Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from to

Commission file number: 001-37474

ConforMIS, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**56-2463152**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
28 Crosby Drive **Bedford, MA**	**01730**
(Address of principal executive offices)	(Zip Code)

(781) 345-9001

(Registrant's telephone number, including area code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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 August 11, 2015 there were 40,689,248 shares of Common Stock, $0.00001 par value per share, outstanding.

ConforMIS, Inc.

INDEX

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CONFORMIS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ 14,496	$ 37,900
Accounts receivable, net	11,030	9,119
Inventories	9,379	7,691
Prepaid expenses and other current assets	1,403	1,158
Deferred initial public offering costs	4,489	—
Total current assets	40,797	55,868
Property and equipment, net	10,598	8,696
Other Assets		
Restricted cash	4,328	4,438
Intangible assets, net	1,119	1,243
Goodwill	753	753
Other long-term assets	283	280
Total assets	$ 57,878	$ 71,278
Liabilities and stockholder's equity		
Current liabilities		
Accounts payable	$ 4,520	$ 3,618
Accrued expenses	9,982	6,942
Deferred revenue	305	—
Current portion of long-term debt	283	272
Total current liabilities	15,090	10,832
Other long-term liabilities	246	271
Deferred revenue	4,778	—
Long-term debt	10,220	10,348
Total liabilities	30,334	21,451
Commitments and contingencies		
Stockholders' equity		
Convertible preferred stock, $0.00001 par value:		
Authorized: 53,496,241 shares authorized, 51,055,077 and 50,985,652 shares issued and outstanding June 30, 2015 and December 31, 2014, respectively; (aggregate liquidation value of $353,042 and $352,626 at June 30, 2015 and December 31, 2014, respectively)	—	—
Common stock, $0.00001 par value:		
Authorized: 80,000,000 shares at June 30, 2015 and December 31, 2014; 4,412,089 and 4,286,164 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	—	—
Additional paid-in capital	321,071	318,420
Accumulated deficit	(293,245)	(268,096)
Accumulated other comprehensive loss	(282)	(497)
Total stockholders' equity	27,544	49,827
Total liabilities and stockholders' equity	$ 57,878	$ 71,278

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

CONFORMIS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(unaudited)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue				
Product	$ 15,763	$ 11,173	$ 30,463	$ 21,972
Royalty	3,459	—	3,459	—
Total revenue	19,222	11,173	33,922	21,972
Cost of revenue	10,664	7,097	20,052	14,609
Gross profit	8,558	4,076	13,870	7,363
Operating expenses				
Sales and marketing	9,758	7,080	19,338	15,458
Research and development	4,317	3,615	8,333	7,193
General and administrative	5,355	3,900	11,134	7,848
Total operating expenses	19,430	14,595	38,805	30,499
Loss from operations	(10,872)	(10,519)	(24,935)	(23,136)
Other income and expenses				
Interest income	28	26	68	50
Interest expense	(245)	(38)	(469)	(89)
Other income (expense)	208	—	208	—
Total other expenses	(9)	(12)	(193)	(39)
Loss before income taxes	(10,881)	(10,531)	(25,128)	(23,175)
Income tax provision	11	12	21	20
Net loss	$ (10,892)	$ (10,543)	$ (25,149)	$ (23,195)
Net loss per share - basic and diluted	$ (2.51)	$ (2.49)	$ (5.82)	$ (5.52)
Weighted average common shares outstanding - basic and diluted	4,341,784	4,238,837	4,319,334	4,199,746

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

CONFORMIS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Loss

(unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$ (10,892)	$ (10,543)	$ (25,149)	$ (23,195)
Other comprehensive income (loss)				
Foreign currency translation adjustments	218	(174)	214	(166)
Comprehensive loss	$ (10,674)	$ (10,717)	$ (24,935)	$ (23,361)

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

CONFORMIS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(in thousands)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities		
Net loss	$ (25,149)	$ (23,195)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	1,199	1,023
Amortization of debt discount	21	16
Stock-based compensation expense	1,846	900
Provision for bad debts on trade receivables	164	(47)
Changes in operating assets and liabilities:		
Accounts receivable	(2,075)	(306)
Inventories	(1,688)	342
Prepaid expenses and other assets	(248)	(405)
Deferred initial public offering costs	(4,489)	—
Accounts payable and accrued liabilities	3,942	(1,012)
Deferred royalty revenue	5,084	—
Other long-term liabilities	(25)	(122)
Net cash used in operating activities	(21,418)	(22,806)
Cash flows from investing activities		
Acquisition of property and equipment	(2,977)	(641)
Decrease in restricted cash	109	365
Net cash used in investing activities	(2,868)	(276)
Cash flows from financing activities		
Net proceeds from issuance of preferred stock	—	1,686
Proceeds from exercise of preferred stock warrant	416	—
Payments on notes payable	(137)	(2,051)
Proceeds from issuance of common stock	389	41
Repurchase of stock options	—	(52)
Net cash (used) provided by financing activities	668	(376)
Foreign exchange effect on cash and cash equivalents	214	(166)
Decrease in cash and cash equivalents	(23,404)	(23,624)
Cash and cash equivalents, beginning of period	37,900	54,221
Cash and cash equivalents, end of period	$ 14,496	$ 30,597
Supplemental information:		
Cash paid for income taxes	53	98
Cash paid for interest	484	95
Non cash investing and financing activities		
Issuances of Series E-1 preferred stock warrants	—	42

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

CONFORMIS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(unaudited)

Note A—Organization and Basis of Presentation

ConforMIS, Inc. and subsidiaries (the Company) is a medical technology company that uses its proprietary iFit Image-to-Implant technology platform to develop, manufacture and sell joint replacement implants that are individually sized and shaped, which the Company refers to as customized, to fit each patient's unique anatomy. The Company's proprietary iFit® technology platform is potentially applicable to all major joints. The Company offers a broad line of customized knee implants designed to restore the natural shape of a patient's knee.

The Company was incorporated in Delaware and commenced operations in 2004. The Company introduced its iUni and iDuo in 2007, its iTotal CR in 2011 and its iTotal PS on a limited basis in 2015. The Company has its corporate offices in Bedford, Massachusetts.

Liquidity and operations

Since the Company's inception in June 2004, it has financed its operations through private placements of preferred stock, bank debt and convertible debt financings, equipment purchase loans, and, beginning in 2007, product revenue. The Company's product revenue has continued to grow from year-to-year; however, it has not yet attained profitability and continues to incur operating losses. At June 30, 2015, the Company had an accumulated deficit of $293.2 million.

In November 2014, the Company entered into a senior secured $25 million loan and security agreement with Silicon Valley Bank and Oxford Finance, LLC (the "SVB/Oxford Agreement"), consisting of a revolving line of credit, or the Revolving Line, of up to $5 million and commitments for two $10 million term loans. In November 2014, in connection with the Company's entry into the SVB/Oxford Agreement, the Company drew down the first $10 million term loan (the "SVB/Oxford Term Loan A"). The Company is eligible to draw down a second $10 million term loan on or prior to November 7, 2015 upon meeting certain conditions. As of June 30, 2015, and December 31, 2014, the Company did not have any revolving loans outstanding under the Revolving Line, with $5 million available for borrowing, subject to the Company meeting certain conditions and based on the Company's borrowing base under the Revolving Line. For further information regarding this facility, see "Note K—Debt and Notes Payable—SVB/Oxford" below. The Company expects to incur substantial expenditures in the foreseeable future in connection with the continued expansion of its business.

