5 million for the nine months ended September 30, 2022, compared to \$35.0 million for the nine months ended September 30, 2021. The increase of \$17.5 million was primarily attributable to an increase of \$14.8 million of direct costs at the platform companies as discussed below, a \$2.2 million increase in personnel costs, which included a \$2.8 million decrease in stock-based compensation and a \$0.5 million increase in professional and consulting services.

The \$4.1 million increase in direct costs for PCN-101 was primarily due to an increase of \$3.2 million in clinical development costs, \$0.5 million increase in personnel costs, \$0.3 million increase in manufacturing costs and \$0.2 million increase in preclinical development costs.

The \$2.9 million increase in indirect costs for EMP-001 was primarily due to \$2.4 million increase in preclinical development costs, \$0.3 million increase in manufacturing costs and \$0.2 million increase in clinical development costs.

The \$1.4 million increase in direct costs for KUR-101 was primarily due to an increase of \$2.0 million in clinical development costs, offset partially by a decrease of \$0.4 million in preclinical development costs and \$0.2 million decrease in personnel costs.

The \$0.5 million increase in direct costs for VLS-01 was primarily due to an increase of \$0.5 million in clinical development costs and \$0.3 million increase in manufacturing costs, partially offset by \$0.3 million decrease in preclinical development costs. Additionally, \$0.5 million of manufacturing costs incurred were credited against our Strategic Development Agreement with IntelgenX. Per this agreement, IntelgenX will reimburse atai for specified research and development costs, up to 20% of the proceeds IntelgenX receives from atai for purchases of IntelgenX securities. See Note 5 to our unaudited condensed consolidated financial statements appearing under Part 1, Item 1 for more information.

The direct costs of \$2.8 million for Invyxis relate to preclinical development and discovery costs.

The reduction of direct costs for the DMX-1002 program of \$0.5 million primarily relates to reduced preclinical development costs.

The increase of direct costs for RLS-01 by \$1.2 million was primary attributable to an increase of \$0.9 million in manufacturing costs and \$0.3 million increase in preclinical development costs.

The \$0.1 million reduction in direct costs for the RL-007 program was primarily related to a decrease in clinical development costs.

The direct costs of \$1.3 million for TryptageniX relate to preclinical development and discovery costs.

The \$0.8 million increase in direct costs for EntheogeniX was primarily due to an increase of \$1.0 million in preclinical development costs, partially offset by \$0.2 million decrease in manufacturing costs.

The \$0.2 million increase in direct costs for InnarisBio primarily related to increased manufacturing costs.

During the nine months ended September 30, 2022, we incurred \$0.8 million of direct costs in association with IntroSpect, Psyber, Psyprotix, and Neuronasal. Direct costs associated with these programs were related to preclinical development and initial clinical-stage activities.

Acquisition of In-Process Research and Development Expense

	Nine Months Ended September 30,		Change	% Change
	2022	2021		
(in thousands, except percentages)				
Acquisition of in-process research and development expense by program:				
Kures	\$ 357	\$ —	\$ 357	100.00%
Neuronasal	—	7,962	(7,962)	-100.00%
InnarisBio	—	972	(972)	-100.00%
Total acquisition of in-process research and development expense	\$ 357	\$ 8,934	\$ (8,577)	-96.00%

Acquisition of in-process research and development expenses was \$0.4 million for the nine months ended September 30, 2022 which relates to license costs incurred by Kures. Acquisition of in-process research and development expenses was \$9.0 million for the nine months ended September 30, 2021, which was IPR&D acquired from Neuronasal in May 2021 and InnarisBio in March 2021. The acquired IPR&D was considered to have no future alternative use.

General and Administrative Expenses

General and administrative expenses were \$54.6 million for the nine months ended September 30, 2022 compared to \$66.9 million for the nine months ended September 30, 2021. The decrease of \$12.3 million was largely attributable to a decrease of \$9.6 million in personnel costs, which included a \$16.9 million decrease in stock-based compensation, a \$5.4 million reduction in value-added tax expense and \$2.4 million decrease in professional and consulting services, partially offset by a \$2.2 million increase in insurance and \$3.0 million increase in investor relations and other costs.

Interest Income

Interest income for the nine months ended September 30, 2022 and 2021 primarily consisted of interest earned on our cash balances and notes receivable during these periods. We had interest income for the nine months ended September 30, 2022 and 2021 of \$0.4 million and \$0.1 million, respectively.

Change in Fair Value of Contingent Consideration Liability—Related Parties

The milestone and royalty payments in relation to the acquisition of Perception, InnarisBio and TryptageniX were recorded at the acquisition date or at the exercise date related to the call option, and is subsequently remeasured to fair value. For the nine months ended September 30, 2022, we recorded income of \$0.5 million due to the decrease in the fair value of our Contingent Consideration Liabilities.

For the nine months ended September 30, 2021, we recognized expense of \$0.2 million. The changes in the fair value of the contingent consideration liability were primarily due to updates to certain assumptions used to calculate the Perception and TryptageniX contingent consideration liability, such as the discount rate.

Change in Fair Value of Warrant Liability

Changes in fair value consist of subsequent remeasurement of our warrant liability relating to issued and outstanding warrants to purchase shares of Neuronasal's common stock acquired in connection with the acquisition of Neuronasal in May 2021. The change in fair value of warrant liability for the nine months ended September 30, 2022 and 2021 was not material.

Change in Fair Value of Securities carried at Fair Value

Changes in fair value of securities consists of changes in fair value of available for sale securities. We purchased the securities in January 2022. During the nine months ended September 30, 2022 and 2021, we recognized a loss of \$1.0 million and an immaterial change, respectively, relating to the fair value of securities.

Unrealized Loss on Other Investments Held at Fair Value

In May 2021, we received IntelGenx common stock, warrants and additional unit warrants for a price of approximately \$12.3 million. We determined that the initial aggregate fair value is equal to the transaction price and recorded the common shares at \$3.0 million, the warrants at \$1.2 million and the additional unit warrants at \$8.2 million on a relative fair value basis resulting in no initial gain or loss recognized in the condensed consolidated statements of operations. Subsequently, changes in fair value of the common shares, the warrants and additional unit warrants are recorded as a component of other income (expense), net in the condensed consolidated statement of operations. During the nine months ended September 30, 2022, we recognized \$0 of unrealized loss on other investments held at fair value. During the nine months ended September 30, 2021, we recognized \$5.5 million of unrealized loss on other investments held at fair value.

Loss on Conversion of Convertible Promissory Notes

Loss on conversion of convertible promissory notes for the nine months ended September 30, 2021 was \$0.5 million. In June 2021, upon the funding of the Otsuka Agreement, the Perception convertible promissory notes were converted into Perception Series A preferred stock. The loss represents the difference between (i) carrying value including derivative liability of the Perception December 2020 Notes of \$2.2 million and (ii) the fair value of Perception Series A preferred stock into which the notes converted of \$2.7 million. Upon conversion, no further loss will be recorded.

Gain on Consolidation of a Variable Interest Entity

Gain on consolidation of a variable interest entity for the nine months ended September 30, 2021 was \$3.5 million. We purchased additional shares of Neuronasal in May 2021 and recognized a gain of \$3.5 million. The gain was calculated as the sum of the consideration paid of \$1.0 million, the fair value of the noncontrolling interest issued of \$3.0 million, the carrying value of our investments in Neuronasal's common stock and preferred stock prior to May 2021 of \$0.8 million, less the fair value of identifiable net assets acquired of \$8.3 million. The fair value of the IPR&D acquired of \$8.3 million was charged to research and development expense as it had no alternative future use at the time of the acquisition. Upon consolidation, no further gain will be recorded.

Foreign Exchange Gain (Loss), Net

We recorded a gain of \$11.5 million related to foreign currency exchange rates for the nine months ended September 30, 2022 and a gain of \$5.4 million related to foreign currency exchange rates for the nine months ended September 30, 2021. This was due to the impact of fluctuations in the foreign currency exchange rate between the Euro and the U.S. dollar on our foreign denominated balances.

Other Expense, Net

Other expense, net was \$0.1 million for the nine months ended September 30, 2022 compared to \$0.3 million for the nine months ended September 30, 2021. The decrease of \$0.2 million was due to the Company incurring fewer months of interest expense during the nine months ended September 30, 2022 in connection with the Loan and Security Agreement with Hercules. The interest expense incurred during the nine months ended September 30, 2021 was incurred in relation to the Perception convertible promissory notes, which converted in June 2021.

Provision For Income Taxes

We incurred current income tax expense of \$0.2 million for the nine months ended September 30, 2022 compared to \$0.4 million for the nine months ended September 30, 2021. Our current income tax expense relates to book profits and thus taxable profits generated in our United States, Australian, and United Kingdom based subsidiaries.

Losses from Investments in Equity Method Investees

Losses from investment in equity method investees for the nine months ended September 30, 2022 and 2021 were \$14.7 million and \$9.4 million, respectively. Loss from investment in equity method investees represents our share of equity method investee losses on the basis of our equity ownership percentages or based on our proportionate share of the respective class of securities in our other investments in the event that the carrying amount of our equity method investments was zero.

Liquidity and Capital Resources

Sources of Liquidity

Initial Public Offering

In June 2021, we completed our IPO and issued and sold 17,250,000 of our common shares at a price to the public of \$15.00 per share, which included the exercise in full by the underwriters of their option to purchase 2,250,000 additional common shares. We received aggregate net proceeds of \$231.6 million, after underwriting discounts and commissions of \$18.1 million and offering costs of \$9.0 million. As of September 30, 2022, we had cash and cash equivalents of \$142.5 million and short-term securities of \$161.5 million.

Convertible Promissory Notes

In November 2018, we issued an aggregate principal amount of \$0.2 million of convertible notes, or the 2018 Convertible Notes. The 2018 Convertible Notes are non-interest-bearing and have a maturity date of September 30, 2025, unless previously redeemed, converted, purchased or cancelled. In October 2020, we issued an additional principal amount of \$1.0 million of the 2018 Convertible Notes. Each note has a face value of €1 and is convertible into one ordinary share of ATAI Life Sciences AG upon the payment of €17.00. In 2021, several noteholders elected to convert their convertible promissory notes into shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for the aggregate amount of €5.8 million or \$6.9 million in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements. In May and July 2022, certain noteholders elected to convert some of their convertible promissory notes into shares of ATAI Life Sciences N.V. The investors paid €17.00 per share for the aggregate amount of €4.6 million or \$4.6 million in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares. Concurrently, with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for shares of ATAI Life Sciences N.V. through a transfer and sale arrangement such that ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V and the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition. The remaining convertible promissory notes balance as of September 30, 2022 was \$0.4 million.

Investments

While a significant potential source of liquidity resides in our investment in COMPASS ordinary shares, we do not expect that our investment in COMPASS will be a material source of liquidity in the near term. Based on quoted market prices, the market value of our ownership in COMPASS was \$102.6 million as of September 30, 2022. As of September 30, 2022, the carrying value of our investment in COMPASS was \$0 under the equity method. Through a series of open market transactions between November 23, 2021 and December 7, 2021 we purchased additional equity investments in COMPASS common stock. As of September 30, 2022, our voting interest in COMPASS was 22.5%.

Hercules Term Loan

In August 2022, we entered into a Loan and Security Agreement, with Hercules Capital, Inc. See “ – Liquidity Risks – *Indebtedness– Hercules Term Loan*” for additional information.

Liquidity Risks

As of September 30, 2022, we had cash and cash equivalents of \$142.5 million and short-term securities of \$161.5 million. We believe that our cash and cash equivalents will be sufficient to fund our projected operating expenses and capital expenditures through at least the next 12 months from the date of this Quarterly Report.

We expect to continue to incur substantial additional expenditures in the near term to support our ongoing activities. Additionally, we have incurred and expect to continue to incur additional costs as a result of operating as a public company. We expect to continue to incur net losses for the foreseeable future. Our ability to fund our product development and clinical operations as well as commercialization of our product candidates, will depend on the amount and timing of cash received from planned financings.

Our future capital requirements will depend on many factors, including:

- the time and cost necessary to complete ongoing and planned clinical trials;
- the outcome, timing and cost of meeting regulatory requirements established by the FDA, the EMA and other comparable foreign regulatory authorities;
- the progress, timing, scope and costs of our preclinical studies, clinical trials and other related activities for our ongoing and planned clinical trials, and potential future clinical trials;
- the costs of commercialization activities for any of our product candidates that receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities, or entering into strategic collaborations with third parties to leverage or access these capabilities;
- the amount and timing of sales and other revenues from our product candidates, if approved, including the sales price and the availability of coverage and adequate third party reimbursement;
- the cash requirements for purchasing additional equity from certain of our atai companies upon the achievement of specified development milestone events;
- the cash requirements for developing our programs and our ability and willingness to finance their continued development;

- the cash requirements for any future acquisitions or discovery of product candidates; and
- the time and cost necessary to respond to technological and market developments, including other products that may compete with one or more of our product candidates.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Further, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans. If we are unable to obtain this funding when needed on acceptable terms or at all, we could be forced to delay, limit or terminate our product development efforts.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity financings, debt financings, collaborations with other companies and other strategic transactions. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

Cash Flows

The following table summarizes our cash flows for nine months ended September 30, 2022 and 2021:

	September 30,	
	2022	2021
	(in thousands)	
Net cash used in operating activities	\$ (73,962)	\$ (42,737)
Net cash used in investing activities	(166,900)	(32,643)
Net cash provided by financing activities	21,707	408,139
Effect of foreign exchange rate changes on cash	(572)	303
Net increase (decrease) in cash	\$ (219,727)	\$ 333,062

Net Cash Used in Operating Activities

Net cash used in operating activities was \$73.9 million for the nine months ended September 30, 2022, which consisted of a net loss of \$110.7 million, adjusted by non-cash charges of \$36.2 million and net cash inflows from the change in operating assets and liabilities of \$0.7 million. The non-cash charges primarily consisted of \$30.2 million of stock-based compensation, \$14.7 million of losses from our equity method investments and a \$1.0 million loss relating to the change in the fair value of our short-term securities during the period, partially offset by \$9.5 million of unrealized foreign exchange gains. The net cash inflows from the change in operating assets and liabilities were primarily due to a \$2.4 million decrease in accounts payable and a decrease of \$1.8 million in prepaid expenses and other current assets, partially offset by a \$4.9 million increase in accrued liabilities.

Net cash used in operating activities was \$42.7 million for the nine months ended September 30, 2021, which consisted of a net loss of \$81.0 million, adjusted by non-cash charges of \$46.1 million and net cash outflows from the change in operating assets and liabilities of \$7.9 million. The non-cash charges primarily consisted of \$50.0 million of stock-based compensation, \$8.9 million of IPR&D considered to have no future alternative use, \$9.4 million of losses from our equity method investments, \$8.3 million of unrealized foreign exchange gains and \$5.5 million of unrealized loss on other investments held at fair value and partially offset by \$16.9 million of gain on investment dilution. The net cash outflows from the change in operating assets and liabilities were primarily due to a \$9.4 million increase in prepaid expenses and a \$1.7 million decrease in accounts payable, partially offset by a \$3.3 million increase in accrued liabilities and \$0.1 million increase in deferred revenue.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$166.9 million for the nine months ended September 30, 2022, primarily driven by \$256.5 million of cash paid for securities carried at fair value, partially offset by \$94.0 million of proceeds from the sale and maturities of securities carried at fair value, \$3.0 million of loans remitted to related parties, \$0.6 million of additional investments in our platform companies, and \$0.7 million of purchases of property and equipment.