The Company's principal sources of funds are revenue generated from the sale of its products and borrowings under its credit facilities. The Company's credit facility with SVB/Oxford is its only committed external source of funds.

At June 30, 2015, the Company had cash and cash equivalents and investments of $14.5 million and $4.3 million in restricted cash allocated to lease deposits and funding for its Asia strategy. At December 31, 2014, the Company had cash and cash equivalents and investments of $37.9 million and $4.4 million in restricted cash allocated to lease deposits and funding for its Asia strategy. See "Note L—Related Party Transactions" for a description of the Asia strategy.

On July 7, 2015, the Company closed its initial public offering (the "IPO"), of its common stock and issued and sold 10,350,000 shares of its common stock, including 1,350,000 shares of common stock issued upon the exercise in full by the underwriters of their over-allotment option, at a public offering price of $15.00 per share, for aggregate offering proceeds of approximately $155 million. The Company received aggregate net proceeds from the offering of approximately $140 million after deducting underwriting discounts and commissions and offering expenses payable by the Company. The Company's common stock began trading on the NASDAQ Global Select Market on July 1, 2015.

At June 30, 2015, based on its current operating plan, the Company expects that the net proceeds from its IPO, together with its existing cash and cash equivalents as of June 30, 2015 and anticipated revenue from operations, including from projected sales of its products, will enable it to fund operating expenses and capital expenditure requirements and pay its debt service as it becomes due for at least the next 12 months.

In the event the Company's existing cash and available financing is not sufficient to fund its operations, the Company may need to engage in equity or debt financings to secure additional funds, including the funds required to pay its existing indebtedness at maturity. The Company may not be able to obtain additional financing on terms favorable to the Company, or at all. In addition, the negative covenants under the SVB/Oxford Agreement, the pledge of the Company's assets as collateral and the negative pledge with respect to its intellectual property could limit its ability to obtain additional financing.

Basis of presentation and use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates used in these consolidated financial statements include the valuation of accounts receivable, inventory reserves, intangible valuation, equity instruments, impairment assessments, income tax reserves and related allowances, and the lives of property and equipment. Actual results may differ from those estimates. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Registration Statement on Form S-1 (File No. 333-204384), as amended, which was declared effective by the Securities and Exchange Commission ("SEC") on June 30, 2015.

Unaudited Interim Financial Information

The accompanying Interim Financial Statements as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014, and related interim information contained within the notes to the Financial Statements are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustment's (including normal recurring adjustments) necessary for the fair presentation of the Company's financial position as of June 30, 2015, results of operations for the three and six months ended June 30, 2015 and 2014, and its cash flows for the six months ended June 30, 2015 and 2014. The

results for the six months ended June 30, 2015 are not necessarily indicative of the results expected for the full fiscal year or any interim period.

Note B—Summary of Significant Accounting Policies

Concentrations of credit risk and other risks and uncertainties

Financial instruments that subject the Company to credit risk primarily consisted of cash, cash equivalents and accounts receivable. The Company maintains the majority of its cash with accredited financial institutions.

The Company and its contract manufacturers rely on sole source suppliers for certain components. There can be no assurance that a shortage or stoppage of shipments of the materials or components that the Company purchases will not result in a delay in production or adversely affect the Company's business. The Company is in the process of validating alternate suppliers relative to certain key components, which are expected to be phased in during the coming periods.

For the three and six months ended June 30, 2015 and 2014, no customer represented greater than 10% of revenue. There were no customers that represented greater than 10% of the total gross receivable balance at June 30, 2015 or December 31, 2014.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries including ImaTx, Inc., ConforMIS Europe GmbH, ConforMIS UK Limited and ConforMIS Hong Kong Limited. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

The Company considers all highly liquid investment instruments with original maturities of 90 days or less when purchased, to be cash equivalents. The Company's cash equivalents consisted of demand deposits and money market accounts on deposit with certain financial institutions. Demand deposits are carried at cost which approximates their fair value. Money market accounts are carried at fair value based upon level 1 inputs. See "Note C — Fair Value Measurements" below. The associated risk of concentration is mitigated by banking with credit worthy financial institutions.

The Company had $1.8 million as of June 30, 2015 and $1.2 million as of December 31, 2014 held in foreign bank accounts. In addition, the Company has recorded restricted cash of $4.3 million as of June 30, 2015 and $4.4 million as of December 31, 2014. Restricted cash consists of $0.8 million as of June 30, 2015 and December 31, 2014 of security provided for a lease obligation, and $3.5 million as of June 30, 2015 and $3.6 million as of December 31, 2014 of proceeds received in connection with the sale of Series E-1 and E-2 preferred stock that is contractually restricted for use. See "Note L — Related Party Transactions" below.

Fair value of financial instruments

Certain of the Company's financial instruments, including cash and cash equivalents but excluding money market funds, accounts receivable, accounts payable, accrued expenses and other liabilities are carried at cost, which approximates their fair value because of the short-term maturity. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of the Company's long-term debt approximates its fair value.

Accounts receivable and allowance for doubtful accounts

Accounts receivable consisted of amounts due from medical facilities. In estimating whether accounts receivable can be collected, the Company performs evaluations of customers and continuously monitors collections and payments and estimates an allowance for doubtful accounts based on the aging of the underlying invoices, collections experience to date and any specific collection issues that have been identified. The allowance for doubtful accounts is recorded in the period in which revenue is recorded or at the time potential collection risk is identified.

Inventories

Inventories consisted of raw materials, work-in-process components and finished goods. Inventories are stated at the lower of cost, determined using the first-in first-out method, or market value. The Company regularly reviews its inventory quantities on hand and related cost and records a provision for any excess or obsolete inventory based on its estimated forecast of product demand and existing product configurations. The Company also reviews its inventory value to determine if it reflects the lower of cost or market, with market determined based on net realizable value. Appropriate consideration is given to inventory items sold at negative gross margins, purchase commitments and other factors in evaluating net realizable value.

Deferred Initial Public Offering Costs

The Company deferred direct incremental costs attributable to the IPO of its common stock. These costs represent legal and other direct costs related to the Company's efforts to raise capital through a public sale of its common stock. Costs were deferred until the completion of the IPO in July 2015, at which time they were reclassified to additional paid-in capital as a reduction of the IPO proceeds.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over their useful life or the life of the lease, whichever is shorter. Assets capitalized under capital leases are amortized in accordance with the respective class of assets and the amortization is included with depreciation expense. Maintenance and repair costs are expensed as incurred.

Intangibles and other long-lived assets

Intangible assets consisted of developed technology and other intellectual property rights licensed from ImaTx as part of the spin-out transaction in 2004. Intangible assets are carried at cost less accumulated amortization.

The Company tests impairment of long-lived assets when events or changes in circumstances indicate that the assets might be impaired. For assets with determinable useful lives, amortization is computed using the straight-line method over the estimated economic lives of the respective intangible assets.

Furthermore, periodically the Company assesses whether long-lived assets, including intangible assets, should be tested for recoverability whenever events or circumstances indicate that their carrying value may not be recoverable.

The amount of impairment, if any, is measured based on fair value, which is determined using estimated undiscounted cash flows to be generated from such assets or group of assets. If the cash flow estimates or the significant operating assumptions upon which they are based change in the future, the Company may be required to record impairment charges. During the three and six months ended June 30, 2015 and 2014, no such impairment charges were recognized.

Goodwill

Goodwill relates to amounts that arose in connection with the acquisition of Imaging Therapeutics, Inc. (formerly known as Osteonet.com, renamed ImaTx, Inc.) in 2009. The Company tests goodwill at least annually for impairment, or more frequently when events or changes in circumstances indicate that the assets may be impaired. This impairment test is performed annually during the fourth quarter at the reporting unit level. Goodwill may be considered impaired if the carrying value of the reporting unit, including goodwill, exceeds the reporting unit's fair value. The Company is comprised of one reporting unit. When testing goodwill for impairment, the Company primarily looks to the fair value of the reporting unit, which is typically estimated using a discounted cash flow approach, which requires the use of assumptions and judgments including estimates of future cash flows and the selection of discount rates. The goodwill recognized upon acquiring ImaTx is not deductible for tax purposes. During the three and six months ended June 30, 2015 and 2014, there were no triggering events which would require an interim goodwill impairment assessment.

Revenue recognition

The Company generates revenue from the sale of customized implants and instruments to medical facilities through the use of a combination of direct sales personnel, independent sales representatives and distributors in the United States, Austria, Germany, Ireland, the United Kingdom, Switzerland, Hong Kong and Singapore.

Revenue is recognized when all of the following criteria are met:

- persuasive evidence of an arrangement exists;
- the sales price is fixed or determinable;
- collection of the relevant receivable is probable at the time of sale; and
- delivery has occurred or services have been rendered.

For a majority of sales to medical facilities, the Company recognizes revenue upon completion of the procedure, which represents satisfaction of the required revenue recognition criteria. For the remaining sales, which are made directly through distributors and generally represent less than 1% of revenue, the Company recognizes revenue at the time of shipment of the product, which represents the point in time when the customer has taken ownership and assumed the risk of loss and the required revenue recognition criteria are satisfied. Such customers are obligated to pay within specified time periods regardless of when or if they ever sell or use the products. Once the revenue recognition criteria have been satisfied the Company does not offer rights of return or price protection and there are no post-delivery obligations.

In April 2015, the Company entered into a fully paid up, worldwide license agreement with Wright Medical Group, Inc., or Wright Group, and its wholly owned subsidiary Wright Medical Technology, Inc., or Wright Technology and collectively with Wright Group, Wright Medical. Under the terms of this license agreement, the Company granted a perpetual, irrevocable, non-exclusive license to Wright Medical to use patient-specific instrument technology covered by the Company's patents and patent applications with off-the-shelf implants in the foot and ankle. This license does not extend to patient-specific implants. This license agreement provided for a single lump-sum payment by Wright Medical to the Company upon entering into the license agreement, which has been paid. This license agreement will expire upon the expiration of the last to expire of the Company's patents and patent applications licensed to Wright Medical, which currently is expected to occur in 2031.

In April 2015, the Company entered into a worldwide license agreement with MicroPort Orthopedics Inc., or MicroPort, a wholly owned subsidiary of MicroPort Scientific Corporation. Under the terms of this license agreement, the Company granted a perpetual, irrevocable, non-exclusive license to MicroPort to use patient-specific instrument technology covered by the Company's patents and patent applications with off-the-shelf implants in the knee. This license does not extend to patient-specific implants. This license agreement provides for the payment to the Company of a fixed royalty percentage of net sales on patient-specific instruments and associated implant components in the knee, including MicroPort's Prophecy patient-specific instruments used with its Advance and Evolution implant components. This license agreement also provided for a single lump-sum payment by MicroPort to the Company upon entering into the license agreement, which has been paid. This license agreement will expire upon the expiration of the last to expire of the Company's

patents and patent applications licensed to MicroPort, which currently is expected to occur in 2029.

The Company has accounted for the agreements with Wright Medical and MicroPort under ASC 605-25, Multiple-Element Arrangements and Staff Accounting Bulletin No. 104, Revenue Recognition (ASC 605). In accordance with ASC 605, the Company is required to identify and account for each of the separate units of accounting. The Company identified the relative selling price for each and then allocated the total consideration based on their relative values. In connection with these agreements, in April 2015, the Company recognized in aggregate (i) back-owed royalties of $3.4 million as royalty revenue and (ii) the value attributable to the settlements of $0.2 million as other income. Additionally, the Company recognized $5.1 million in aggregate as deferred royalty revenue, which will be recognized as royalty revenue ratably through 2031. See "Note I — Deferred Revenue". The on-going royalty from MicroPort is recognized as royalty revenue upon receipt of payment.

Shipping and handling costs

Amounts invoiced to customers for shipping and handling are classified as revenue. Shipping and handling costs incurred are included in general and administrative expense.

Taxes collected from customers and remitted to government authorities

The Company's policy is to present taxes collected from customers and remitted to government authorities on a net basis and not to include tax amounts in revenue.

Research and development expense

The Company's research and development costs consisted of engineering, product development, quality assurance, clinical and regulatory expense. These costs are primarily related to employee compensation, including salary, benefits and stock-based compensation. The Company also incurs costs related to consulting fees, materials and supplies, and marketing studies, including data management and associated travel expense. Research and development costs are expensed as incurred.

Advertising expense

Advertising costs are expensed as incurred. Advertising expense was approximately $0.03 million and $0.1 million for the three months ended June 30, 2015 and 2014, respectively, and was $0.2 million and $0.3 million for the six months ended June 30, 2015 and 2014, respectively.

Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available and is evaluated on a regular basis by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. The Company's chief operating decision-maker is its chief executive officer. The Company's chief executive officer reviews financial information presented on an aggregate basis for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results and plans for products or components below the aggregate Company level. Accordingly, in light of the Company's current product offerings, management has determined that the primary form of internal reporting is aligned with the offering of the ConforMIS customized joint replacement products and that the Company operates as one segment. See "Note O—Segment and Geographic Data".

Comprehensive loss

At June 30, 2015 and December 31, 2014, accumulated other comprehensive loss consists of foreign currency translation adjustments.

Foreign currency translation and transactions

The assets and liabilities of the Company's foreign operations are translated into U.S. dollars at current exchange rates at the balance sheet date, and income and expense items are translated at average rates of exchange prevailing during the year. Gains and losses realized from transactions denominated in foreign currencies, including intercompany balances not considered permanent investments, are included in the consolidated statements of operations.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

The tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from these positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

The Company reviews its tax positions on an annual basis and more frequently as facts surrounding tax positions change. Based on these future events, the Company may recognize uncertain tax positions or reverse current uncertain tax positions, the impact of which would affect the consolidated financial statements.

Medical device excise tax

The Company is subject to the Health Care and Education Reconciliation Act of 2010 (the "Act"), which imposes a tax equal to 2.3% on the sales price of any taxable medical device by a medical device manufacturer, producer or importer of such device. Under the Act, a taxable medical device is any device defined in section 201(h) of the Federal Food, Drug, and Cosmetic Act, intended for humans, which includes an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including any component, part, or accessory, which meets certain requirements. The Company incurred medical device excise tax expense of $0.2 million and $0.1 million for the three months ended June 30, 2015 and 2014, respectively, and $0.4 million and $0.3 million for the six months ended June 30, 2015 and 2014, respectively. Medical device tax is included in general and administrative expense.

Stock-based compensation

The accounting guidance for stock-based payments requires all stock-based payments to employees and consultants, including grants of stock options, to be recognized in the consolidated statements of operations based on their fair values. The

Company uses the Black-Scholes option pricing model to determine the weighted-average fair value of options granted and recognizes the compensation expense of stock-based awards on a straight-line basis over the vesting period of the award.