Net cash used in investing activities was \$32.6 million for the nine months ended September 30, 2021, primarily driven by additional investments of \$23.7 million in our other investments, \$5.4 million additional investments into equity-method investees, \$2.6 million of loans to related parties, \$0.7 million of capitalized internal-use software development costs, \$0.1 million of purchases of property and equipment, and \$0.3 million of purchase of other assets.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$21.7 million for the nine months ended September 30, 2022, due to \$15 million proceeds from debt financings, \$4.6 million of proceeds from the conversion of convertible notes to common stock, \$2.2 million of proceeds from stock option exercises and \$0.6 million received from the issuance of subsidiary preferred shares, partially offset by \$0.7 million of debt financing costs remitted during the nine month period.

Net cash provided by financing activities was \$408.1 million for the nine months ended September 30, 2021, primarily due to \$409.9 million of net proceeds from the issuance of our common stock, \$6.1 million of proceeds from conversion of convertible notes to common stock, \$2.4 million of proceeds from our sale of Innoplexus AG investments treated as a secured financing, and \$1.6 million of proceeds from the issuance of convertible promissory notes. The net cash influx was offset by \$12.4 million paid for common stock issuance costs.

Indebtedness

Convertible Notes

Between November 2018 and September 30, 2022 we issued an aggregate of \$34.3 million of convertible notes.

In November 2018, we issued an aggregate principal amount of \$0.2 million of convertible notes, or the 2018 Convertible Notes. The 2018 Convertible Notes are non-interest-bearing and have a maturity date of September 30, 2025, unless previously redeemed, converted, purchased or cancelled. In October 2020, we issued an additional principal amount of \$1.0 million of 2018 Convertible Notes. Each note has a face value of €1 and is convertible into one ordinary share of ATAI Life Sciences AG upon the payment of €17.00. Conversion rights may be exercised by a noteholder at any time prior to maturity, except during certain periods subsequent to the consummation of the IPO. In 2021, several noteholders elected to convert their convertible promissory notes into shares of ATAI Life Sciences N.V. These investors paid €17.00 per share for the aggregate amount of €5.8 million (\$6.9 million) in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements. In May 2022 and July 2022, additional noteholders elected to convert some of their convertible promissory notes into shares of ATAI Life Sciences N.V. The investors paid €17.00 per share for the aggregate amount of €4.6 million or \$4.6 million in order to convert their convertible promissory notes into ATAI Life Sciences AG common shares, which was in accordance with the original terms of the 2018 Convertible Note Agreements. Concurrent with the conversion of the 2018 Convertible Notes into ATAI Life Sciences AG shares, the shares of ATAI Life Sciences AG that were issued to the noteholders were exchanged for 5,478,176 shares of ATAI Life Sciences N.V. through a transfer and sale arrangement such that ATAI Life Sciences AG continued to remain a wholly owned subsidiary of ATAI Life Sciences N.V and the transaction was accounted for as an equity transaction that resulted in no gain or loss recognition. As of September 30, 2022 an aggregate principal amount of \$0.4 million remained outstanding under the 2018 Convertible Notes.

In March 2020, we received proceeds of \$0.6 million from the issuance of Perception Notes, as defined below, to third party investors. In December 2020, January 2021, and May 2021 we received \$0.4 million, \$0.8 million, and \$0.8 million respectively, in proceeds from the issuance of additional Perception Notes. The Perception Notes are convertible upon mandatory conversion events into shares of Perception. The Perception Notes converted in June 2021 in connection with the receipt of proceeds of \$20.0 million pursuant to the licensing and collaboration arrangement between Perception and Otsuka.

Investment in Convertible Promissory Notes—Related Party

On March 16, 2020, Perception entered into a convertible promissory note agreement with us and certain other unrelated investors, or the Perception Note Purchase Agreement, pursuant to which Perception Neuroscience issued \$3.9 million in principal amount of convertible notes in aggregate. Under the Perception Note Purchase Agreement, Perception Neuroscience issued convertible notes, or the Perception Notes, in the aggregate principal amount of \$3.3 million to us and \$0.6 million to other investors, including related parties. The Perception Notes bear interest at an annual rate of 5% and were due and payable on June 30, 2022 unless earlier converted. In December 2020, Perception issued additional convertible notes to us, certain related parties and third party investors in the aggregate principal amount of \$7.0 million, of which \$5.8 million was issued to us and \$1.2 million was issued to other investors, including related parties. In January 2021, pursuant to the Perception Note Purchase Agreement, Perception issued an aggregate principal amount of \$0.8 million to other investors, including related parties, as part of its first tranche funding. In May 2021, Perception issued additional convertible notes to us, certain related parties and third party investors in the aggregate principal amount of \$5.0 million, of which \$4.2 million was issued to us and \$0.8 million was issued to other investors, including related parties, as part of its second tranche funding. The notes bear interest at an annual rate of 5% and are due and payable on February 28, 2022, unless earlier converted. Perception may not prepay in whole or in part without our consent.

In June 2021, Perception received proceeds of \$20.0 million pursuant to the Ostuka Agreement. Upon receipt of the proceeds, the convertible promissory notes automatically converted into 6,456,595 shares of Series A preferred stock of Perception pursuant to their original terms.

Hercules Term Loan

On August 9, 2022 (the “Closing Date”), we, ATAI Life Sciences AG (“ATAI AG” and together with the Company, the “Borrowers”) and certain of our subsidiary guarantors (collectively, the “Subsidiary Guarantors”) entered into a Loan and Security Agreement (the “Loan Agreement”) with Hercules Capital, Inc. (“Hercules”), in its capacity as administrative agent and collateral agent (the “Agent”) and as a lender, and certain other financial institutions that from time to time become parties to the Loan Agreement as lenders (collectively, the “Lenders”). The Loan Agreement provides for term loans in an aggregate principal amount of up to \$175.0 million under multiple tranches (the “2022 Term Loan Facility”), available as follows: (i) a term loan advance in the amount of \$15.0 million on the Closing Date (the “Tranche 1A Advance”); (ii) at any time after the Closing Date but on or prior to March 15, 2023 (the “Tranche 1B Expiration Date”), term loan advances in an aggregate principal amount of up to \$20.0 million (the “Tranche 1B Advances”); (iii) at any time beginning upon the earlier of (A) the Tranche 1B Expiration Date and (B) the date on which all amounts available to be drawn under the Tranche 1B Advances have been drawn and on or prior to December 15, 2023 (the “Tranche 1C Expiration Date”), term loan advances in an aggregate principal amount of up to \$25.0 million (the “Tranche 1C Advances” and together with the Tranche 1A Advance and the Tranche 1B Advances, the “Tranche 1 Advances”); (iv) subject to us achieving certain performance milestones and, beginning upon the earlier of (A) the date on which all amounts available to be drawn under the Tranche 1C Advances have been drawn and (B) the Tranche 1C Expiration Date, on or prior to June 30, 2024, term loan advances in an aggregate principal amount of \$15.0 million (the “Tranche 2 Advances”); and (v) subject to approval by the Lenders’ respective investment committees in its discretion, on or prior to March 31, 2025, term loan advances in an aggregate principal amount of up to \$100.0 million (the “Tranche 3 Advances”). With the exception of the first \$15.0 million tranche available on the Closing Date, each of the tranches may be drawn down in \$5.0 million increments at our election, subject to applicable conditions to draw. We have agreed to use the proceeds of the 2022 Term Loan Facility for working capital and general business purposes.

We are permitted to engage in certain specified transactions (subject to mandatory prepayment in certain instances as well as certain limitations, including the pledge of equity interests of certain subsidiaries and VIEs), including but not limited to, (i) entering into non-exclusive and certain specified exclusive licensing arrangements with respect to intellectual property without the consent of the Lenders; and (ii) entering into certain permitted acquisitions.

The 2022 Term Loan Facility will mature on August 1, 2026 (the “Maturity Date”), which may be extended until February 1, 2027 if we achieve certain performance milestones, raise at least \$175.0 million of unrestricted new net cash proceeds from certain permitted sources after the Closing Date and prior to June 30, 2024, and satisfy certain other specified conditions. The outstanding principal balance of the 2022 Term Loan Facility bears interest at a floating interest rate per annum equal to the greater of either (i) the prime rate as reported in the Wall Street Journal plus 4.55% and (ii) 8.55%. Accrued interest is payable monthly following the funding of each term loan advance. We may make payments of interest only, without any loan amortization payments, for a period of thirty (30) months following the Closing Date, which period may be extended to (i) thirty-six months if certain additional performance milestones have been achieved; and (ii) forty-two months if certain additional performance milestones have been achieved. At the end of the interest only period, we are required to begin repayment of the outstanding principal of the 2022 Term Loan Facility in equal monthly installments.

As collateral for the obligations under the 2022 Term Loan Facility, we have granted to the Agent for the benefit of the Lenders a senior security interest in substantially all of our, ATAI AG and each Subsidiary Guarantor’s property (including a pledge of equity interests of certain subsidiaries and VIEs), exclusive of intellectual property, with certain limited exceptions set forth in the Loan Agreement.

The Loan Agreement contains customary closing and commitment fees, prepayment fees and provisions, events of default and representations, warranties and affirmative and negative covenants, including a financial covenant requiring us to maintain certain levels of cash in accounts subject to a control agreement in favor of the Agent (the “Qualified Cash”) at all times commencing from the Closing Date, which includes a cap on the amount of cash that can be held by, among others, certain of our foreign subsidiaries in Australia and the United Kingdom. In addition, the financial covenant under the Loan Agreement requires that beginning on the later of (i) July 1, 2023 and (ii) the date on which the aggregate outstanding amount borrowed under the 2022 Term Loan Facility is equal to or greater than \$40.0 million, we shall maintain Qualified Cash in an amount no less than the sum of (1) 33% of the outstanding amount under the 2022 Term Loan Facility, and (2) the amount of the Borrowers’ and Subsidiary Guarantors’ accounts payable that have not been paid within 180 days from the invoice date of the relevant account payable, subject to certain exceptions; provided, that the financial covenant shall not apply on any day that our market capitalization is at least \$600.0 million measured on a consecutive 10-business day period immediately prior to such date of measurement and tested on a daily basis. Upon the occurrence of an event of default, including a material adverse effect, subject to certain exceptions, on our and ATAI AG’s, taken together, business, operations, properties, assets or financial condition, and subject to any specified cure periods, all amounts owed by us may be declared immediately due and payable by the Lenders. As of the Closing Date, we were in compliance with all applicable covenants under the Loan Agreement.

In addition, we are required to make a final payment fee (the “End of Term Charge”) upon the earlier of (i) the Maturity Date, (ii) the date that we prepay, in full or in part, the principal balance of the 2022 Term Loan Facility, or (iii) the date that the outstanding balance of the 2022 Term Loan Facility becomes due and payable. The End of Term Charge is 6.95% of the aggregate original principal amount of the term loans so repaid or prepaid under the Loan Agreement.

We may, at our option, prepay the term loans in full or in part, subject to a prepayment penalty equal to (i) 2.00% of the principal amount prepaid if the prepayment occurs on or prior to the first anniversary of the Closing Date, (ii) 1.0% of the principal amount prepaid if the prepayment occurs after the first anniversary and on or prior to the second anniversary of the Closing Date, and (iii) 0.5% of the principal amount prepaid if the prepayment occurs after the second anniversary and prior to the Maturity Date.

Material Cash Requirements from Known Contractual and Other Obligations and Commitments

Our commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the Securities and Exchange Commission, or SEC, on March 30, 2022. During the nine months ended September 30, 2022, there have been no material changes from the contractual commitments and obligations previously disclosed in our Form 10-K.

Off-Balance Sheet Arrangements

As of September 30, 2022, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K. While we have investments classified as VIEs, their purpose is not to provide off-balance sheet financing.

Recently Adopted Accounting Pronouncements

See Note 2, “Summary of Significant Accounting Policies—Recently Adopted Accounting Pronouncements” to our unaudited condensed consolidated financial statements appearing under Part 1, Item 1 for more information.

Critical Accounting Policies and Estimates

We believe that the assumptions and estimates associated with licenses of intellectual property, research and development expenses, acquisitions and share-based compensation have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting estimates. Our critical accounting policies are detailed in our Form 10-K.

JOBS Act

We are an emerging growth company, as defined in the JOBS Act. We intend to rely on certain of the exemptions and reduced reporting requirements provided by the JOBS Act. As an emerging growth company, we are not required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, and (ii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis). We have elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

As described in Note 2 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report, we have early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an emerging growth company.

We will remain an emerging growth company until the earliest to occur of: (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering, or December 31, 2026, (b) in which we have total annual gross revenues of \$1.235 billion or more, or (c) in which we are deemed to be a large accelerated filer under the rules of the SEC, which means the market value of our outstanding common shares held by non-affiliates equal or exceeds \$700 million as of last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates. In addition, our portfolio of notes receivables is exposed to credit risk in the form of non-payment or non-performance. In mitigating our credit risk, we consider multiple factors, including the duration and terms of the note and the nature of and our relationship with the counterparty.

Interest Rate Sensitivity

Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. As of September 30, 2022, we had cash and cash equivalents of \$142.5 million and short-term securities of \$161.5 million. We generally hold our cash in interest-bearing demand deposit accounts and short-term securities. Due to the nature of our cash and investment portfolio, a hypothetical 100 basis point change in interest rates would not have a material effect on the fair value of our cash. Our cash is held for working capital purposes. The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical credit rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses and to ensure that the adequate liquidity is maintained at all times to meet anticipated cash flow needs.

As of September 30, 2022, we had \$0.4 million in convertible promissory notes – related parties, net, which was comprised of non-interest-bearing borrowings under the 2018 Convertible Notes. Based on the principal amounts of the convertible promissory notes and the interest rate assigned to the convertible promissory notes, an immediate 10% change in interest rates would not have a material impact on our convertible promissory notes, financial position or results of operations.

As of September 30, 2022, the carrying amount of our short and long-term notes receivables was an aggregate amount of \$7.1 million. Based on the principal amounts of the notes receivable and the interest rates assigned to each note receivable as per their respective contracts, an immediate 10% change in the interest rates would not have a material impact on our notes receivables, financial position or results of operations.

Foreign Currency Exchange Risk

Our reporting and functional currency is the U.S. dollar, and the functional currency of our foreign subsidiaries is generally the respective local currency. The assets and liabilities of each of our foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the condensed consolidated statements of comprehensive loss. Equity transactions are translated using historical exchange rates. Expenses are translated using the average exchange rate during the previous month. Gains or losses due to transactions in foreign currencies are included in interest and other income, net in our condensed consolidated statements of operations.

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in foreign exchange gains and losses related to changes in foreign currency exchange rates. In the event our foreign currency denominated assets, liabilities, revenue, or expenses increase, our results of operations may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business, resulting in unrealized foreign exchange gains or losses. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future.