The determination of the fair value of stock-based payment awards utilizing the Black-Scholes option pricing model is affected by the stock price, exercise price, and a number of assumptions, including expected volatility of the stock, expected life of the option, risk-free interest rate and expected dividends on the stock. The Company evaluates the assumptions used to value the awards at each grant date and if factors change and different assumptions are utilized, stock-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

The exercise prices for option grants are set by the Company's board of directors based upon guidance set forth by the American Institute of Certified Public Accountants, or AICPA, in its Technical Practice Aid, *"Valuation of Privately Held Company Equity Securities Issued as Compensation"*.

To that end, the board considers a number of factors in determining the option price, including: (1) past sales of the Company's convertible preferred stock, and the rights, preferences and privileges of the Company stock, (2) obtaining FDA 510(k) clearance, and (3) achievement of budgeted results. See "Note M—Stockholders' Equity" for a summary of the stock option activity under the Company's stock-based compensation plan.

Net loss per share

The Company calculates net loss per share in accordance with Accounting Standards Codification 260, Earnings per Share. Basic earnings per share ("EPS") is calculated by dividing the net income or loss for the period by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents.

Diluted EPS is computed by dividing the net income or loss for the period by the weighted average number of common shares outstanding for the period and the weighted average number of dilutive common stock equivalents outstanding for the period determined using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share attributable to stockholders (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share and per share data)	**2015**	**2014**	**2015**	**2014**
Numerator:				
Numerator for basic and diluted loss per share:				
Net loss	$ (10,892)	$ (10,543)	$ (25,149)	$ (23,195)
Denominator:				
Denominator for basic loss per share:				
Weighted average shares	4,341,784	4,238,837	4,319,334	4,199,746
Basic loss per share attributable to ConforMIS, Inc. stockholders	$ (2.51)	$ (2.49)	$ (5.82)	$ (5.52)
Diluted loss per share attributable to ConforMIS, Inc. stockholders	$ (2.51)	$ (2.49)	$ (5.82)	$ (5.52)

The following table sets forth potential shares of common stock equivalents that are not included in the calculation of diluted net loss per share because to do so would be anti-dilutive as of the end of each period presented:

	June 30,	
	2015	**2014**
Series A Preferred	1,705,138	1,705,138
Series B Preferred	2,234,668	2,234,668
Series C Preferred	2,453,018	2,453,018
Series D Preferred	6,655,764	6,507,152
Series E-1 Preferred	7,316,743	6,038,384
Series E-2 Preferred	5,129,590	5,129,590
Series C Preferred Warrants	76,191	76,191
Series D Preferred Warrants	109,926	125,754
Common stock warrants	83,119	69,636
Stock options	3,593,586	1,302,886
Total	29,357,743	25,642,416

Recent accounting pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. ASU 2015-03 applies to all business entities and is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect that the adoption of ASU 2015-03 will have a material effect on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" ("ASU 2015-05"), which provides guidance to clarify the customer's accounting for fees paid in a cloud computing arrangement. This guidance is effective for annual periods and interim reporting periods of public entities beginning after December 15, 2015. The Company does not expect that the adoption of ASU 2015-05 will have a material effect on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis" ("ASU 2015-02"), which amends certain requirements for determining whether a variable interest entity must be consolidated. The amendments are effective for annual and interim reporting periods of public entities beginning after December 31, 2015. The Company does not expect that the adoption of ASU 2015-02 will have a material effect on its consolidated financial statements.

In August 2014, FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40)—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). This newly issued accounting standard provides guidance about management's responsibility to evaluate whether there is a "substantial doubt" about an entity's ability to continue as a going concern and to provide related footnote disclosures. The defined term "substantial doubt" requires an evaluation of every reporting period including interim periods, provides principles for considering the mitigating effect of management's plans, requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, requires an express statement and other disclosures when substantial doubt is not alleviated, and requires an assessment for a period of one year after the date that the financial statements are issued or available to be issued.

The amendments in ASU 2014-15 are effective for annual periods beginning after December 15, 2016 and interim periods within those reporting periods. Earlier adoption is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In April 2014, FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU amendment changes the requirements for reporting discontinued operations in Subtopic 205-20. The amendment is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. The Company will apply the provisions of this ASU to any future transactions that qualify for reporting discontinued operations.

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU's effective date will be the first quarter of fiscal year 2017 using one of two retrospective application methods. The Company has not determined the potential effects of this ASU on its consolidated financial statements.

Note C—Fair Value Measurements

The Fair Value Measurements topic of the FASB Codification establishes a framework for measuring fair value in accordance with US GAAP, clarifies the definition of fair value within that framework and expands disclosures about fair value measurements. This guidance requires disclosure regarding the manner in which fair value is determined for assets and liabilities and establishes a

three-tiered value hierarchy into which these assets and liabilities must be grouped, based upon significant levels of inputs as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The only assets and liabilities subject to fair value measurement standards at June 30, 2015 and December 31, 2014 are money market funds that are cash equivalents based on Level 1 inputs. The values of these funds were $0.4 million as of June 30, 2015 and $30,000 as of December 31, 2014.

Note D—Accounts Receivable

Accounts receivable consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Total receivables	$ 11,410	$ 9,281
Allowance for doubtful accounts and returns	(380)	(162)
Accounts receivable, net	$ 11,030	$ 9,119

Write-offs related to accounts receivable were $64,000 and $18,000 for the three and six months ended June 30, 2015, respectively, and $0 and $18,000 for the three and six months ended June 30, 2014, respectively.

Note E—Inventories

Inventories consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Raw material	$ 3,592	$ 3,311
Work in process	1,773	1,282
Finished goods	4,014	3,098
Total Inventories	$ 9,379	$ 7,691

Note F—Property and Equipment

Property and equipment consisted of the following (in thousands):

	Estimated Useful Life (Years)	June 30, 2015	December 31, 2014
Equipment	5-7	$ 11,400	$ 9,598
Funiture and fixtures	5-7	382	362
Computer and software	3	4,547	3,725
Leasehold improvements	2-7	1,372	1,040
Total property and equipment		17,701	14,725
Accumulated depreciation		(7,103)	(6,029)
Property and equipment, net		$ 10,598	$ 8,696

Depreciation expense related to property and equipment was $0.6 million and $0.5 million for the three months ended June 30, 2015 and 2014, $1.1 million and $0.9 million for the six months ended June 30, 2015 and 2014.

Note G—Intangible Assets

The components of intangible assets consisted of the following (in thousands):

	Estimated Useful Life (Years)	June 30, 2015	December 31, 2014
Developed technology	10	$ 979	$ 979
License agreements	10	1,508	1,508
Total intangible assets		2,487	2,487
Accumulated amortization		(1,368)	(1,244)
Intangible assets, net		$ 1,119	$ 1,243

The Company recognized amortization expense of $62,000 in the three months ended June 30, 2015 and 2014, and $124,000 in the six months ended June 30, 2015 and 2014. The weighted-average remaining life of total amortizable intangible assets is 4.5 years for the developed technology and license agreement.

The estimated future aggregated amortization expense for intangible assets owned as of June 30, 2015 consisted of the following (in thousands):

	Amortization expense
2015 (remainder of year)	$ 125
2016	249
2017	249
2018	249
2019	247
	$ 1,119

Note H—Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Accrued employee compensation	$ 3,460	$ 2,125
Accrued deferred financing costs	2,513	
Deferred rent	214	277
Accrued legal expense	514	265
Accrued consulting expense	95	139
Accrued vendor charges	623	932
Accrued revenue share expense	797	727
Accrued patent settlement and license costs	500	750
Accrued clinical trial expense	313	211
Accrued other	953	1,516
	$ 9,982	$ 6,942

Note I — Deferred Revenue

In connection with the license agreements the Company entered into in April 2015 with Wright Medical and MicroPort (see "Note B — Summary of Significant Accounting Policies"), the Company recognized $5.1 million in aggregate as deferred royalty revenue, of which $4.9 million and $0.2 million will be recognized as royalty revenue ratably through 2031 and 2029, respectively.

Note J—Commitments and Contingencies

Operating Leases

The Company maintains its corporate headquarters in a leased building located in Bedford, Massachusetts, and a manufacturing facility located in Burlington, Massachusetts, both of which are accounted for as operating leases. In August 2014, the Company entered into a lease for a manufacturing facility located in Wilmington, Massachusetts, which will also be accounted for as an operating lease. The leases generally provide for a base rent plus real estate taxes and certain operating expenses related to the leases. The leases contain renewal options, escalating payments and leasehold allowances.

The Company leases the Bedford facility under a long-term, non-cancellable sublease that is scheduled to expire in April 2017. The Company leases the Burlington facility under a long-term, non-cancellable lease that expires in October 2015. In June 2014, the Company entered into a termination agreement to terminate the Burlington facility lease as of July 31, 2015. Accordingly, all monetary obligations pursuant to the original lease are prorated through the termination date and deferred rent and depreciation of leasehold improvements expense was accelerated. In July 2015, the Company and the landlord of the Burlington facility agreed to a hold over for 30 days beyond the lease termination of July 31, 2015 through August 31, 2015. The Wilmington facility is leased under a long-term, non-cancellable lease that commenced in April 2015 and will expire in March 2022. The Company also leases satellite facilities under short-term non-cancellable operating leases.

The future minimum rental payments under the Company's non-cancellable operating leases as of June 30, 2015 are as follows (in thousands):

Year	Minimum lease Payments
2015 (remainder of year)	$ 810
2016	1,641
2017	789
2018	364
2019-2022	1,253
	$ 4,857

Rent expense of $0.5 million and $0.4 million was charged to operations for the three months ended June 30, 2015 and 2014, respectively, and $0.8 million for the six months ended June 30, 2015 and 2014. The Company's operating lease agreements contain scheduled rent increases, which are being amortized over the terms of the agreements using the straight-line method. Deferred rent was $0.5 million as of June 30, 2015 and December 31, 2014. Deferred rent is included in other long-term liabilities.

License and revenue share agreements

Settlement and patent license

In December 2014, the Company entered into a settlement and patent license agreement that grants ConforMIS a fully paid-up license to certain intellectual property and provides for the mutual release and absolute discharge of any and all claims in connection with the licensed patents and with suits filed by and against the parties to the agreement in exchange for $750,000 payable by the Company in two installments, wherein the first installment of $250,000 is payable in January of 2015 and the second installment of $500,000 is payable no later than December 1, 2015. The Company expensed the full amount of the consideration in 2014, included in general and administrative expense. The license continues until the expiration of the last patent.

Revenue share agreements

The Company is party to revenue share agreements with certain past and present members of its scientific advisory board under which these advisors agreed to participate on its scientific advisory board and to assist with the development of the Company's customized implant products and related intellectual property. These agreements provide that the Company will pay the advisor a specified percentage of the Company's net revenues, ranging from 0.2% to 1.33%, with respect to the Company's products on which the advisor made a technical contribution or, in some cases, which the Company covered by a claim of one of its patents on which the advisor is a named inventor. The specific percentage is determined by reference to product classifications set forth in the agreement and is tiered based on the level of net revenues collected by the Company on such product sales. The Company's payment obligations under these agreements typically expire a fixed number of years after expiration or termination of the agreement, but in some cases expire on a product-by-product basis or expiration of the last to expire of the Company's patents where the advisor is a named inventor that claims the applicable product.

Philipp Lang, M.D., the Company's Chief Executive Officer, joined the Company's scientific advisory board in 2004 prior to becoming an employee. The Company first entered into a revenue share agreement with Dr. Lang in 2008 when he became the Company's Chief Executive Officer. In 2011, the Company entered into an amended and restated revenue share agreement with Dr. Lang. Under this agreement, the specified percentage of the Company's net revenues payable to Dr. Lang ranges from 0.875% to 1.33% and applies to all of the Company's current and planned products, including the Company's iUni, iDuo, iTotal Cr, iTotal PS and iTotal Hip products, as well as certain other knee, hip and shoulder replacement products and related instrumentation the Company may develop in the future. The Company's payment obligations under this agreement expire on a product-by-product basis on the last to expire of the Company's patents on which Dr. Lang is named an inventor that claim the applicable product. These payment obligations survive termination of Dr. Lang's employment with the Company.

The Company incurred aggregate revenue share expense, including all amounts payable under the Company's scientific advisory board and Chief Executive Officer revenue share agreements of $0.8 million during the three months ended June 30, 2015, representing 5.1% of product revenue, $0.4 million during the three months ended June 30, 2014, representing 3.2% of product revenue, $1.6 million during the six months ended June 30, 2015, representing 5.1% of product revenue, and $0.9 million during the six months ended June 30, 2014, representing 4.2% of product revenue. See "Note L—Related Party Transactions" for further information regarding the Company's arrangement with its Chief Executive Officer.

Other obligations

In the ordinary course of business, the Company is a party to certain non-cancellable contractual obligations typically related to research and development and marketing services. As of June 30, 2015, obligations under such agreements amounted to $600,000 in the aggregate. The services are expected to be rendered through 2017. As of December 31, 2014, obligations under such agreements amounted to $1.2 million in the aggregate.

Legal proceedings

In the ordinary course of conducting its business, the Company is subject to litigation, claims and administrative proceedings on a variety of matters. An estimate of the possible loss or range of loss as a result of any of these matters cannot be made; however, management does not believe that these matters, individually or in the aggregate, are material to its financial condition, results of operations or cash flows.

Indemnifications

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations. In accordance with its bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company's request in such capacity. There have been no claims to date and the Company has a director and officer insurance policy that enables it to recover a portion of any amounts paid for future claims.

Note K—Debt and Notes Payable

Long-term debt consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Massachusetts Development Finance Agency	$ 622	$ 760
Oxford Finance, LLC	6,250	6,250
Silicon Valley Bank	3,750	3,750
	10,622	10,760
Less total discount	(119)	(140)
	10,503	10,620
Less current installments	283	272
Long-term debt, excluding current installments	$ 10,220	$ 10,348

The principal payments due under the debt agreements as of June 30, 2015, assuming the $76 million revenue milestone under the SVB/Oxford Agreement is not satisfied consisted of the following (in thousands):

	Principal Payment
2015 (remainder of year)	$ 141
2016	548
2017	3,296
2018	3,347
2019	3,290
Total	$ 10,622

SVB/Oxford

On November 7, 2014, or the effective date, the Company and ImaTx entered into the SVB/Oxford Agreement consisting of a revolving line of credit of up to $5 million (subject to availability under the borrowing base and satisfaction of other funding conditions) (the "Revolving Line"), and commitments for two $10 million term loans, or the SVB/Oxford Term Loans. At the time the Company entered into the SVB/Oxford Agreement, it borrowed the first $10 million term loan, or the SVB/Oxford Term Loan A, and issued the lenders warrants to purchase 33,481 shares of the Company's common stock. The Company is eligible to borrow a second term loan in a principal amount of $10 million (the "SVB/Oxford Term Loan B"), on or prior to November 7, 2015, upon meeting certain conditions, including the Company being able to make certain agreed upon representations and warranties to the lenders and a determination by the lenders, in their sole discretion, that there has been no occurrence of any material adverse change, as defined in the SVB/Oxford Agreement, or any material deviation from the annual financial projections provided by the Company and accepted by the lenders. In the event that the Company borrows the additional $10 million term loan, the Company will be obligated to issue warrants to purchase an additional 33,481 shares of its common stock to the lenders under the SVB/Oxford Agreement.