A hypothetical 10% change in the relative value of the U.S. dollar to other currencies during any of the periods presented would not have had a material effect on our consolidated financial statements, but could result in significant unrealized foreign exchange gains or losses for any given period.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report, the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at reasonable assurance level as of September 30, 2022 as a result of the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the preparation of our consolidated financial statements for the fiscal years ended December 31, 2020 and 2021, we identified material weaknesses in our internal control over financial reporting. The material weaknesses that were identified were related to the design of internal controls as follows: (1) the lack of a sufficient number of trained professionals with the expertise to design, implement and execute a formal risk assessment process and formal accounting policies, procedures and controls over accounting and financial reporting to ensure the timely recording, review, and reconciliation of financial transactions while maintaining a segregation of duties; (2) the lack of formal processes and controls specific to the identification and recording of expense transactions, including stock-based compensation, completely and accurately, and in the appropriate period; and (3) the lack of a sufficient number of trained professionals with the appropriate U.S. GAAP technical expertise to identify, evaluate and account for complex transactions and review valuation reports prepared by external specialists. As a result, we did not design and maintain formal accounting policies, processes and controls related to complex transactions necessary for an effective financial reporting process. These deficiencies constitute material weaknesses in the design of our internal controls over financial reporting. As a result of the material weaknesses, we have relied, in part, on the assistance of outside advisors with expertise in these matters to assist us in the preparation of our consolidated financial statements and in our compliance with SEC reporting obligations and expect to continue to do so while we remediate these material weaknesses.

Management's Remediation Efforts

As disclosed herein, we have identified and continued to implement several steps, as further described below, designed to remediate the material weaknesses described in this Item 4 and to enhance our overall control environment. Although we intend to complete the remediation process as promptly as possible, we cannot at this time estimate how long it will take to remediate these material weaknesses, and our remediation plan may not prove to be successful. We will not consider the material weaknesses remediated until our enhanced controls are operational for a sufficient period of time and tested, enabling management to conclude that the enhanced controls are operating effectively. As of September 30, 2022 the material weaknesses had not been remediated.

Our remediation plan to date includes, but is not limited to, the following measures:

- Formalizing our processes and internal control documentation and strengthening supervisory reviews by our financial management.
- Hiring additional qualified accounting personnel and engaging consultants to enable the implementation of internal control over financial reporting and segregating duties amongst accounting personnel.
- Implementing certain accounting systems to automate manual processes.
- We will also continue to engage third parties as required to assist with technical accounting, application of new accounting standards, tax matters, and valuations of our equity instruments, contingent consideration, notes receivable and acquired in-process research and development.

While the foregoing measures are intended to effectively remediate the material weaknesses described in this Item 4, it is possible that additional remediation steps will be necessary. As such, as we continue to evaluate and implement our plan to remediate the material weaknesses, our management may decide to take additional measures to address the material weaknesses or modify the remediation steps described above. Until these material weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to help ensure that our consolidated financial statements are prepared in accordance with GAAP.

Changes in Internal Control over Financial Reporting

We are taking actions to remediate the material weaknesses relating to our internal controls over financial reporting, as described above. Except as discussed above, there were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(d) or 15d-15(d) of the Exchange Act) that occurred during the quarter ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse impact on our financial position, results of operations or cash flows. Regardless of the outcome, litigation can have an adverse effect on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

Investing in our common shares involves a high degree of risk. In addition to the other information set forth in this Quarterly Report and in other documents that we file with the SEC, you should carefully consider the factors described in the section titled "Risk Factors" in our Form 10-K Other than as discussed below, there have been no material changes to the risk factors described in Part I, Item 1A of our Form 10-K. If any of the risk factors described in the Form 10-K actually materializes, our business, financial condition and results of operations could be materially adversely affected. In such an event, the market price of our common shares could decline and you may lose all or part of your investment. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

As a result of covenants related to our Loan Agreement with Hercules, our operating activities may be restricted and we may be required to repay the outstanding indebtedness in the event of a breach by us, or an event of default thereunder, which could have a materially adverse effect on our business.

As more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity Risks – Indebtedness – Hercules Term Loan," in August 2022, we entered into the Loan Agreement with Hercules, pursuant to which we have total borrowing capacity under several tranches of the 2022 Term Loan Facility of up to \$175.0 million aggregate principal. The 2022 Term Loan Facility is secured by a lien on substantially all of our assets, including intellectual property, with certain limited exceptions set forth in the Loan Agreement. The Loan Agreement contains various covenants that may restrict our ability, among other things, to sell, transfer, lease or dispose of certain assets; make material changes to our business; incur indebtedness; encumber or permit liens on certain assets; make certain investments and acquisitions; make certain restricted payments, including paying dividends on, or repurchasing or making distributions with respect to, our common shares; and enter into certain transactions. Our business may be adversely affected by these restrictions on our ability to operate our business.

In addition, we are required under the Loan Agreement to comply with various covenants and default clauses that may restrict our ability to finance our operations, engage in business activities or expand or fully pursue our business strategies. A breach of any of these covenants or clauses could result in a default under the Lan Agreement, which could cause all of the outstanding indebtedness under the facility to become immediately due and payable.

We intend to satisfy our current and future debt service obligations with our existing cash, cash equivalents and available for sale securities, potential future product revenues and funds from external sources. However, we may not have sufficient funds or may be unable to arrange for additional financing on acceptable terms, or at all, to pay the amounts due under the 2022 Term Loan Facility.

Any breach by us, or any event of default under, our Loan Agreement could result in a material adverse effect on our business, financial condition and operating results.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

As previously disclosed in the Current Report on Form 8-K, filed by the Company with the U.S. Securities and Exchange Commission on August 15, 2022 (the "Prior 8-K"), Stephen Bardin, the Company's Chief Financial Officer, entered into an Executive Employment Agreement with the Company and ATAI Life Sciences US, Inc., dated June 11, 2022 (the "Prior Employment Agreement"). Effective November 8, 2022, Mr. Bardin entered into an Employment Agreement (the "German Employment Agreement") with atai Life Sciences AG, a wholly-owned German subsidiary of the Company, which supersedes the Prior Employment Agreement and which provides for the employment of Mr. Bardin in Germany. The material terms of the German Employment Agreement are substantially similar to those of the Prior Employment Agreement, except that Mr. Bardin, pursuant to the German Employment Agreement, may become entitled to certain tax equalization payments and tax return preparation assistance in the event he receives payments or benefits from atai Life Sciences AG or its affiliates that become taxable outside of the United States and is entitled to a \$15,000 relocation allowance upon his relocation to the United States, including upon his termination without cause or resignation for good reason.

A description of the material terms of the Prior Employment Agreement is set forth under Item 5.02 of the Prior 8-K and is incorporated by reference herein. The foregoing description of the German Employment Agreement is not complete and is qualified in its entirety by reference to the full text of the German Employment Agreement, a copy of which is filed as Exhibit 10.2 to this Quarterly Report on 10-Q and is incorporated by reference herein.

The foregoing information is included for the purpose of providing the disclosures required under "Item 5.02 - Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers – paragraph (e)" of Form 8-K.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			Filed/Furnished Herewith	
		Form	File No.	Exhibit		
3.1	Articles of Association of ATAI Life Sciences N.V. (translated into English), currently in effect	S-3	333-265970	3.1	7/01/2022	
3.2	Rules of the Management Board of ATAI Life Sciences N.V.	S-1/A	333- 255383	3.2	6/11/2021	
3.3	Rules of the Supervisory Board of ATAI Life Sciences N.V.	S-1/A	333- 255383	3.3	6/11/2021	
10.1†	Loan and Security Agreement between the Registrant, ATAI Life Sciences AG, certain of the Registrant's subsidiaries from time to time party thereto as a guarantor, Hercules Capital, Inc., and the several banks and other financial institutions or entities from time to time party thereto, and Hercules Capital, Inc. as administrative agent and collateral agent for itself and the lenders, dated August 9, 2022	8-K	001-40493	10.1	8/15/2022	
10.2+	Employment Agreement, dated November 8, 2022, by and between Stephen Bardin and atai Life Sciences AG					*
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)					*
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)					*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350					**
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350					**
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document *

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) *

+ Management contract or compensatory plan, contract or arrangement.

† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit pursuant to Item 601(b)(10)(iv).

* Filed herewith.

** Furnished herewith.

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.

ATAI LIFE SCIENCES N.V.

Date: November 10, 2022

By:

/s/ Florian Brand

Florian Brand
Chief Executive Officer and Managing Director
(Principal Executive Officer)

Date: November 10, 2022

By:

/s/ Stephen Bardin

Stephen Bardin
Chief Financial Officer and Managing Director
(Principal Financial Officer and Principal Accounting Officer)



ARBEITSVERTRAG	EMPLOYMENT AGREEMENT
(im folgenden „Arbeitsvertrag“ genannt)	(hereinafter referred to as “Employment Agreement”)
zwischen der	between
atai Life Sciences AG Wallstraße 16 10179 Berlin, Germany	
(im folgenden „Arbeitgeber“ genannt)	(hereinafter referred to as “Employer”)
und	and
Stephen Rodrick Bardin Yorckstraße 69 10965 Berlin, Germany	
(im folgenden „Arbeitnehmer“ genannt)	(hereinafter referred to as “Employee”)
wird folgendes vereinbart:	the following is agreed:
§ 1 Beginn des Arbeitsverhältnisses	§ 1 Start of Employment
Dieses Arbeitsverhältnis ist unbefristet und beginnt an dem Tag, an dem dem Arbeitnehmer ein gültiges Visum erteilt wird, dass die Arbeitsaufnahme in Deutschland erlaubt.	The Employment Agreement shall commence for an indefinite period upon the date a valid visa permitting work in Germany is issued to the Employee.
§ 2 Zweck und Inhalte des Arbeitsverhältnisses / Änderung der Tätigkeit / Verpflichtungen / Company Policies	§ 2 Purpose and Content of Employment / Change of Work / Obligations / Company Policies

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1. Der Arbeitnehmer wird für den Arbeitgeber als Chief Financial Officer gemäß der diesem Arbeitsvertrag als Anlage 1 beigefügten Tätigkeitsbeschreibung tätig, die Bestandteil dieses Arbeitsvertrages ist.	1. The Employee will work for the Employer as Chief Financial Officer according to the Job Description, which is part of and attached to this Employment Agreement as Exhibit 1.
2. Der Arbeitgeber ist berechtigt, dem Arbeitnehmer unter Wahrung von dessen Interessen eine andere gleichwertige Tätigkeit zuzuweisen, die den Kenntnissen und Fähigkeiten des Arbeitnehmers entspricht. Dieses Recht wird auch durch eine langwährende Betrauung mit denselben Aufgaben nicht eingeschränkt.	2. The Employer shall be entitled to require the Employee to perform other work of equal value, which is suitable to his skills and qualifications while respecting the Employee's interests. This right shall not be restricted, even in the event of a long-term assignment of the same duties.
3. Der Arbeitnehmer hat die Aufgaben und Verantwortungsbereiche, die üblicherweise von einer Person in ihrer Funktion ausgeführt werden.	3. The Employee shall perform the duties and responsibilities inherent in such a position.
4. Der Arbeitnehmer ist verpflichtet, jederzeit unsere jeweils geltenden Regeln, Richtlinien und Verfahren einzuhalten, einschließlich derjenigen, die im Personalhandbuch enthalten sind, das von der Personalabteilung zur Verfügung gestellt wird. Soweit Bestimmungen in diesen Regeln, Richtlinien und Verfahren von denen im Arbeitsvertrag abweichen, haben letztere Vorrang.	4. The Employee is required at all times to comply with our rules, policies and procedures in force from time to time including those contained in the Staff Handbook, a copy of which is available from the Human Resources department. Insofar as provisions in these rules, policies and procedures deviate from those in the employment contract, the latter shall take precedence.
§ 3 Arbeitsort	§ 3 Place of Work
1. Der Arbeitsort des Arbeitnehmers ist grundsätzlich das Büro des Arbeitgebers in Berlin.	1. The Employee's general place of work is the office of the Employer in Berlin.

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<p>2. Der Arbeitnehmer ist zudem verpflichtet, seine Tätigkeit teilweise oder vollständig, vorübergehend oder dauerhaft, auch in seiner Wohnung / seinem Haus (Home Office) auszuüben. Der Arbeitgeber legt nach billigem Ermessen fest, ob und für welchen Zeitraum der Arbeitnehmer seine Tätigkeit in der betrieblichen Arbeitsstätte oder im Home Office erbringen soll. Die Tätigkeit im Home Office ist nur zulässig, soweit keine arbeitsschutzrechtlichen, datenschutzrechtlichen oder sonstigen Bedenken hiergegen bestehen und die hierfür jeweils geltenden Regelungen des Arbeitgebers von dem Arbeitnehmer beachtet werden. Der Arbeitgeber behält sich vor, die Tätigkeit im Home Office nur nach vorherigem Abschluss einer gesonderten Vereinbarung einzuführen.</p>	<p>2. The Employee is obliged to carry out his activity partially or completely, temporarily or permanently, also in his apartment / house (working from home). The Employer shall determine at its reasonable discretion whether and for what period of time the Employee is to perform his activity at the office of the Employer or at home. Working from home is only permissible if there are no concerns regarding occupational health and safety, data protection or other issues and if the Employee complies with the applicable regulations of the Employer. The Employer reserves the right to implement working from home only after prior conclusion of a side agreement.</p>
<p>§ 4 Beschäftigungszeit</p>	<p>§ 4 Working Hours</p>
<p>1. Der Beginn und das Ende der täglichen Arbeitszeit sowie der Pausen richten sich nach den betrieblichen Erfordernissen und jeweiligen Regelungen unter Beachtung der gesetzlichen Vorschriften. Es bestehen derzeit keine Kernarbeitszeiten. Bei einer täglichen Arbeitszeit von mehr als sechs bis zu neun Stunden ist eine Pause von mindestens 30 Minuten und bei einer täglichen Arbeitszeit von mehr als neun Stunden ist eine Pause von mindestens 45 Minuten einzulegen. Nach dem Ende der täglichen Arbeitszeit hat der Arbeitnehmer eine ununterbrochene Ruhezeit von mindestens elf Stunden.</p>	<p>1. The start and end of the daily work and the breaks depend on the special operational requirements and the respective arrangements in accordance with applicable law. There are no key working times. If the daily working hours exceed six hours but do not exceed nine hours, a break of at least 30 minutes shall be taken, and if the daily working hours exceed nine hours, a break of at least 45 minutes shall be taken. After the end of the daily working time, the Employee shall have an uninterrupted rest period of at least eleven hours</p>
<p>2. Die wöchentliche Beschäftigungszeit beträgt 40 Stunden ohne die Berücksichtigung von Pausen.</p>	<p>2. The weekly working hours shall be 40 hours, excluding breaks</p>

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3. Der Arbeitnehmer ist verpflichtet, im Rahmen der gesetzlichen Bestimmungen an Samstagen, Sonntagen und Feiertagen zu arbeiten, wenn die betrieblichen Belange dies erfordern und keine überwiegenden Interessen des Arbeitnehmers entgegenstehen.	3. Within the scope of the legal regulations, the Employee shall work on Saturdays, Sundays and public holidays, if operational requirements necessitate this and there are no overriding interests on the part of the Employee.
§ 4 a Überstunden	§ 4 a Overtime
1. Der Arbeitnehmer ist verpflichtet, auf Weisung bis zu den einschlägigen gesetzlichen Grenzen des Arbeitszeitgesetzes Überstunden zu leisten. Für erbrachte Überstunden steht dem Arbeitnehmer eine gesonderte Vergütung nicht zu. Sämtliche Überstunden sind mit der Vergütung abgegolten.	1. At the request of the Employer, the Employee shall be obliged to work overtime as far as is it permissible under the Working Hours Act ("Arbeitszeitgesetz"). No additional payment shall be made for this overtime work, as it is included in the remuneration.
§ 4 b Kurzarbeit	§ 4 b Short-time Work
1. Der Arbeitgeber kann Kurzarbeit anordnen, wenn ein erheblicher Arbeitsausfall vorliegt, der auf wirtschaftlichen Gründen oder einem unabwendbaren Ereignis beruht, und der Arbeitsausfall der Arbeitsverwaltung angezeigt ist (§§ 95 ff. SGB III). Die Dauer der Kurzarbeit darf die gesetzliche maximale Bezugsdauer von Kurzarbeitergeld nicht überschreiten.	1. The Employer may order short-time work if there is a significant loss of work due to economic reasons or an unavoidable event and the loss of work is indicated to the competent authority (§§ 95 et seq. SGB III). The duration of short-time work may not exceed the respective maximum period of entitlement to short-time work compensation provided for by law.
2. Für die Dauer der Kurzarbeit vermindert sich die in § 6 dieses Arbeitsvertrages geregelte Vergütung im Verhältnis der ausgefallenen Arbeitszeit. Im Rahmen der Kurzarbeit kann die Arbeitszeit insgesamt um bis zu 100 % verringert werden, in diesem Umfang auch die Vergütung des Arbeitnehmers entfallen.	2. For the duration of the short-time work, the remuneration regulated in clause 6 of this Employment Agreement shall be reduced in proportion to the reduced working time. Within the scope of short-time work, the total working time may be reduced by up to 100%, and the Employee's remuneration shall also be reduced to the same extent.