Unless earlier terminated by the Company or accelerated by the lenders, the Revolving Line terminates on November 7, 2019, with all outstanding borrowings and associated interest becoming due and payable upon such termination. The Company's ability to borrow under the Revolving Line is subject to a borrowing base, calculated as 85% (or such lower percent as Silicon Valley Bank may determine in accordance with the SVB/Oxford Agreement) of eligible accounts receivable. Borrowings under the Revolving Line bear interest at a floating per annum rate equal to the prime rate. Interest on the Revolving Line is payable monthly. In addition to interest, the Company is obligated to pay a $250,000 fee for the Revolving Line, which is payable in annual increments of $50,000 due on the effective date and each anniversary of the effective date. The Company will amortize this fee ratably over the term of the Revolving Line.

Further, the Company is obligated to pay a termination fee of $100,000 if it elects to terminate the Revolving Line prior to the first anniversary of the effective date, or $50,000 if it elects to terminate the Revolving Line between the first and third anniversaries of the effective date, provided that no termination fee will be payable if the Revolving Line is replaced with a new facility or an amended and restated facility from Silicon Valley Bank.

Unless earlier prepaid by the Company or accelerated by the lenders, the SVB/Oxford Term Loans will each mature on November 1, 2019 (the "Term Loan Maturity Date"). The SVB/Oxford Term Loan A bears interest at a fixed rate of 7.25% per annum, which rate was determined as the prime rate on the original date of funding plus 4%. To the extent the Company borrows the SVB/Oxford Term Loan B, such term loan will accrue interest at a fixed per annum rate equal to the prime rate on the date of funding, plus 4%. Interest on each of the SVB/Oxford Term Loans is payable monthly in arrears. If the Company achieves a revenue milestone of $76 million, measured on a trailing 12 month basis for the 12 months ending May 31, 2016, and no event of default has occurred, only interest, and no principal, will be payable for the first 36 months following the effective date. If the Company does not achieve the revenue milestone, only interest, and no principal, will be payable for the first 24 months following the effective date. After the interest only period, the Company is required to make equal monthly payments of principal and interest, in arrears, for the remaining term until maturity. In addition to interest, the Company is obligated to make a final payment fee equal to the original principal amount of the applicable SVB/Oxford Term Loan, multiplied by 7%, on the earliest to occur of the Term Loan Maturity Date, the acceleration of any term loan, or the prepayment of a term loan, which is expensed to interest over the term of the respective term loan using the effective interest method. Further, with respect to any term loan subject to prepayment prior to the Term Loan Maturity Date, whether by mandatory or voluntary prepayment or acceleration, the Company will be required to make a prepayment fee equal to 3% of the principal amount being prepaid, if such prepayment is made on or prior to the first anniversary of the funding date of the applicable term loan, 2% of the principal amount being prepaid, if such prepayment is made after the first anniversary but before the second anniversary of the funding date of the applicable term loan, or 1% of the principal amount being prepaid, if such prepayment is made after the second anniversary of the funding date of the applicable term loan.

The Company's obligations under the SVB/Oxford Agreement are secured by a security interest over substantially all of the Company's and ImaTx's assets, other than intellectual property, with respect to which the Company and ImaTx granted a negative pledge. The SVB/Oxford Agreement contains negative covenants restricting its activities, including limitations on dispositions, mergers or acquisitions, incurring indebtedness or liens, paying dividends or making investments and certain other business transactions. There are no financial covenants associated with the SVB/Oxford Agreement. Obligations under the SVB/Oxford Agreement are subject to acceleration upon the occurrence of specified events of default, including a material adverse change in the business, operations or financial or other condition.

Also, immediately upon the occurrence and during the continuance of an event of default, all obligations outstanding under the agreement shall accrue interest at a fixed rate equal to the per annum rate that is otherwise applicable thereto plus 5%.

As of June 30, 2015 and December 31, 2014, the prime rate was 3.25% and no advances were outstanding from the fully available $5 million Revolving Line. Administrative and legal costs in connection with the SVB/Oxford Agreement were deemed immaterial and expensed as incurred.

In connection with the SVB/Oxford Term Loan A, the Company issued warrants to purchase an aggregate of 33,481 shares of the Company's common stock at a price of $8.96 per share, which was the fair value of the Company's common stock. Based on the Company's assessment of the warrants relative to ASC 480, *Distinguishing Liabilities from Equity*, the warrants are classified as equity and the Company recorded $134,000 fair value of the warrants as a discount to the term loan recorded to additional paid-in capital.

The value of the warrants is amortized to interest expense over the life of the SVB/Oxford Term Loan A. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants based on the following inputs and assumptions:

Risk-free interest rate	1.6%
Expected term (in years)	5
Dividend yield	0%
Expected volatility	50%

$15 million term loan—WTI Term Loan II

In May 2014, the $15 million term loan and security agreement (the "WTI Term Loan II") entered into with Western Technology Investment in February 2011 was paid-off as scheduled. The 39-month credit facility was secured by certain tangible assets of the Company and included a security interest in the Company's intellectual property. The borrowings under the WTI Term Loan II, which were drawn in tranches, incurred a fixed interest rate of 12.50% per annum. Following the interest only periods, interest and principal was payable in equal monthly installments. In 2011, the Company drew down two tranches of $5 million each and issued warrants to purchase $1,100,000 and $80,000 of Series D preferred stock. Based on the Company's assessment of the warrants relative to ASC 480, *Distinguishing Liabilities from Equity*, the warrants are classified as equity and the Company recorded $573,000 million and $76,000 fair value of the warrants as a discount to the term loan recorded to additional paid-in capital. The value of the warrants was amortized to interest expense over the life of the term loans, which was fully amortized when the loan was paid in full in 2014.

Additionally, in July 2011, in connection with an amendment of the WTI Term Loan II to extend the termination dates of the second and third tranches, the Company issued a warrant to purchase $159,000 of Series D preferred stock or equivalent preferred stock. Based on the Company's assessment of the warrants relative to ASC 480, *Distinguishing Liabilities from Equity*, the warrants are classified as equity and the Company recorded $79,000 fair value of the warrants as a discount to the term loan to additional paid-in capital. The value of the warrants was amortized to interest expense over the remaining life of the term loan which was fully amortized when the loan was paid-off.

$1.4 million term loan—Massachusetts Development Finance Agency

In June 2011, the Company entered into a $1.4 million term loan facility with Massachusetts Development Finance Agency ("MDFA") for the purposes of equipment purchases. The MDFA facility, which is subordinated to the SVB/Oxford Term Loans and any advances under the Revolving Line, are secured on a second-lien basis by certain tangible assets of the Company.

At the time the Company entered into the MDFA facility, the Company borrowed the first tranche of $0.6 million, with the remaining funds to be borrowed over the following 18 months. To date, the Company has borrowed a total of $1.4 million of the available commitments under the facility, of which $622,000 in loans were outstanding as of June 30, 2015. Loans under the MDFA facility bear a fixed interest rate of 6.5% per annum. Interest is payable monthly in arrears. Beginning on January 1, 2013, the Company began making payments of principal and interest in 66 equal monthly installments.

In connection with the MDFA facility, the Company issued warrants to MDFA to purchase 16,000 shares of Series D preferred stock. Based on the Company's assessment of the warrants relative to ASC 480, *Distinguishing Liabilities from Equity*, the warrants are classified as equity and the Company recorded fair value of $46,000 as a discount to the term loan and was amortized to interest expense over the 84-month life of the term loan.

Note L—Related Party Transactions

Vertegen

In April 2007, the Company entered into a license agreement with Vertegen, Inc., or Vertegen, which was amended in May 2015 (the "Vertegen Agreement"). Vertegen is an entity that is wholly owned by Dr. Lang, the Company's Chief Executive Officer. Under the Vertegen Agreement, Vertegen granted the Company an exclusive, worldwide license under specified Vertegen patent rights and related technology to make, use and sell products and services in the fields of diagnosis and treatment of articular disorders and disorders of the human spine. The company may sublicense the rights licensed to it by Vertegen. The Company is required to use commercially reasonable efforts, at its sole expense, to prosecute the patent applications licensed to the Company by Vertegen.

In connection with entering into the license agreement with Vertegen, the Company paid Vertegen an initial license fee of $10,000 and issued Vertegen a warrant to purchase 100,000 shares of its common stock at an exercise price of $1.10 per share, which has expired unexercised. Pursuant to the Vertegen Agreement, the Company is required to pay Vertegen a 6% royalty on net sales of products covered by the patents licensed to us by Vertegen, the subject matter of which is directed primarily to spinal implants, and any proceeds from the Company enforcing the patent rights licensed to the Company by Vertegen. Such 6% royalty rate will be reduced to 3% in the United States during the five-year period following the expiration of the last-to-expire applicable patent in the United States and in the rest of the world during the five-year period following the expiration of the last-to-expire patent anywhere in the world. The Company has not sold any products subject to this agreement and has paid no royalties under this agreement. The Company has paid approximately $140,000 in expenses as of June 30, 2015 in connection with the filing and prosecution of the patent applications licensed to the Company by Vertegen.

The Vertegen Agreement may be terminated by the Company at any time by providing notice to Vertegen. In addition, Vertegen may terminate the Vertegen Agreement in its entirety if the Company is in material breach of the agreement, and the Company fails to cure such breach during a specified period.

Asia strategy

In connection with the issuance and sale of the Company's Series E-1 and Series E-2 preferred stock, the Company entered into a letter agreement with an investor that provides that $5.0 million of the proceeds received by the Company from the investor for the sale of the Company's Series E-1 and Series E-2 preferred stock could only be used in connection with the marketing and sale of the Company's products in Asia and that a committee of the Company's board of directors should be formed for the purposes of directing and overseeing the investment of such proceeds. This letter agreement terminated upon the closing of the Company's IPO. Upon the termination of this letter agreement, the Company was no longer required to invest such proceeds in the manner that had been required by the letter agreement and it is not required to maintain such an Asia strategy committee. While the Company is not obligated to maintain such a committee, the Company's board of directors has determined to continue to have such a committee for a period of two years from the closing of its IPO.

In July 2013, the Company agreed to exchange 381,875 shares of Series E-1 preferred stock held by the investor for 381,875 shares of the Company's Series E-2 preferred stock.

Based on the restriction on the use of the proceeds received in connection with the letter agreement, the proceeds were classified as restricted cash. As of June 30, 2015, $3.5 million of the proceeds, and as of December 31, 2014, $3.6 million of the proceeds were included in restricted cash.

Upon the closing of the Company's IPO in July 2015, pursuant to the conditions of the letter agreement in connection with the Asia strategy, $3.5 million of the proceeds was reclassified from restricted cash to cash and cash equivalents.

Revenue share agreement

As described in Note J, the Company is a party to certain agreements with advisors to participate as a member of the Company's scientific advisory board. In September 2011, the Company entered into an amended and restated revenue share agreement with Philipp Lang, M.D., the Company's Chief Executive Officer, which amended and restated a similar agreement entered into in 2008 when Dr. Lang stepped down as chair of the Company's scientific advisory board and became the Company's Chief Executive Officer. This agreement provides that the Company will pay Dr. Lang a specified percentage of our net revenues, ranging from 0.875% to 1.33%, with respect to all of our current and planned products, including the Company's iUni, iDuo, iTotal CR, iTotal PS and iTotal Hip products, as well as certain other knee, hip and shoulder replacement products and related instrumentation the Company may develop in the future. The specific percentage is determined by reference to product classifications set forth in the agreement and is tiered based on the level of net revenues collected by the Company on such product sales. The Company's payment obligations expire on a product-by-product basis on the last to expire of the Company's patents on which Dr. Lang is a named inventor that claim the applicable product. These payment obligations survive any termination of Dr. Lang's employment with the Company. The Company incurred revenue share expense paid to Dr. Lang of $0.2 million and $0.4 million for the three and six months ended June 30, 2015, respectively, and $0.1 million and $0.3 million for the three and six months ended June 30, 2014, respectively.

Note M—Stockholders' Equity

Common stock

The Company's amended and restated certificate of incorporation in effect during the six months ended June 30, 2015 and 2014, (the "Restated Certificate of Incorporation") authorized the Company to issue 80,000,000 shares of $0.00001 par value common stock in the six months ended June 30, 2015 and in the year ended December 31, 2014. Common stockholders were entitled to dividends as and when declared by the board of directors, subject to the rights of holders of all classes of stock outstanding having priority rights as to dividends. There have been no dividends declared to date. The holder of each share of common stock was entitled to one vote.

Preferred stock

The Company's Restated Certificate of Incorporation authorized the Company to issue 53,496,241 shares of $0.00001 par value preferred stock.

In connection with the IPO in July 2015, all outstanding shares of preferred stock converted into an aggregate of 25,527,505 shares of common stock.

At June 30, 2015, convertible preferred stock consisted of the following (in thousands, except share data):

Series	Shares Authorized	Shares Issued and Outstanding	Liquidation Value
Series A convertible preferred	3,410,278	3,410,278	$ 3,410
Series B convertible preferred	4,469,349	4,469,349	12,023
Series C convertible preferred	5,191,754	4,906,040	17,171
Series D convertible preferred	14,612,360	13,376,712	80,260
Series E-1 convertible preferred	15,149,375	14,633,509	117,068
Series E-2 convertible preferred	10,663,125	10,259,189	123,110
	53,496,241	51,055,077	$ 353,042

At December 31, 2014, convertible preferred stock consisted of the following (in thousands, except share data):

Series	Shares Authorized	Shares Issued and Outstanding	Liquidation Value
Series A convertible preferred	3,410,278	3,410,278	$ 3,410
Series B convertible preferred	4,469,349	4,469,349	12,023
Series C convertible preferred	5,191,754	4,906,040	17,171
Series D convertible preferred	14,612,360	13,307,287	79,844
Series E-1 convertible preferred	15,149,375	14,633,509	117,068
Series E-2 convertible preferred	10,663,125	10,259,189	123,110
	53,496,241	50,985,652	$ 352,626

Significant terms of the Company's preferred stock were as follows:

Conversion. At June 30, 2015, each share of preferred stock was convertible into the Company's common stock at the option of the holder on a two-to-one basis. Additionally, each share of preferred stock was automatically convertible into common stock upon the earlier (1) closing of a firm commitment underwritten public offering from which the aggregate net proceeds equal or exceed $50.0 million and in which the price per share is at least $20.00, or the equivalent price after adjustment for certain events, (2) with respect to the Series A preferred stock, approval of the holders of a majority of the outstanding Series A preferred stock, (3) with respect to the Series B preferred stock, approval of the holders of a majority of the outstanding Series B preferred stock, (4) with respect to the Series C preferred stock, approval of the holders of a majority of the outstanding Series C preferred stock, (5) with respect to the Series D preferred stock, approval of the holders of a majority of the outstanding Series D preferred stock, (6) with respect to the Series E-1 preferred stock, approval of the holders of a majority of the outstanding Series E-1 preferred stock, and (7) with respect to the Series E-2 preferred stock, approval of the holders of a majority of the outstanding Series E-2 preferred stock.