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<p>3. Der Umfang der Arbeitszeitreduzierung und die Dauer der Kurzarbeit richten sich nach den betrieblichen Erfordernissen. Sie werden von dem Arbeitgeber nach billigem Ermessen bestimmt und sind insgesamt soweit wie möglich zu begrenzen. Der Arbeitgeber teilt den genauen Umfang der Arbeitszeitreduzierung, die Dauer der Kurzarbeit und die Verteilung einer etwaigen Arbeitszeit dem Arbeitnehmer in Textform (z.B. E-Mail) mit einer Ankündigungsfrist von einer Woche mit.</p>	<p>3. The scope of the reduction in working hours and the duration of short-time work shall be determined by operational requirements. They shall be determined by the Employer at its reasonable discretion and shall be limited as far as possible. The Employer shall notify the Employee of the exact scope of the reduction in working hours, the duration of the short-time work and the distribution of any working hours in text form (e.g. via e-mail) with a notice period of one week .</p>
<p>4. Sollte Kurzarbeit nicht mehr erforderlich sein, kann sie mit einer Ankündigungsfrist von einer Woche beendet werden.</p>	<p>4. In case short-term work should not be required any longer, it can be terminated with a notice period of one week.</p>
<p>§ 5 Urlaub</p>	<p>§ 5 Vacation</p>
<p>1. Der Arbeitnehmer hat Anspruch auf einen gesetzlichen Mindesturlaub von 20 Arbeitstagen pro Kalenderjahr, ausgehend von einer 5 -Tage Woche. Arbeitstage sind alle Kalendertage mit Ausnahme von Samstagen, Sonntagen und gesetzlichen Feiertagen am Arbeitsort. Mit der Erteilung von Urlaub wird bis zu dessen vollständiger Erfüllung zunächst der gesetzliche Mindesturlaubsanspruch erfüllt.</p>	<p>1. The Employee is entitled to a statutory vacation of 20 working days per calendar year, year based on a five days week. Working days are all calendar days except Saturdays, Sundays and legal holidays at the place of work. With the granting of vacation, at first the statutory vacation will be fulfilled until it is fully consumed.</p>
<p>2. Der Arbeitnehmer muss einen Antrag auf Urlaub spätestens zwei Kalenderwochen vor dem beabsichtigten Urlaubsantritt bei seinem direkten Vorgesetzten stellen. Der Arbeitnehmer kann den Urlaub erst dann antreten, wenn dieser in der jeweils vom Arbeitgeber vorgeschriebenen Form schriftlich genehmigt worden ist.</p>	<p>2. The Employee must apply for vacation at least two weeks prior to the intended start of vacation, contacting his direct superior. The Employee shall only take vacation after it has been approved in writing in the form prescribed by the Employer.</p>
<p>3. Im Übrigen finden die jeweils geltenden Gesetze, insbesondere das Bundesurlaubsgesetz in seiner jeweils gültigen Form, Anwendung.</p>	<p>3. Additionally, statutory provisions, in particular the Federal Vacation with Pay Act (Bundesurlaubsgesetz – BUrlG), apply.</p>

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§ 5 a Zusätzlicher Urlaub	§ 5 a Additional Paid Leave
<p>Der Arbeitgeber gewährt dem Arbeitnehmer zusätzlich einen Urlaubsanspruch von zehn Arbeitstagen (der „Zusätzliche Urlaub“). Abweichend von den gesetzlichen Vorgaben für den gesetzlichen Mindesturlaub, verfällt der Zusätzliche Urlaub spätestens mit Ablauf des Kalenderjahres. Das gilt auch dann, wenn der Arbeitnehmer den Zusätzlichen Urlaub aus von ihm nicht zu vertretenden Gründen nicht nehmen kann, z.B. weil er während des Kalenderjahres arbeitsunfähig erkrankt ist.</p>	<p>The Employer allows the Employee an additional paid leave of ten working days (the “Additional Leave”). Other than the statutory regulations applying to the statutory vacation, with regard to the Additional Leave, the entitlement shall expire at the end of the calendar year. This also applies if the Employee cannot take the Additional Leave for reasons for which he is not responsible, e.g. because he is unable to work during the calendar year and therefore cannot take the Additional Leave.</p>
§ 6 Vergütung	§ 6 Remuneration
<p>1. Der Arbeitnehmer erhält für seine Tätigkeit eine jährliche Vergütung von USD 440,000 brutto („Grundgehalt“). Das Grundgehalt kann zu keinem Zeitpunkt ohne das vorherige schriftliche Einverständnis des Arbeitnehmers reduziert werden.</p>	<p>1. The Employee will be paid an annual remuneration of USD 440,000 gross (the “Basic remuneration”). In no event shall Employee’s Base Salary in effect at a particular time be reduced without his prior written consent.</p>
<p>Das Grundgehalt wird zum 15. eines jeden Kalendermonats entsprechend des jeweils gültigen USD/EUR Umrechnungskurses berechnet und in zwölf gleichen Teilen jeweils zum Ende des Kalendermonats nach Abzug etwaig in der Bundesrepublik Deutschland anfallender gesetzlicher Steuern und Abgaben auf ein durch den Arbeitnehmer zu benennendes Konto überwiesen.</p>	<p>The Basic remuneration shall be adjusted to the respectively applicable USD/EUR exchange rate each month at the 15th and paid in twelve equal parts to the Employee’s account at the end of each calendar month in arrears, net of any applicable taxes or charges under the laws of the Federal Republic of Germany.</p>
<p>Beginnt bzw. endet dieser Arbeitsvertrag während bzw. vor Ablauf eines Kalenderjahres, so wird die Vergütung zeitanteilig gezahlt.</p>	<p>If this Employment Agreement starts or ends during or before the end of a calendar year, the remuneration shall be paid on a pro rata basis.</p>

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<p>2. Während der Laufzeit dieses Arbeitsverhältnisses hat der Arbeitnehmer Anspruch auf Teilnahme an einem jährlichen Bonusprogramm, das vom Board der ATAI Life Sciences N.V. ("Board") festgelegt wird. Die jährliche Leistungsvergütung des Mitarbeiters im Rahmen dieses Bonusprogramms (der "Bonus") soll 40 % des Grundgehalts betragen (der "Zielbonus"). Der im Rahmen des Bonusprogramms zu zahlende Bonus basiert auf der Erreichung von Leistungszielen, die vom Board festgelegt werden. Der Zielbonus ist fällig und zahlbar zum 31. März des jeweiligen Folgejahres.</p>	<p>2. During the Term of this Employment Agreement, the Employee shall be eligible to participate in an annual incentive program established by the Board of ATAI Life Sciences N.V. ("Board"). The Employee's annual incentive compensation under such incentive program (the "Bonus") shall be targeted at 40% of the Basic remuneration (the "Target Bonus"). The Bonus payable under the incentive program shall be based on the achievement of performance goals to be determined by the Board. The Target Bonus shall be due and payable on March 31 of the respective calendar year.</p>
<p>3. Voraussetzung für die Zahlung eines Bonus ist ein bestehendes Arbeitsverhältnis am Auszahlungstichtag des Zielbonus, sofern § 8 keine abweichende Regelung vorsieht.</p>	<p>3. A precondition for the payment of the bonus is an existing employment relationship on the applicable date(s) of Employer's bonus payment, except as provided in Section 8.</p>
<p>4. Bei unterjährigem Ein- oder Austritt des Arbeitnehmers wird der Bonus anteilig pro rata temporis für jeden vollen Monat des Bestehens des Arbeitsverhältnisses in dem Jahr gewährt.</p>	<p>4. If the Employee joins or leaves the Employer during the year, the bonus is granted pro rata temporis for each full month of the employment relationship in that year.</p>
<p>5. Ein Bonus wird für Zeiten, in denen der Arbeitgeber von seiner Verpflichtung zur Zahlung der Vergütung z.B. wegen eines Sabbaticals, längerer Arbeitsunfähigkeit, Elternzeit befreit ist, gekürzt.</p>	<p>5. The bonus will be reduced for any time in which the Employer is released from its duty to pay salary, e.g. sabbatical, lengthy illness, maternity leave.</p>
<p>6. Der Arbeitgeber behält sich das Recht vor, den Bonusanspruch im Fall einer wirtschaftlichen Notlage des Arbeitgebers zu widerrufen. Eine solche wirtschaftliche Notlage liegt insbesondere vor, wenn der Jahresgewinn des Arbeitgebers unter 0% des Jahresumsatzes sinkt.</p>	<p>6. The Employer retains the right to revoke the bonus entitlement in case of economic hardship of the Employer. Such economic hardship shall in particular be the case if the Employer's annual gross profit is lower than 0% of the annual turnover.</p>

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<p>7. Mit der Vergütung gemäß § 6 Ziffer 1 und Ziffer 2 sind sämtliche Tätigkeiten des Arbeitnehmers aus diesem Arbeitsvertrag abgegolten. Die Behandlung von Überstunden bestimmt sich nach § 4 a.</p>	<p>7. The remuneration pursuant to clause 6 para. 1 and para. 2 covers all activities of the Employee under this Employment Agreement. Overtime Work is regulated by clause 4 a.</p>
<p>Die Zahlung von sonstigen eventuellen Zulagen, Prämien, Gratifikationen und ähnlichem, die von dem Arbeitgeber erbracht werden sollten, sind freiwillige Leistungen. Sie begründen keinen rechtlichen Anspruch des Arbeitnehmers, weder dem Grunde noch der Höhe nach, weder für die Vergangenheit noch für die Zukunft. Insbesondere ergibt sich aus der vorbehaltlosen Gewährung einer solchen freiwilligen Leistung, auch über mehrere Jahre hinweg kein Rechtsanspruch. Unberührt davon bleibt der Vorrang einer individuellen Vertragsabrede.</p>	<p>The payment of any further allowance, bonus, gratuity etc., if any, shall be on a voluntary basis subject to the provision that even payments without reservation and repeated payments over several years shall not create any legal claim for the Employee, either in respect to their cause or their amount, either for the past or the future. The priority of an individual contractual arrangement remains unaffected.</p>
<p>§ 6 a Abtretung / Verpfändung</p>	<p>§ 6 a Permission for Assignment / Pledge</p>
<p>1. Dem Arbeitnehmer ist es nicht gestattet, seine Vergütungsansprüche ohne vorherige schriftliche Zustimmung des Arbeitgebers an Dritte abzutreten oder zu verpfänden. Der Arbeitgeber darf seine Einwilligung nur aus berechtigten betrieblichen Interessen verweigern</p>	<p>1. The Employee shall not be permitted to assign or pledge its remuneration claims to third parties without the prior written consent of the Employer. The Employer may deny its consent in case of legitimate operational interest.</p>

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<p>Der Arbeitnehmer ist verpflichtet, die aufgrund einer Abtretung oder Verpfändung entstehenden Bearbeitungskosten zu übernehmen. Für jeden Bearbeitungsvorgang wie Überweisung, Abfassen eines Schreibens etc. werden 5 EUR als Kosten festgelegt. Der Arbeitgeber behält sich von, einen höheren Schaden nachzuweisen und diesen vom Arbeitnehmer zu verlangen. Dem Arbeitnehmer bleibt der Nachweis vorbehalten, dass keine Bearbeitungskosten entstanden oder diese wesentlich niedriger als die Pauschale sind, Dann beschränkt sich der Kostenersatz auf die tatsächlichen entstandenen Kosten.</p>	<p>The Employee is obliged to bear the costs resulting from an assignment or pledge. For each transaction, such as transfer, writing a letter, etc., the Employee is obliged to pay a fixed fee for each transaction amounting to 5 EUR. The Employer is entitled to prove a higher damage and to require the Employee to pay the higher damages. The Employee is entitled to prove that no transaction costs were incurred or that they are significantly lower than the fixed amount. In this case, the reimbursement of costs is limited to the actual costs that occurred.</p>
<p>2. Der Arbeitnehmer verpflichtet sich, etwa zu viel bezogene Vergütung vollumfänglich an den Arbeitgeber zurückzuzahlen.</p>	<p>2. The Employee undertakes to reimburse the Employer in full for any excess remuneration received.</p>
<p>§ 6 b Auslagen</p>	<p>§ 6 b Expenses</p>
<p>1. Der Arbeitgeber erstattet dem Arbeitnehmer notwendige und angemessene Auslagen nach den jeweils maßgeblichen betrieblichen Gepflogenheiten unter Berücksichtigung der jeweils anwendbaren steuerlichen Regelungen gegen Vorlage entsprechender Belege.</p>	<p>1. The Employer will reimburse the Employee for any necessary and reasonable expenses in accordance with the relevant operational procedures, taking into account applicable tax regulations on presentation of the relevant receipts.</p>
<p>2. Sofern der Arbeitnehmer zu dem US Konzernunternehmen des Arbeitgebers zurückkehren sollte, um dort zu arbeiten, erhält der Arbeitnehmer einen Umzugszuschuss in Höhe von USD 15.000.</p>	<p>2. Should the Employee return to work for the US affiliate of the Employer, he will receive a relocation allowance of \$15,000 USD.</p>
<p>§ 6 c Freistellung</p>	<p>§ 6 c Indemnification</p>

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<p>Der Arbeitnehmer hat Anspruch auf Freistellung von Schäden gemäß den Bestimmungen der Satzung des Arbeitgebers und aller Freistellungsvereinbarungen, die mit dem Arbeitnehmer abgeschlossen wurden, wobei die Freistellung auch nach der Vertragslaufzeit zu gewähren ist, da sie für die Tätigkeit des Arbeitnehmers bei dem Arbeitgeber in demselben Umfang gilt wie für andere Führungskräfte des Arbeitgebers.</p>	<p>The Employee shall be eligible for indemnification in accordance with the terms of the Employer's organizational documents and any indemnification agreements entered into with the Employee, which indemnification shall remain in effect after the term of this Agreement as it applies to the Employee service to the Employer to the same extent it applies to other executives of the Employer.</p>
<p>§ 6 d Steuerlicher Ausgleich</p>	<p>§ 6 d Tax Equalization</p>
<p>Während der Laufzeit dieses Arbeitsvertrags und sofern der Arbeitnehmer Zahlungen oder Leistungen von der Gesellschaft oder den mit ihr verbundenen Unternehmen erhält, die außerhalb der Vereinigten Staaten zu versteuern sind, ist die Gesellschaft zu folgenden Leistungen verpflichtet:</p>	<p>During the Term of this Employment Agreement, and to the extent the Employee receives payment or benefits from the Employer or its affiliates that become taxable outside the United States, the Employer shall provide:</p>

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<p>(i) Einen Ausgleich für Steuerbelastungen, sodass die Steuerschuld, die der Arbeitnehmer trägt nicht höher ist als die Steuerschuld, die der Arbeitnehmer getragen hätte, wenn der Arbeitnehmer nicht außerhalb der Vereinigten Staaten steuerpflichtig geworden wäre, wobei der Ausgleich (netto) zu zahlen ist gemäß der zeitlichen Vorgaben des Treasury Regulation Section 1.409A-1(b)(8)(iii) und so lange (i) wie der Arbeitnehmer der zusätzlichen Besteuerung aufgrund des Erfordernisses, außerhalb der Vereinigten Staaten zu arbeiten, unterliegt sowie (ii) für bis zu zwei (2) Jahre nach Ende des Arbeitsverhältnisses mit dem Arbeitgeber oder den mit ihm verbundenen Unternehmen.</p>	<p>(i) tax equalization so that the tax burden incurred by Employee is not greater than the tax that Executive would have paid had Employee not been subject to tax outside the United States (such reimbursements to be paid (net of taxes) within the timeframe required by Treasury Regulation Section 1.409A-1(b)(8)(iii)) for so long as (i) Executive is subject to additional tax solely due to the Executive's requirements to be based outside of the United States and (ii), for the avoidance of doubt, for up to two (2) years extending beyond the term of employment with the Employer or its affiliates, and</p>
<p>(ii) Erstattung der Kosten (netto) des Arbeitnehmers für die Unterstützung durch eine im beidseitigen Einvernehmen beauftragte Firma zur Vorbereitung von Steuererstattungen, e, wobei der Anspruch nur so lange besteht, wie der Arbeitnehmer außerhalb der Vereinigten Staaten zu Steuerzahlungen verpflichtet ist, einschließlich eines Zeitraums von zwei (2) Jahre nach Beendigung des Arbeitsverhältnisses mit dem Arbeitgeber oder einem mit ihm verbundenen Unternehmen.</p>	<p>(ii) tax return preparation assistance by a mutually agreed firm with such costs to be reimbursed (net of taxes) to the Employee to be provided for so long as Employee is subject to tax outside the United States, including, for the avoidance of doubt, periods extending beyond the term of employment with the Employer or its affiliates by up to two (2) years.</p>
<p>§ 7 Arbeitsunfähigkeit / Entgeltfortzahlung</p>	<p>§ 7 Incapacity to Work / Continued Remuneration</p>
<p>1. Der Arbeitnehmer ist verpflichtet, dem Arbeitgeber jede Dienstverhinderung unverzüglich anzuzeigen. Bei anstehenden Terminalsachen hat der Arbeitnehmer auf vordringlich zu erledigende Arbeiten hinzuweisen.</p>	<p>1. The Employee shall notify the Employer of any incapacity to work without undue delay. In the event of existing deadlines, the Employee shall expressly indicate the work that needs to be done.</p>

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<p>2. Im Falle einer Arbeitsunfähigkeit wegen Krankheit hat der Arbeitnehmer bis zum dritten Werktag seiner Abwesenheit eine ärztliche Bescheinigung über das Bestehen der Arbeitsunfähigkeit sowie deren voraussichtliche Dauer vorzulegen. Der Arbeitgeber ist berechtigt, die Vorlage der ärztlichen Bescheinigung früher zu verlangen. Sofern die Arbeitsunfähigkeit länger als in der ärztlichen Bescheinigung angegeben dauert, muss der Arbeitnehmer dem Arbeitgeber unverzüglich unterrichten und ist verpflichtet, am nächsten Arbeitstag eine neue ärztliche Bescheinigung zu übermitteln.</p>	<p>2. In the event of incapacity to work due to illness, the Employee shall submit no later by the third working day of prevention from work a medical certificate evidencing the incapacity to work as well as its expected duration. The Employer is entitled to request a medical certification at an earlier time. In the event that the incapacity to work lasts for a longer period than indicated in the medical certificate, the Employee shall inform the Employer without undue delay and shall submit a successive medical certificate on the next working day.</p>
<p>3. Im Übrigen gelten die Regelungen des Entgeltfortzahlungsgesetzes.</p>	<p>3. The statutory provisions for continued remuneration in case of sickness shall apply.</p>
<p>§ 8 Beendigung des Arbeitsverhältnisses</p>	<p>§ 8 Termination of the Employment Relationship</p>
<p>1. Jede Kündigung bedarf der Schriftform.</p>	<p>1. Every termination has to be made in written form.</p>
<p>2. Beide Parteien können diesen Arbeitsvertrag unter Einhaltung der gesetzlichen Kündigungsfrist gemäß § 622 BGB schriftlich kündigen. Eine etwaige gesetzliche Verlängerung der Kündigungsfrist gilt für beide Parteien.</p>	<p>2. Either party may terminate this Employment Agreement with the statutory notice periods pursuant to Sec. 622 German Civil Code in writing. Any statutory prolongation of the notice period applies to the termination declared by the Employee, as well.</p>
<p>3. Das Recht beider Vertragsparteien zur außerordentlichen Kündigung aus wichtigem Grund bleibt unberührt.</p>	<p>3. The right of both contracting parties to terminate this Employment Agreement for good cause shall remain unaffected.</p>

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<p>4. Wird das Arbeitsverhältnis durch den Arbeitgeber gekündigt und will der Arbeitnehmer geltend machen, dass die Kündigung sozial ungerechtfertigt oder aus anderen Gründen rechtsunwirksam ist, so muss der Arbeitnehmer gemäß § 4 Satz 1 KSchG innerhalb von drei Wochen nach Zugang der schriftlichen Kündigung beim zuständigen Arbeitsgericht Klage auf Feststellung erheben, dass das Arbeitsverhältnis durch die Kündigung nicht aufgelöst ist. Bei Versäumung der Frist gilt die Kündigung als von Anfang an rechtswirksam (§ 7 KSchG). Bei unverschuldeter Versäumung kann die Kündigungsschutzklage innerhalb von zwei Wochen auf Antrag vom Arbeitsgericht nachträglich zugelassen werden.</p>	<p>4. If the employment relationship is terminated by the Employer and the Employee intends to claim that the termination is socially unjustified or legally invalid for other reasons, the Employee is to file an action for a declaration that the employment relationship has not been terminated by the termination with the responsible Labor Court within three weeks after receipt of the written notice of termination according to Sec. 4 sent. 1 KSchG. If the deadline is missed, the termination is considered to be legally valid (Sec. 7 KSchG). If the deadline is missed for reasons for which the Employee is not responsible, the action for protection against dismissal may be admitted by the Labor Court retrospectively within two weeks upon application.</p>
<p>5. Sollte für die Kündigung des Arbeitsverhältnisses durch den Arbeitgeber eine Zustimmung erforderlich sein, wie z.B. im Fall einer Schwerbehinderung des Arbeitnehmers gemäß § 168 SGB IX oder während einer Elternzeit des Arbeitnehmers gemäß § 18 BEEG, wird der Arbeitgeber vor Ausspruch der Kündigung bei der zuständigen Behörde / Stelle die erforderliche Zustimmung einholen.</p>	<p>5. If an approval is required for the termination of the employment relationship by the Employer, e.g. in case of a severe disability of the Employee pursuant to Sec. 168 SGB IX or during parental leave of the Employee pursuant to Sec. 18 BEEG, the Employer will obtain the required approval from the competent authority / body before giving notice of termination.</p>
<p>§ 8 a Freistellung</p>	<p>§ 8 a Garden Leave</p>

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<p>Während der Laufzeit einer jeden Kündigungsfrist kann der Arbeitgeber den Arbeitnehmer von der Erbringung seiner Pflichten aus diesem Arbeitsvertrag unter Fortzahlung der Vergütung widerruflich oder unwiderruflich freistellen, wenn hierfür ein sachlicher Grund vorliegt. Ein sachlicher Grund liegt insbesondere dann vor, wenn der Arbeitnehmer einen groben Pflichtenverstoß begangen hat oder der Arbeitgeber den Arbeitnehmer nicht mehr beschäftigen kann. Jeder mögliche Urlaubs- und Freizeitausgleichsanspruch des Arbeitnehmers wird mit vorgenannter Freistellung verrechnet. Auf sein Brutto-Festgehalt muss sich der Arbeitnehmer jedoch den Wert desjenigen anrechnen, was er durch anderweitige Verwendung seiner Arbeitskraft erwirbt oder zu erwerben böswillig unterlässt (§ 615 BGB). Eine etwaige Vergütungsfortzahlung durch den Arbeitgeber während der Dauer der Freistellung ist von den Ausgleichszahlungen nach § 8 c Abs. 2 in Abzug zu bringen.</p>	<p>During any period of notice to terminate this Employment Agreement, the Employer can release the Employee revocable or irrevocable from the Employee's duties, while payment of the salary of the Employee continues, provided there is an appropriate reason for this. An appropriate reason is in particular deemed to exist when the Employee has severely violated the Employee's duties or when the Employer no longer can employ the Employee. Any possible accrued but untaken vacation claim of the Employee is taken into account and set off with regard to above-mentioned release. The Employer is entitled to take secondary employment remuneration in consideration of the continued payment of the contractual remuneration (sec. 615 German Civil Code (Bürgerliches Gesetzbuch – BGB)). Any continued payment of the contractual remuneration by the Employer during garden leave shall be deducted from the total compensation payment under § 8c para. 2.</p>
<p>§ 8 b Beendigung des Arbeitsverhältnisses ohne Kündigung</p>	<p>§ 8 b Automatic Termination of Employment</p>
<p>1. Dieser Arbeitsvertrag endet, ohne dass es einer Kündigung bedarf, mit dem Ende des Kalendermonats, in dem der Arbeitnehmer Anspruch auf ungekürzte Regelaltersrente hat. Zuvor kann es beiderseits ordentlich gekündigt werden.</p>	<p>1. This Employment Agreement shall end, without any requirement for a notice, automatically at the end of the month in which the Employee reaches the age required for applicability of unbridged standard old-age pension. The parties' right to terminate the contract earlier remains unaffected.</p>
<p>2. Kann der Arbeitnehmer eine ungekürzte Altersrente schon zu einem früheren Zeitpunkt beantragen, so endet der Arbeitsvertrag zu diesem Zeitpunkt.</p>	<p>2. In case the Employee can apply for an unbridged pension earlier, this Employment Agreement shall end correspondingly.</p>

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<p>3. Wird durch den Bescheid eines Rentenversicherungsträgers festgestellt, dass der Arbeitnehmer auf Dauer voll erwerbsunfähig ist, so endet das Arbeitsverhältnis mit Ablauf desjenigen Monats, in dem der jeweilige Bescheid dem Arbeitnehmer zugestellt wird, wenn der Arbeitnehmer nicht vor Ablauf der Widerspruchsfrist seinen Antrag zurücknimmt. Beginnt die Rente wegen voller Erwerbsunfähigkeit erst nach der Zustellung des Rentenbescheides, endet das Arbeitsverhältnis mit Ablauf des dem Rentenbeginn vorangehenden Tages. Zuvor kann es beiderseits ordentlich gekündigt werden.</p>	<p>3. Should a pension insurance authority (Rentenversicherungsträger) ascertain by means of a notification that the Employee has been permanently unable to work, the employment relationship shall terminate upon the expiry of the month in which such notification is submitted to the Employee, provided that the Employee does not withdraw his application prior to the expiry of the objection period. Should the pension start only after the delivery of the pension notification, the employment relationship shall terminate upon the expiry of the day preceding the start of the pension. The parties' right to terminate the contract earlier remains unaffected.</p>
<p>4. Das Arbeitsverhältnis endet nicht, wenn dem Arbeitnehmer nach dem Bescheid des Rentenversicherungsträgers eine Rente auf Zeit gewährt wird. In diesem Falle ruht das Arbeitsverhältnis mit allen Rechten und Pflichten von dem Tage an, der auf den nach Ziffer 1 oder Ziffer 2 maßgeblichen Zeitpunkt (Rentenbeginn) folgt, bis zum Ablauf des Tages, bis zu dem die Zeitrente bewilligt wird, längstens jedoch bis zum Ablauf des Tages, an dem das Arbeitsverhältnis endet.</p>	<p>4. The employment relationship shall not terminate if the Employee upon receiving the notification of the pension insurance authority is granted a pension for a limited time. In this case, the employment relationship shall be dormant with all its rights and obligations from the day following para. 1 or para. 2 above (start of the pension) until the expiry of the day on which the limited pension is approved but not later than the expiry of the day on which the employment terminates.</p>
<p>§ 8 c Ausgleich bei Beendigung des Arbeitsverhältnisses</p>	<p>§ 8 c Compensation in case of termination of employment</p>

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<p>1. Im Falle der Beendigung des Arbeitsverhältnisses erhält der Arbeitnehmer (i) die ausstehende Vergütungen gemäß § 6 Abs. 1 für die Dauer der Kündigungsfrist, (ii) ausstehenden Aufwendungsersatz gemäß § 6 b und (iii) den verdienten, aber noch nicht ausgezahlten Teil des Zielbonus, der anteilig für das Kalenderjahr der Beendigung des Arbeitsverhältnisses berechnet wird (und nach Festlegung durch das Board entsprechend dem Grundsatz billigen Ermessens).</p>	<p>1. In case of termination of employment the Employee shall receive (i) any outstanding remuneration due for the term of the notice period pursuant to § 6 para. 1 (ii) any outstanding expense reimbursements pursuant to § 6 band (iii) any earned but unpaid portion of the Target Bonus to be calculated on a pro rata basis for the calendar year in which the termination date occurs (as determined by the Board in good faith for the performance year).</p>
<p>Bei Beendigung des Arbeitsverhältnisses aufgrund eines "Good Leaver Events", wie nachstehend definiert, erhält der Arbeitnehmer</p>	<p>Upon termination of the Employment Agreement due to a "Good Leaver Event" as defined below, the Employee shall</p>
<p>a) eine Abfindung in Höhe des 0,75-fachen der aktuellen Basisvergütung, wobei die nach dem vorstehenden Absatz 1 (i) ausstehende Vergütung für die Dauer der Kündigungsfrist, die einen Zeitraum von 30 Tagen überschreitet, hiervon in Abzug zu bringen ist. Die Abfindung ist zahlbar entweder als Einmalzahlung am Tag der Beendigung oder in gleichmäßigen Raten für die Dauer von 9 Monaten ab dem Tag der Beendigung.</p>	<p>a) receive a severance pay in the sum of 0.75 times the current Basic Remuneration, whereby any outstanding remuneration due for the term of the notice period longer than 30 days pursuant to para. 1 (i) above shall be deducted from such severance pay. The severance pay is payable either as a lump sum payment upon the Date of Termination or in regular monthly installments over the course of 9 months starting on the Date of Termination</p>
<p>b) Ersatz der Kosten für die Weiterführung der Gruppenkrankenversicherung in den Vereinigten Staaten für einen Zeitraum von neun Monaten für den Arbeitnehmer und seine direkte Familie (Partner/in und Kinder) für den Zeitraum von zwölf Monaten oder bis zu dem Datum, zu dem der Arbeitnehmer eine andere Tätigkeit mit einer damit verbundenen Gruppenkrankenversicherung in den U.S.A. antritt .</p>	<p>b) receive reimbursement of the cost of continuation coverage of group health coverage in the United States for the Employee and his immediate family (spouse and children) for a period of 9 months or until the time in which he begins alternative employment with related group health coverage</p>

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c) einen Umzugskostenzuschuss für die Rückkehr in die U.S.A. in Höhe von USD 15.000;	c) receive \$15,000 USD in relocation expenses to move back to the United States.
d) Ein "Good Leaver Event" liegt vor, wenn (i) entweder der Arbeitgeber das Arbeitsverhältnis aus Gründen kündigt, die keinen wichtigen Grund („cause“) darstellen oder (ii) der Arbeitnehmer das Arbeitsverhältnis aus guten Gründen („good reason“) kündigt. Die Begriffe „cause“ und „good reason“ sind im Einklang mit Ziffer 7 c) (a) und (e) des am 11. Juni 2022 zwischen ATAI Life Sciences US, Inc. a Delaware corporation und dem Arbeitnehmer abgeschlossenen Executive Employment Agreement zu bestimmen. Klarstellend vereinbaren	d) A good leaver event shall occur if (i) either the Employer terminates employment for reasons other than "cause" or (ii) the Employee terminates employment for "good reason" . The terms "cause" and "good reason" shall be defined in accordance with sec. 7 c) of the Executive Employment Agreement entered into on June 11, 2022 by and between ATAI Life Sciences US, Inc. a Delaware corporation and the Employee.
2. Im Falle eines "Good Leaver"-Ereignisses, wie in 8c)1.d definiert, am oder innerhalb von zwölf (12) Monaten nach dem Datum eines Kontrollwechselereignisses, wie nachstehend definiert, erhält der Arbeitnehmer anstelle der in 8c)1 genannten Zahlungen Folgendes:	2. In case of a Good Leaver Event as defined in 8c)1.d on or within twelve (12) months following the date of a Change of Control Event as defined below, Employee shall receive in lieu of the payments as set out in 8c)1 the following:
<ul style="list-style-type: none"> -eine Abfindung in Höhe des jährlichen Grundgehalts des Mitarbeiters, zahlbar innerhalb von sechzig (60) Tagen nach dem Beendigungsdatum; 	<ul style="list-style-type: none"> • A severance equal to the annual Basic remuneration of the Employee payable in a lump sum within sixty (60) days following the Date of Termination;
<ul style="list-style-type: none"> • Ersatz der Kosten für die Weiterführung der Gruppenkrankenversicherung in den Vereinigten Staaten für den Arbeitnehmer und seine direkte Familie (Partner/in und Kinder) für den Zeitraum von zwölf Monaten oder bis zu dem Datum, zu dem der Arbeitnehmer eine andere Tätigkeit mit einer damit verbundenen Gruppenkrankenversicherung in den U.S.A. antritt. 	<ul style="list-style-type: none"> • receive reimbursement of the cost of continuation coverage of group health coverage in the United States for the Employee and his immediate family (spouse and children) for 12 months or until the date on which he begins alternate employment with related group health coverage in the U.S.;

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<ul style="list-style-type: none"> • einen Umzugskostenzuschuss für die Rückkehr in die U.S.A. in Höhe von USD 15.000; 	<ul style="list-style-type: none"> • receive \$15,000 USD in relocation expenses to move back to the United States;
<ul style="list-style-type: none"> • alle noch nicht unverfallbaren anteils- oder anteilsbasierten Optionen, die ausschließlich durch Zeitablauf unverfallbar werden und die der Mitarbeiter zu diesem Zeitpunkt im Rahmen von Beteiligungsprogrammen des Unternehmens hält, werden sofort zu 100 % unverfallbar (wobei solche Optionen, die ganz oder teilweise durch das Erreichen von Leistungsbedingungen unverfallbar werden, durch die Bedingungen der jeweiligen Zuteilungsvereinbarung geregelt werden); und 	<ul style="list-style-type: none"> • all unvested equity or equity-based awards that vest solely based on the passage of time and are held by the Employee on the Termination Date under any Company equity compensation plans shall immediately become 100% vested (with any such awards that vest in whole or in part based on the attainment of performance-vesting conditions being governed by the terms of the applicable award agreement); and
<ul style="list-style-type: none"> • der Zeitraum, der der Führungskraft zur Ausübung von Aktienoptionen zur Verfügung steht, wird um den kürzeren der beiden folgenden Zeiträume verlängert: entweder (x) 12 Monate oder (y) die Restlaufzeit der jeweiligen Aktienoption. 	<ul style="list-style-type: none"> • the time period that the Employee may have to exercise any stock option equity awards shall be extended for a period equal to the shorter of (x) 12 months or (y) the remaining term of the applicable stock option.
3. "Kontrollwechsel" hat für die Zwecke dieses Arbeitsvertrages die folgende Bedeutung:	3. "Change in Control" shall have the following meaning for purposes of this Employment Agreement:

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<p>(i) jede "Person" im Sinne der Abschnitte 13(d) und 14(d) des Securities Exchange Act von 1934 in seiner geänderten Fassung (das "Gesetz") (mit Ausnahme des Mutterunternehmens, eines verbundenen Unternehmens oder eines Treuhänders, eines Insolvenzverwalters oder einer anderen Person oder Körperschaft, die Wertpapiere im Rahmen eines Mitarbeiterbeteiligungsplans oder eines Trusts des Mutterunternehmens oder eines verbundenen Unternehmens hält), zusammen mit allen "verbundenen Unternehmen" und "assozierten Unternehmen" (im Sinne der Definition dieser Begriffe in Rule 12b-2 des Gesetzes) einer solchen Person, die direkt oder indirekt "wirtschaftliche Eigentümerin" (gemäß der Definition in Rule 13d-3 des Gesetzes) von Wertpapieren des Mutterunternehmens wird, die fünfzig Prozent (50%) oder mehr der kombinierten Stimmrechte der zu diesem Zeitpunkt im Umlauf befindlichen Wertpapiere des Mutterunternehmens ausmachen, die bei einer Wahl des Vorstands stimmberechtigt sind ("stimmberechtigte Wertpapiere") (in einem solchen Fall nicht als Ergebnis eines Erwerbs von Wertpapieren direkt vom Mutterunternehmen); oder</p>	<p>(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Act") (other than Parent, any Affiliate, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of Parent or any Affiliate), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of Parent representing fifty percent (50%) or more of the combined voting power of Parent's then outstanding securities having the right to vote in an election of the Board ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from Parent); or</p>
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<p>(ii) die Durchführung (A) einer Verschmelzung oder Fusion der Muttergesellschaft, bei der die unmittelbar vor der Verschmelzung oder Fusion bestehenden Aktionäre der Muttergesellschaft nicht unmittelbar nach der Verschmelzung oder Fusion nutznießend (gemäß der Definition dieses Begriffs in Rule 13d-3 des Act) direkt oder indirekt Anteile halten, die insgesamt mehr als fünfzig Prozent (50 %) der stimmberechtigten Aktien der Muttergesellschaft darstellen, die bei der Verschmelzung oder Fusion Cash oder Wertpapiere ausgeben (oder der obersten Muttergesellschaft, falls vorhanden); oder (B) ein Verkauf oder eine andere Übertragung (in einer Transaktion oder einer Reihe von Transaktionen, die von einer Partei als Gesamtheit erwogen oder arrangiert werden) aller oder im Wesentlichen aller Vermögenswerte der Muttergesellschaft.</p>	<p>(ii) the consummation of (A) any consolidation or merger of Parent where the shareholders of Parent, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate more than fifty percent (50%) of the voting shares of Parent issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any), or (B) any sale or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of Parent.</p>

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Ungeachtet des Vorstehenden gilt ein Kontrollwechsel nicht als eingetreten (x) infolge eines Börsengangs oder einer direkten Notierung von Beteiligungspapieren der Muttergesellschaft oder einer anderen Finanzierungstransaktion, (y) infolge einer Transaktion, die zu einer Verlegung des Sitzes der Muttergesellschaft führt, oder (z) für die Zwecke der vorstehenden Klausel (i) ausschließlich als Ergebnis eines Erwerbs von Wertpapieren durch die Muttergesellschaft, der durch die Verringerung der Anzahl der im Umlauf befindlichen stimmberechtigten Wertpapiere die anteilige Anzahl der stimmberechtigten Wertpapiere, die sich im wirtschaftlichen Eigentum einer Person befinden, auf fünfzig Prozent (50 %) oder mehr der kombinierten Stimmkraft aller dann im Umlauf befindlichen stimmberechtigten Wertpapiere erhöht; vorausgesetzt jedoch, dass, wenn eine in diesem Satz genannte Person danach wirtschaftlicher Eigentümer zusätzlicher Stimmrechtsanteile wird (außer bei einem Aktiensplit, einer Aktiendividende oder einer ähnlichen Transaktion oder infolge eines Erwerbs von Wertpapieren direkt von der Muttergesellschaft) und unmittelbar danach wirtschaftlicher Eigentümer von fünfzig Prozent (50 %) oder mehr der kombinierten Stimmrechte aller dann ausstehenden Stimmrechtsaktien ist, dann gilt ein Kontrollwechsel für die Zwecke der vorstehenden Klausel (i) als eingetreten. Ungeachtet des Vorstehenden gilt ein Kontrollwechsel nur dann als eingetreten, wenn die Transaktion oder das Ereignis, das den Kontrollwechsel darstellt, auch ein "Kontrollwechselereignis" (wie in der Treasury Regulation §1.409A-3(i)(5) definiert) gemäß Abschnitt 409A (wie nachstehend definiert) darstellen würde.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred (x) as a result of an initial public offering or direct listing of Parent's equity securities or other financing transaction, (y) as a result of a transaction that occurs to change the domicile of Parent, or (z) for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by Parent that, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of Voting Securities beneficially owned by any person to fifty percent (50%) or more of the combined voting power of all of the then outstanding Voting Securities; provided, however, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from Parent) and immediately thereafter beneficially owns fifty percent (50%) or more of the combined voting power of all of the then outstanding Voting Securities, then a Change in Control shall be deemed to have occurred for purposes of the foregoing clause (i). Notwithstanding the foregoing, a Change in Control shall not have occurred unless the transaction or event constituting the Change in Control would also constitute a "change in control event" (as defined in Treasury Regulation §1.409A-3(i)(5)) under Section 409A (defined below).

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4. Der Arbeitnehmer hat nur Anspruch auf die in den Absätzen 2 und 3 genannten Zahlungen und Leistungen bei	4. Employee is only entitled to the payments and benefits as outlined in para.2 and 3 subject to
<ul style="list-style-type: none"> • Einhaltung der §§. 10 und §. 11 dieses Arbeitsvertrages und 	<ul style="list-style-type: none"> • compliance with continued compliance with sec. 10 and sec. 11 of this Employment Agreement and
<ul style="list-style-type: none"> • der Unterzeichnung und des nicht erfolgten Widerrufs einer Aufhebungs- oder Abfindungsvereinbarung am oder vor dem 21. Tag nach dem Tag der Beendigung des Arbeitsverhältnisses durch den Arbeitnehmer, einschließlich (1) einer vollständigen Abgeltung aller Ansprüche aus oder im Zusammenhang mit diesem Arbeitsverhältnis, seien sie bekannt oder unbekannt und soweit nach geltendem Recht zulässig, und (2) eines Verzichts auf das Recht, rechtliche Schritte im Zusammenhang mit der Beendigung des Arbeitsverhältnisses einzuleiten. 	<ul style="list-style-type: none"> • signing and not revoking on or before the 21st day following Employee's Date of Termination a Termination or Settlement Agreement, including (1) a full settlement of any claim arising from or in connection with this employment be they known or unknown and as far as permissible by governing law and (2) a waiver of the right to take legal action with respect to the termination of employment.
§ 8 d Minderung	§ 8 d Mitigation
<p>Der Arbeitnehmer ist nicht verpflichtet, den Schaden oder die Höhe der im Rahmen dieser Vereinbarung vorgesehenen Zahlungen zu mindern, indem er sich nach Beendigung seines Arbeitsverhältnisses um eine andere Beschäftigung bemüht oder anderweitig tätig wird, und alle Zahlungen, die der Arbeitnehmer als Selbständiger, als Angestellter oder anderweitig verdient, verringern nicht die Höhe der Beträge gemäß Abschnitt 8 c, die dem Arbeitnehmer ansonsten zustehen.</p>	<p>The Employee shall not be required to mitigate damages, or the amount of any payment provided for under this Agreement by seeking other employment or otherwise after the termination of his employment hereunder, and any payments earned by the Employee, whether from self-employment, as an employee or otherwise, shall not reduce the amount of any amounts under Section 8 c otherwise payable to the Employee.</p>



§ 9 Datenschutz / Pflicht zur Mitteilung bei Änderungen der persönlichen Verhältnisse	§ 9 Data Protection / Obligation to Notify in the Event of Changes to Personal Circumstances
1. Über die Speicherung und Verarbeitung Ihrer personenbezogenen Daten sind Sie von dem Arbeitgeber entsprechend den Vorschriften der Datenschutz-Grundverordnung (DSGVO) und des Bundesdatenschutzgesetzes (BDSG) informiert worden.	1. The Employer has informed the Employee about the storage and processing of his or her personal data pursuant to the provisions of the Basic Data Protection Regulation (DSGVO) and the Federal Data Protection Act (BDSG).
2. Der Arbeitnehmer ist verpflichtet, jede Änderung der persönlichen Verhältnisse (Familienstand, Adresse, Bankverbindung etc.) der Personalabteilung unverzüglich mitzuteilen.	2. The Employee is obliged to inform the human resource department immediately of any changes in personal circumstances (marital status, address, bank details, etc.).
§ 10 Verschwiegenheit / Eigentum des Arbeitgebers	§ 10 Confidentiality / Property of Employer
1. Der Arbeitnehmer verpflichtet sich, über alle ihm im Rahmen des Arbeitsverhältnisses zur Kenntnis gelangten vertraulichen geschäftlichen Angelegenheiten und Vorgänge des Arbeitgebers und der mit ihm verbundenen Unternehmen (§§ 15 ff. AktG) und Kunden, insbesondere Listen von Kunden und Kontakten, Verträge, Unternehmenspläne und Richtlinien, Firmensoftware, technische Informationen/Know-How und vergleichbare Informationen Stillschweigen zu bewahren. Dazu zählen auch Familienangehörige oder Mitbewohner.	1. The Employee shall treat as strictly confidential all trade and business secrets of the Employer and of any group company (sec. 15 ff. AktG) or clients, in particular lists and contact details of customers, contracts, business plans and policies, company software and technical information/know-how and comparable information of which he gained knowledge during employment. This also include family members or roommates.

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<p>Die Verschwiegenheitspflicht erstreckt sich nicht auf solche Kenntnisse, die für jedermann zugänglich sind oder deren Weitergabe für den Arbeitgeber ersichtlich ohne Nachteil ist oder zu deren Offenlegung der Arbeitnehmer aufgrund des Beschlusses eines Gerichts des zuständigen Gerichtsstands verpflichtet ist. Im Zweifelsfalle sind jedoch technische, kaufmännische und persönliche Vorgänge und Verhältnisse, die dem Arbeitnehmer im Zusammenhang mit seiner Tätigkeit bekannt werden, als Betriebsgeheimnisse zu behandeln. In solchen Fällen ist der Arbeitnehmer vor der Offenbarung gegenüber Dritten verpflichtet, eine Weisung der Geschäftsleitung einzuholen, ob eine bestimmte Tatsache vertraulich zu behandeln ist oder nicht.</p>	<p>This confidentiality obligation shall not include information that is available to everybody or information that if passed on is not detrimental to the Employer or that the Employee is ordered to disclose by a court of the competent jurisdiction. In case of doubt, technical, commercial or personal processes and relations of which the Employee obtained knowledge in connection with his duties shall be considered as business and trade secrets. In such cases, the Employee is obligated to obtain instructions first from the management with regard to whether certain information is to be considered confidential or not before disclosing it to third parties.</p>
<p>Sofern es der Zweck der Tätigkeit nicht erfordert, dürfen keine Dokumente Daten oder andere Aufzeichnungen des Arbeitgebers kopiert werden, unabhängig davon, ob die Dokumente und Aufzeichnungen vom Arbeitnehmer oder einem Dritten erstellt wurden.</p>	<p>Unless required by the purpose of the employment, no documents or other records of the Employer are allowed to be copied, regardless of whether the documents and records were created by the Employee or a third party.</p>
<p>Vertrauliche oder geheim zu haltende Schriftstücke, Aufzeichnungen, Akten oder ähnliche Unterlagen und Daten sind unter Verschluss zu halten und bei Beendigung des Arbeitsverhältnisses am letzten Tätigkeitstag an den Arbeitgeber herauszugeben.</p>	<p>Confidential or secret documents, records, files or similar documents and data shall be kept under lock and key and be returned to the Employer on the last day of employment upon termination of employment.</p>
<p>2. Diese Verpflichtung besteht auch nach Beendigung des Arbeitsverhältnisses, soweit sie das berufliche Fortkommen des Arbeitnehmers nicht behindert.</p>	<p>2. This obligation also applies after the termination of the employment relationship, insofar as it does not obstruct the Employee's career advancement.</p>

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<p>3. Bei Beendigung des Arbeitsverhältnisses sind ferner am letzten Tätigkeitstag alle Unterlagen, Dateien und Gegenstände, die sich im Besitz des Arbeitnehmers befinden und die im Eigentum des Arbeitgebers stehen, dem Arbeitgeber zurückzugeben. Dem Arbeitnehmer ist es nicht gestattet, hiervon Sicherungskopien zu behalten. Die Rückgabepflicht betrifft insbesondere alle von dem Arbeitgeber erhaltenen Unterlagen, USB-Sticks, CD-Roms etc., hiervon gefertigte Kopien sowie eigene Aufzeichnungen.</p>	<p>3. Further, upon termination of employment, all documents, data and objects held in the possession of the Employee and which belong to the Employer shall be returned to the Employer. The Employee may not make any back-up copies thereof. The obligation to return applies in particular to all documents, USB-sticks, CD-ROMs etc. as well as any copies made thereof and private records received by the Employer.</p>
<p>4. Die vorgenannten Verschwiegenheitspflichten gelten nicht, soweit aufgrund von Rechtsvorschriften eine Auskunftspflicht besteht.</p>	<p>4. The confidentiality obligations shall not apply if the Employee is legally obliged to disclose information.</p>
<p>5. Der Arbeitnehmer wird darauf hingewiesen, dass Geheimnisverrat nach dem Geschäftsgeheimnisgesetz (§ 23 GeschGehG) strafbar ist.</p>	<p>5. The Employee is informed that the disclosure of secrets is punishable under Section 23 Trade Secrets Act (Geschäftsgeheimnisgesetz - GeschGehG).</p>
<p>§ 11 Nebentätigkeit / Wettbewerb</p>	<p>§ 11 Side Activities / Non-competition</p>
<p>1. Der Arbeitnehmer wird dem Arbeitgeber seine volle Arbeitskraft widmen und dessen Interessen fördern.</p>	<p>1. The Employee shall devote all of its working time and efforts exclusively to the Employer and its interests.</p>

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<p>2. Die Aufnahme einer anderweitigen entgeltlichen Tätigkeit ist dem Arbeitnehmer nur nach vorheriger schriftlicher Zustimmung des Arbeitgebers gestattet. Hat der Arbeitnehmer dem Arbeitgeber schriftlich die beabsichtigte Tätigkeit unter Angabe von Art, Ort und Dauer angezeigt und stehen sachliche Gründe der Aufnahme der Tätigkeit nicht entgegen, hat der Arbeitgeber unverzüglich zuzustimmen. Der Arbeitgeber wird seine Zustimmung nur verweigern, wenn die berechtigten Interessen des Arbeitgebers, insbesondere hinsichtlich der Arbeitsleistung des Arbeitnehmers beeinträchtigt sind. Der Arbeitgeber kann seine Zustimmung jederzeit widerrufen, wenn dies das Interesse des Arbeitgebers auch unter Berücksichtigung der Belange des Arbeitnehmers rechtfertigt.</p>	<p>2. The Employee is only allowed to take up any other paid activity after the prior written consent of the Employer. If the Employee has notified the Employer in writing of the intended side activity, stating type, place and duration, and if there are no objective reasons for not taking up the activity, the Employer must give its immediate consent. The Employer shall refuse the consent only if the Employer's legitimate interests are affected, in particular with regard to the performance of the Employee and/or a conflict of interest. However, the Employer's consent can be revoked at any time where justified by the interests of the Employer, also taking into consideration the concerns of the Employee.</p>
<p>3. Das Zustimmungserfordernis gemäß Ziffer 2 besteht nicht für die Aufnahme ehrenamtlicher, karitativer, konfessioneller oder politischer Tätigkeiten, sofern sie die Tätigkeit nach Maßgabe dieses Arbeitsvertrages nicht beeinträchtigen.</p>	<p>3. The requirement of consent pursuant to para. 2 shall not apply for voluntary, charitable, confessional or political activities, provided that such activities do not interfere with the activities provided for in this Employment Agreement.</p>
<p>4. Während des Bestehens des Beschäftigungsverhältnisses ist es dem Arbeitnehmer untersagt, direkt oder indirekt (z.B. als Leiharbeiter), als freier Mitarbeiter oder als Arbeitnehmer für ein mit dem Arbeitgeber in Wettbewerb stehendes Unternehmen zu arbeiten oder eigene unternehmerische Tätigkeiten zu entfalten, die mit dem Arbeitgeber in Konkurrenz treten könnten.</p>	<p>4. During the duration of this Employment Agreement, the Employee is prohibited from working directly or indirectly (e.g. as a temporary employee) as a freelancer or as an employee for a company that is a competitor of the Employer or from developing its own entrepreneurial activities that could compete with the Employer.</p>

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<p>5. Während des Bestehens dieses Arbeitsvertrages ist es dem Arbeitnehmer ferner nicht gestattet, sich direkt oder indirekt (z.B. über Dritte) an einem im Wettbewerb zu dem Arbeitgeber stehenden Unternehmen zu beteiligen. Ausgenommen hiervon sind jedoch der bloße Finanzbeteiligungen wie der Erwerb und das Halten von Unternehmensanteilen im Rahmen der privaten Vermögensverwaltung, sofern der Aktienbesitz 5% des Grundkapitals des betreffenden Arbeitgebers im Einzelfall nicht überschreitet.</p>	<p>5. During the duration of this Employment Agreement, the Employee is not permitted to participate directly or indirectly (e.g. via third parties) in a competitor of the Employer. However, this does not apply to mere financial holdings such as the acquisition and holding of company shares as part of private asset management, provided that the shareholding does not exceed 5% of the share capital of the respective company.</p>
<p>§ 12 Urheberrechte / Verwertungsrechte / Arbeitnehmererfindungen</p>	<p>§ 12 Copyright / Exploitation Right / Employee Inventions</p>

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<p>1. Der Arbeitnehmer überträgt sämtliche aus oder im Zusammenhang mit der vertragsgegenständlichen Tätigkeit für den Arbeitgeber entstandenen oder noch entstehenden (bzw. von ihm erworbenen) Leistungsergebnisse wie Software (Quell- und Programmcodes), Zeichnungen, Skizzen, Entwürfe, andere Dokumente, Erkenntnisse und Erfindungen („Arbeitsergebnisse“) sowie sämtliche Rechte an oder im Zusammenhang mit den Arbeitsergebnissen, darunter Patente, Gebrauchsmuster, Rechte aus und an Erfindungen, Marken, geschäftlichen Bezeichnungen und sonstige Kennzeichenrechte, Domains, Urheberrechte und Leistungsschutzrechte unabhängig davon, ob diese registriert sind oder nicht („IP-Rechte“), sowie, soweit die Arbeitsergebnisse nicht selbst übertragbar sind, Nutzungsrechte an diesen, fortlaufend und unwiderruflich mit dem Zeitpunkt ihres Entstehens auf den diese Übertragung annehmenden Arbeitgeber mit der Wirkung, dass der Arbeitgeber alleiniger Inhaber sämtlicher Arbeitsergebnisse und IP-Rechte daran oder der an den Arbeitsergebnissen bestehenden Nutzungsrechte wird, ohne dass es eines weiteren Übertragungsakts bedarf.</p>	<p>1. The Employee shall transfer all rights and obligations arising from or in connection with the contractual activity for the Employer that have arisen or will arise (or will arise in the future) from or in connection with the contractual activity for the Employer. Performance results such as software (source and program codes), drawings, sketches, drafts, other documents, knowledge and inventions ("work results") as well as all rights to or in connection with the work results, including patents, utility models, rights from and to inventions, trademarks, business designations and other labelling rights, domains, copyrights and ancillary copyrights independently thereof, whether they are registered or not ("IP Rights"), and, to the extent that the Work Results are not themselves transferable, rights of use in respect of them, continuously and irrevocably from the time they arise to the Employer accepting such transfer, with the effect that the Employer becomes the sole owner of all Work Results and IP Rights therein or of the rights of use in respect of the Work Results, without any further act of transfer being required.</p>

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2. Soweit Nutzungsrechte an den Arbeitsergebnissen nicht übertragbar sind, räumt der Arbeitnehmer dem Arbeitgeber mit Wirkung zum Zeitpunkt des Entstehens des betreffenden Arbeitsergebnisses unwiderruflich das ausschließliche, oder, soweit der Arbeitnehmer über diese Befugnis nicht verfügt, das nicht-ausschließliche, zeitlich, örtlich und sachlich unbeschränkte Recht ein, solche Arbeitsergebnisse zu nutzen und zu verwerten. Von dieser Rechtseinräumung umfasst sind insbesondere das Vervielfältigungsrecht, das Recht zur Verbreitung und zum Verkauf/Vertrieb, das Vermiet- und Verleihrecht, das Datenbankrecht, das Veröffentlichungsrecht, das Recht der öffentlichen Zugänglichmachung ungeachtet des Mediums, das Recht zur Online-Übertragung und das Recht zur Online-Wiedergabe, das Recht zur Bearbeitung (insbesondere das Recht, die Arbeitsergebnisse in andere Produkte/Leistungen des Arbeitgebers oder Dritter zu integrieren, sie in beliebiger Weise zu ändern, zu erweitern, zu implementieren, zu übersetzen, zu überarbeiten, zu arrangieren oder auf andere Weise umzuarbeiten oder umzugestalten), das Recht zur Digitalisierung und das Recht, Erzeugnisse/andere Leistungen unter Verwendung der Arbeitsergebnisse herzustellen, anzubieten, in Verkehr zu bringen oder für eigene Zwecke und/oder Zwecke Dritter zu nutzen. Die Rechtseinräumung gilt für alle bekannten ebenso wie für heute noch unbekanntes Nutzungsarten; dem Arbeitnehmer insoweit zwingend zustehende Rechte, z.B. nach § 31a UrhG, bleiben unberührt. Der Arbeitgeber nimmt die Rechtseinräumung hiermit an.

2. To the extent that rights of use of the work results are not transferable, the Employee irrevocably grants the Employer, with effect from the time when the work result in question arises, the exclusive or, if the Employee does not have such a right, the non-exclusive right, unlimited in time, place and subject matter, to use and exploit such work results. This granting of rights shall include in particular the right of reproduction, the right of distribution and sale/distribution, the right of rental and lending, the database right, the right of publication, the right of making available to the public irrespective of the medium, the right of online transmission and the right of online reproduction, the right of processing (in particular the right to integrate the work results into other products/services of the Employer or third parties, to change, expand, implement, translate, revise, arrange or otherwise rework or redesign them in any way), the right to digitalize and the right to manufacture, offer, market or use products/other services using the work results for own purposes and/or the purposes of third parties. The granting of rights shall apply to all known types of use as well as to types of use unknown today; the rights to which the Employee is compulsorily entitled in this respect, e.g. under sec. 31a German Copyright Act (UrhG), shall remain unaffected. The Employer hereby accepts the granting of rights.

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<p>3. Soweit im Hinblick auf Software § 69b UrhG oder entsprechende Vorschriften anderer Rechtsordnungen eine umfassendere Rechteeinräumung an den Arbeitgeber vorsehen, ist es der übereinstimmende Wille der Parteien, dass diese umfassendere Rechteeinräumung unberührt bleibt.</p>	<p>3. As far as software sec. 69b UrhG or corresponding regulations of other legal systems provide for a more extensive granting of rights to the Employer, it is the mutual intent of the parties that this extensive granting of rights remains unaffected.</p>
<p>4. Der Arbeitgeber ist berechtigt, die ihr nach dem vorstehenden Absatz eingeräumten Rechte ganz oder teilweise auf andere zu übertragen oder anderen entsprechende Nutzungsrechte daran einzuräumen.</p>	<p>4. The Employer is entitled to transfer the previously mentioned assigned rights either entirely or partially to third parties and to grant third parties the corresponding exploitation rights.</p>
<p>5. Alle vorstehenden Rechte verbleiben auch im Falle einer Kündigung oder sonstigen Vertragsbeendigung bei dem Arbeitgeber, unerheblich davon, aus welchem Grund diese Beendigung erfolgt.</p>	<p>5. The assigned rights remain unaffected by a termination of the Employment Agreement.</p>
<p>6. Der Arbeitnehmer verpflichtet sich, diejenigen Erklärungen (z.B. gegenüber Registrierungsstellen oder Ämtern) abzugeben, die für die vorstehende Rechtsübertragung erforderlich oder nützlich sind. Allein der Arbeitgeber ist berechtigt, in Bezug auf die Arbeitsergebnisse Patente, Marken oder sonstige formelle Schutzrechte sowie Domains anzumelden.</p>	<p>6. The Employee undertakes to make all declarations (e.g. to registries or offices) that are necessary or useful for the above transfer of rights. The Employer alone is entitled to apply for patents, trademarks or other formal property rights as well as domains in relation to the work results.</p>

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<p>7. Der Arbeitnehmer wird den Arbeitgeber – auch nach Beendigung dieses Anstellungsvertrages – bei einer etwaigen Anmeldung von IP-Rechten oder deren Verlängerung oder Registrierung im In- oder Ausland unterstützen, insbesondere die zur Erlangung und/oder Registrierung von formellen Schutzrechten erforderlichen oder nützlichen Informationen bereitstellen und Erklärungen abgeben. Nach Beendigung dieses Anstellungsvertrages trägt der Arbeitgeber diejenigen angemessenen entstandenen Kosten, die durch die Erfüllung dieser § 12 aufgrund einer entsprechenden Anforderung des Arbeitgebers entstanden sind.</p>	<p>7. The Employee shall support the Employer - even after termination of this employment contract - in any application for IP Rights or their extension or registration in Germany or abroad, in particular provide the information required or useful for obtaining and/or registering formal IP Rights and make statements. After termination of this employment contract, the Employer shall bear any reasonable costs incurred by the Employer in fulfilling this clause 12 due to a corresponding request by the Employer</p>
<p>8. Eine Verpflichtung des Arbeitgebers zur Verwertung der übertragenen oder eingeräumten Nutzungsrechte besteht nicht.</p>	<p>8. The Employer is not obliged to utilize the transferred rights or granted usage rights</p>
<p>9. Der Arbeitnehmer verzichtet in Bezug auf die Arbeitsergebnisse auf urheberrechtliche Benennungsrechte und etwaige Zugangsrechte und steht dafür ein, dass auch andere gegebenenfalls an der Erschaffung der Arbeitsergebnisse beteiligte Personen einen solchen Verzicht erklären. Etwa bestehende Rückrufrechte können nicht vor Ablauf der gesetzlich vorgesehenen Frist nach Einräumung bzw. Übertragung sowie nach Setzen einer angemessenen Nachfrist von in der Regel nicht weniger als sechs (6) Monaten geltend gemacht werden.</p>	<p>9. With regard to the work results, the Employee shall waive any naming rights under copyright law and any rights of access and shall guarantee that other persons who may have been involved in the creation of the work results also declare such a waiver. Any existing rights of recall may not be asserted before the expiry of the legally prescribed period after granting or transferring and after setting a reasonable grace period of generally not less than six (6) months.</p>

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<p>1 Der Arbeitnehmer wird die Arbeitsergebnisse nachvollziehbar 0. dokumentieren. Er übergibt und übereignet an den Arbeitgeber fortlaufend mit dem Zeitpunkt ihres Entstehens alle Dokumente, Schriftstücke und sonstige Materialien (bei Software einschließlich des Quellcodes und der Dokumentation), in denen die Arbeitsergebnisse verkörpert sind, sowie etwaige auf diese bezogenen Eintragungsunterlagen und Schriftwechsel (insb. mit Ämtern wie dem Deutsche Patent- und Markenamt („DPMA“) oder (Domain-) Registrierungsstellen). Der Arbeitnehmer wird die vorgenannten Materialien, die Arbeitsergebnisse verkörpern, stets so kennzeichnen, dass ihre Zugehörigkeit zu seiner Tätigkeit und ihre Zuordnung zu dem Arbeitgeber eindeutig erkennbar sind. Der Arbeitgeber kann die Form, in der die Kennzeichnung erfolgt, bestimmen.</p>	<p>1 The Employee will document the work results in a transparent 0. manner. He shall hand over and transfer to the Employer, on a continuous basis from the time of their creation, all documents, papers and other materials (in the case of software including the source code and documentation) in which the work results are embodied, as well as any registration documents and correspondence relating to them (in particular with offices such as the German Patent and Trademark Office (“DPMA”) or (domain) registration authorities). The Employee will always label the aforementioned materials embodying work results in such a way that their affiliation to his work and their assignment to the Employer is clearly recognizable. The Employer may determine the form in which the marking is made.</p>
<p>1 Der Arbeitnehmer versichert, dass er die Arbeitsergebnisse 1. persönlich erstellt (hat). Er wird ohne vorherige schriftliche Zustimmung des Arbeitgebers keine Dritten einsetzen und keine Werke, sonstige Materialien oder vertrauliche Informationen Dritter („Drittmaterial“) für die Erstellung der Arbeitsergebnisse verwenden. Soweit er Dritte oder deren Material für die Erstellung der Arbeitsergebnisse eingesetzt hat, steht der Arbeitnehmer für den Übergang der Rechte an den Arbeitsergebnissen im Umfang dieser Vereinbarung ein und übergibt dem Arbeitgeber vollständige Kopien der dazugehörigen Verträge („Chain of Title“).</p>	<p>1 The Employee assures that he (has) created the work results 1. personally. He will not use third parties and will not use any works, other materials or confidential information of third parties ("Third Party Material") for producing the Work Results without the prior written consent of the Employer. Insofar as he has used third parties or their material for the creation of the Work Results, the Employee shall be responsible for the transfer of rights to the Work Results to the extent of this Agreement and shall provide the Employer with complete copies of the associated contracts ("Chain of Title").</p>

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<p>1 Für schutzfähige technische Erfindungen und technische 2. Verbesserungsvorschläge gelten die jeweils gültigen Bestimmungen des Gesetzes über Arbeitnehmererfindungen (ArbErfG).</p>	<p>1 For protectable technical inventions and technical suggestions 2. for improvement, the current provisions of the German Employee Invention Act (ArbErfG) shall apply.</p>
<p>1 Durch die dem Arbeitnehmer nach dem Arbeitsvertrag zu 3. zahlende Vergütung ist die Einräumung der Nutzungsrechte auch für die Zeit nach Beendigung des Arbeitsverhältnisses mit abgegolten. Zwingende gesetzliche Vergütungsansprüche (etwa nach den §§ 32 ff. UrhG, § 9 ArbErfG) bleiben unberührt.</p>	<p>1 The assignment of the exploitation rights also for the period 3. after the termination of the Employment Agreement shall be compensated with the remuneration paid to the Employee according to the Employment Agreement. Mandatory statutory remuneration entitlements (such as under sec. 32 et seq. UrhG, sec. 9 ArbErfG) remain unaffected.</p>
<p>§ 13 Ausschlussfristen / Verfallklauseln</p>	<p>§ 13 Preclusion Periods / Expiration Clause</p>
<p>1. Alle Ansprüche aus dem Arbeitsverhältnis müssen innerhalb einer Frist von drei Monaten in Textform (§ 126b BGB) geltend gemacht werden. Erfolgt dies nicht, verfallen diese Ansprüche. Die Ausschlussfrist beginnt, wenn der Anspruch entstanden ist und der Anspruchsteller von den anspruchsbegründenden Umständen Kenntnis erlangt oder ohne grobe Fahrlässigkeit erlangen müsste.</p>	<p>1. Claims arising from this employment must be asserted in text form (sec. 126b BGB) within a period of three months. Any failure to meet this deadline shall lead to loss of the entitlement. The preclusion period shall begin when the claim arises and the claimant gains knowledge of the circumstances justifying the claim or could reasonably be held to have gained such knowledge without having been grossly negligent.</p>
<p>2. Lehnt der Leistungspflichtige den Anspruch in Textform ab oder erklärt er sich hierzu nicht innerhalb eines Monats nach Geltendmachung des Anspruchs, so verfällt dieser, wenn er nicht innerhalb von drei Monaten nach der Ablehnung oder nach dem Fristablauf gerichtlich geltend gemacht wird. Die Erhebung einer Kündigungsschutzklage wahrt den Anspruch nicht.</p>	<p>2. If the party liable rejects such claim in text form or does not state its position within one month after assertion of the claim, the claim shall be forfeited if it is not asserted in court within three months of the rejection or expiration of the deadline. Filing a lawsuit for protection against unfair dismissal shall not prevent a claim from being forfeited.</p>

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<p>3. Diese Ausschlussfristen und diese Verfallklausel gelten nicht bei Ansprüchen wegen der Verletzung des Lebens, des Körpers oder der Gesundheit sowie bei vorsätzlichen oder grob fahrlässigen Pflichtverletzungen, für Ansprüche auf Zahlung des Mindestlohns nach dem MiLoG und für andere gesetzliche oder tarifliche Ansprüche, auf die nicht verzichtet werden kann.</p>	<p>3. These preclusion periods and this expiration clause shall not apply to claims arising because of physical injury of life, body or health as well as in case of intended or grossly negligent breaches of duty, in case of entitlements of the Employee to the minimum wage according to the minimum wage legislation (MiLoG), as well as for other statutory or collectively indispensable claims.</p>
<p>§ 14 Änderungen / Form</p>	<p>§ 14 Changes / Form</p>
<p>Änderungen, Ergänzungen und die Aufhebung dieses Vertrags bedürfen zu Ihrer Wirksamkeit der Schriftform. Dies gilt auch für die Änderung dieser Schriftformklausel selbst. Ausgeschlossen sind damit insbesondere Vertragsänderungen durch betriebliche Übung. Das vorstehende Schriftformerfordernis findet keine Anwendung bei Abreden, die nach Vertragsschluss unmittelbar zwischen den Parteien mündlich getroffen werden. Mündliche Nebenabreden bestehen nicht.</p>	<p>Amendments, supplements and the cancellation of this agreement, including this clause, must be in writing to be effective. Contractual amendments due to operational practice (betriebliche Übung) are therefore excluded. The above written form requirement shall not apply to verbal agreements made directly between the contracting parties after the conclusion of the agreement. There are no verbal side agreements.</p>
<p>§ 15 Anwendbares Recht</p>	<p>§ 15 Governing Law</p>
<p>Dieser Arbeitsvertrag unterliegt dem Recht der Bundesrepublik Deutschland mit Ausnahme der in § 8 c Abs. 4 in Bezug genommenen Normen des amerikanischen Rechts. Alle Rechtsstreitigkeiten, die im Zusammenhang mit diesem Arbeitsvertrag oder etwaigen Zusatzvereinbarungen entstehen, unterliegen der deutschen Gerichtsbarkeit.</p>	<p>This Employment Agreement shall be subject to German Law with the exception of the U.S. laws that are referenced in § 8 c para. 4. All disputes arising in connection with this Employment Agreement or any further supplemental agreements shall be settled by a competent court of jurisdiction in Germany.</p>
<p>§ 15a Maßgebliche Fassung</p>	<p>§ 15a Authoritative Version</p>
<p>Für die Durchführung und Auslegung dieses Arbeitsvertrages ist im Streitfall die deutsche Fassung maßgeblich. Dies gilt nicht bezüglich § 8c Abs. 4. Insofern ist die englische Fassung maßgeblich.</p>	<p>For execution and interpretation of this Employment Agreement, in case of disputes, the German version prevails. This does not apply to § 8c para. 4, for which the English version shall apply.</p>

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§ 16 Schlussbestimmungen	§ 16 Final Provisions
<p>1. Sollte eine Bestimmung dieses Arbeitsvertrages ganz oder teilweise unwirksam sein oder werden, so wird hiervon die Wirksamkeit der übrigen Bestimmungen dieses Arbeitsvertrages nicht berührt. An die Stelle der unwirksamen Bestimmung tritt die gesetzlich zulässige Bestimmung, die dem mit der unwirksamen Bestimmung Gewollten wirtschaftlich am nächsten kommt. Dasselbe gilt für den Fall einer vertraglichen Lücke.</p>	<p>1. If any clause of this Employment Agreement is or shall be deemed invalid in whole or in part, all remaining provisions of this Employment Agreement shall remain valid. The invalid clause shall be replaced by the legally permissible provision which comes closest to the economic intent of the invalid provision. The same applies in the event of a contractual gap.</p>
<p>2. Der Arbeitnehmer hat eine Ausfertigung dieses Arbeitsvertrages erhalten.</p>	<p>2. The Employee has received a copy of this Employment Agreement.</p>

Berlin, den November 7, 2022

Berlin, on November 8, 2022

/s/ Florian Brand

/s/ Stephen Bardin

Florian Brand
Vorstand / CEO
ATAI Life Sciences AG

Stephen Rodrick Bardin

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Exhibit 1: Job Description – Chief Financial Officer

atai Life Sciences is a biopharmaceutical company focused on developing novel treatments (both psychedelic and non-psychedelic) for mental health disorders so that everyone, everywhere can live a more fulfilled life. We are developing psychedelic and non-psychedelic compounds and cutting-edge digital therapeutic tools. We are excited about anything that might mean a true leap forward for patients. We have offices in Berlin, London, New York, Boston, and San Diego.

The role (purpose):

The Chief Financial Officer will be responsible for building and overseeing the Finance and Accounting function. In this role, you will be responsible for developing financial plans, company-wide and project-specific budgets, monitoring atai's financial health, maintaining an appropriate internal control environment, overseeing all SEC reporting, and identifying and mitigating financial risks to the business. This is a hands-on position in a start-up environment that requires strong business acumen and the ability to flex and pivot. One must have the ability to work collaboratively and effectively with all departments and provide management with information vital to the decision-making process.

What you will achieve:

Responsible for overseeing the global financial strategy and organization. Works with senior executives and the Board of Directors to establish financial and strategic goals for the company, and financial and investing strategies to meet specific business objectives, and legal, regulatory, and securities reporting requirements. Responsibilities include long-range financial planning and policies, accounting practices and procedures, and the company's relationship with the financial and shareholder communities. Oversees all aspects of financial planning and reporting, including the controller function, accounting, treasury, and tax on a global basis to ensure compliance with financial reporting standards, shareholder requirements, and regulatory requirements.

- Set and execute the strategy for the Finance and Accounting
- Responsible for all aspects related to Finance and Accounting, including but not limited to, financial reporting (including all SEC reporting), accounting, budgeting, management reporting, internal controls, treasury, tax, new leases / build-outs, and general corporate operations
- Partner on investor relations as necessary
- Create impactful and timely analyses on tactical Finance and Accounting issues for the CEO and Board
- Enhance the quality of the Company's financial and operational reporting; develop KPIs and dashboards that capture and illustrate the drivers of the businesses; deliver insightful and actionable variance, trend, and scenario analysis of financial performance across all

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functions; automate progressively more components of the reporting to reduce risk of error and increase the efficiency and scalability of the reporting

- Understand key business drivers and trends including expenses by function and program
- Ensure the company is continuing to improve its control environment in preparation for 404(b) compliance
- Ensure regulatory and corporate compliance regarding all financial functions
- Manage relationships with functional department heads across the organization, staying abreast of strategic needs that may have financial and accounting implications
- Maintain strong partnerships with external vendors, including independent auditors
- Oversee corporate insurance programs (including director and officer insurance) to maintain appropriate coverage and limits
- Manage the accumulation and consolidation of all financial data necessary for an accurate accounting of consolidated business results
- Coordinate and prepare internal and external financial statements and activities for external auditors
- Manage, prepare, administer, and direct the control of the budget
- Manage the activities of the financial analyst staff
- Review and approve recommendations for financial planning and control, providing relevant fiscal information to the executive management team
- Develop and manage internal financial audits
- May develop a formal reporting system to communicate results of audit activities to management and regulatory compliance agencies
- May provide leadership and technical guidance for compliance with Sarbanes-Oxley (SOX) legislation
- Select, develop, and evaluate personnel to ensure the efficient operation of the function

Who will be successful in this role:

- 15+ years of accounting and/or finance experience, Bachelor's degree in Finance, Economics, Accounting or Business, and MBA and/or CPA license
- 5+ years of financial leadership experience at a publicly traded biotechnology company
- Experience with implementing and enhancing internal and external auditing programs in the pharmaceutical or biotechnology industry
- Experience in scaling financial organizations to handle the complexity of platform-based biotech with multiple clinical-stage programs and therapeutic areas
- Ability to work well under pressure in a high-growth environment; willingness to roll up sleeves and pitch in wherever needed
- Deep knowledge of U.S. GAAP and SEC regulations

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CERTIFICATION

I, Florian Brand, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ATAI Life Sciences N.V.;
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)) 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) [omitted];
 - (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: November 10, 2022

By: _____
/s/ Florian Brand
Florian Brand
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Stephen Bardin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ATAI Life Sciences N.V.;
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)) 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) [omitted];
 - (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: November 10, 2022

By: _____
/s/ Stephen Bardin
Stephen Bardin
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of ATAI Life Sciences N.V. (the "Company") for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2022

By: _____
/s/ Florian Brand
Florian Brand
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of ATAI Life Sciences N.V. (the "Company") for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2022

By: _____
/s/ Stephen Bardin
Stephen Bardin
Chief Financial Officer
(Principal Financial Officer)