Antidilution Protection. At June 30, 2015, the rate at which shares of preferred stock were convertible into common stock was subject to adjustment for stock dividends, stock splits, reverse stock splits, and similar events. The rate also was subject to broad-based weighted average antidilution protection, subject to exclusions for: (1) the issuance of common stock as approved by the Board of Directors to directors, officers, employees, consultants, and advisors, (2) the issuance of the Company's capital stock (or rights therefor) in connection with acquisitions and mergers as approved by the Board of Directors, (3) the issuance of the Company's capital stock (or rights therefor) as approved by the Board of Directors in connection with equipment leasing, real estate, bank financing, or similar transactions, (4) the issuance of the Company's capital stock (or rights therefor) as approved by the Board of Directors to vendors, customers or strategic business partners, (5) common stock issued upon conversion of preferred stock, (6) the issuance of securities in an underwritten public offering pursuant to an effective registration statement, (7) the issuance of securities pursuant to outstanding warrants as of July 5, 2013, (8) issuances of securities approved by the holders of a majority of the outstanding Series E-1 preferred stock and outstanding Series E-2 preferred stock, voting together as a single class on an as-converted basis, and either unanimously approved by the Company's Board of Directors or the holders of outstanding shares of preferred stock, voting together as a single class on an as-converted basis, and (9) Series E-1 preferred stock or Series E-2 preferred stock issued or issuable at a purchase price equal to or greater than $8.00 per share.

Dividends. At June 30, 2015, the holders of preferred stock were entitled to receive non-cumulative and non-accruing dividends only when and if declared by the Board of Directors out of funds legally available for that purpose in an amount equal to: $0.10 per share of Series A preferred stock; $0.27 per share of Series B preferred stock; $0.35 per share of Series C preferred stock; $0.60 per share of Series D preferred stock; $0.80 per share of Series E-1 preferred stock; and $1.20 per share of Series E-2 preferred stock (in each case, subject to stock splits, subdivisions, combinations, consolidations and the like with respect to such shares). No dividends could be declared on any series of preferred stock unless dividends were declared on all such preferred stock. After payments of dividends to the holders of preferred stock, dividends may have been declared and distributed among all holders of common stock, provided that no dividend was declared or distributed among the holders of common stock at a greater rate than that at which dividends were paid to the holders of preferred stock (based on the number of shares of common stock into which such preferred stock was convertible on the date the dividend is declared).

Voting rights. At June 30, 2015, the holders of preferred stock were entitled to the number of votes equal to the number of shares of common stock issuable upon conversion of the preferred stock held by such holder, and except as otherwise provided by law or the Restated Certificate of Incorporation, the holders of preferred stock and of common stock voted together on all matters.

Protective provisions. At June 30, 2015, the votes of the holders of a majority of the outstanding shares of each series of preferred stock, voting as a separate class, were required for the approval of certain events relating to (1) authorization or issuance of additional preferred stock having superior preferences or priorities as to dividends, redemption rights, liquidation preferences, conversion rights or voting rights of the given series of preferred stock, and (2) amendments, restatements, modifications or waivers to the Company's certificate of incorporation or bylaws in a manner that was materially adverse to the given series of preferred stock.

Additionally, the votes of the holders of a majority of the outstanding shares of preferred stock, voting together as a single class, were required for the approval of certain events relating to the liquidation, dissolution, or winding-up of the Company, certain redemptions or repurchases of the Company's common stock, and the disposition of the securities of any subsidiary (other than to the Company), any authorization, execution, amendment or termination of any material contract, agreement or other arrangement between the Company and any member of the Company's board of directors, any executive officer or any holder of 10% of the Company's outstanding capital stock, any increase in the number of shares of the Company's capital stock reserved under any equity incentive plan, and any change in the Company's principal business focus to a field of business other than medical devices.

Redemption. At June 30, 2015, none of the preferred stock was redeemable.

Liquidation, dissolution, or winding-up. At June 30, 2015, in the event of any liquidation or winding up of the Company, the holders of Series E-1 preferred stock, Series E-2 preferred stock and Series D preferred stock were entitled to receive, pari passu and in preference to the holders of the Company's Series C preferred stock, Series B preferred stock, Series A preferred stock and common stock, an amount equal to declared but unpaid dividends on each share of such preferred stock, plus $8.00 per share of Series E-1 preferred stock, $12.00 per share of Series E-2 preferred stock and $6.00 per share of Series D preferred stock. After such payments, the holders of Series C preferred stock were entitled to receive, in preference to the holders of Series B preferred stock, Series A preferred stock and common stock, an amount equal to declared but unpaid dividends on a share of Series C preferred stock plus $3.50 per share.

After such payments, the holders of Series B preferred stock were entitled to receive, in preference to the holders of Series A preferred stock and common stock, an amount equal to declared but unpaid dividends on a share of Series B preferred stock plus $2.69 per share. After such payments, the holders of Series A preferred stock were entitled to receive, in preference to the holders of common stock, an amount equal to declared but unpaid dividends on a share of Series A preferred stock plus $1.00 per share.

After the payments set forth above, proceeds were shared pro rata by the holders of common stock, Series C preferred stock, Series B preferred stock and Series A preferred stock (on an as-converted basis) until such time as the holders of each such series of preferred stock received a total distribution (including the initial preference) of two times their respective original purchase prices. All remaining proceeds thereafter shall be shared pro rata by the holders of common stock. A consolidation or merger of the Company or sale of all or substantially all of its assets or of a majority of its capital stock were deemed to be a liquidation or winding up for purposes of the liquidation preference.

Right of first refusal. At June 30, 2015, for subsequent issuances of equity securities of the Company (excluding certain specified issuances), the Company granted to certain investors holding at least 300,000 shares of preferred stock (or common stock issued upon conversion of preferred stock) and certain other investors (each a "Major Investor") the right to purchase up to their pro rata share of

the new securities. Also, had any Major Investor chosen not to purchase its full pro rata share, certain other Major Investors had the right to purchase a portion of the remaining shares.

Demand registration rights

Beginning six months after the closing of the Company's IPO, subject to specified limitations set forth in a registration rights agreement, at any time, the holders of at least 25% of the then outstanding registrable shares may at any time demand in writing that the Company register all or a portion of the registrable shares under the Securities Act on a Form other than Form S-3 for an offering of at least 20% of the then outstanding registrable shares or a lesser percentage of the then outstanding registrable shares provided that it is reasonably anticipated the aggregate offering price would exceed $20 million. The Company is not obligated to file a registration statement pursuant to these rights on more than two occasions.

In addition, after such time as the Company is eligible to use Form S-3, subject to specified limitations set forth in the registration rights agreement, the holders of at least 25% of the then outstanding registrable shares may at any time demand in writing that the Company register all or a portion of the registrable shares under the Securities Act on Form S-3 for an offering of at least 25% of the then outstanding registrable shares having an anticipated aggregate offering price to the public, net of selling expenses, of at least $5 million (a "Resale Registration Statement"). The Company is not obligated to effect a registration pursuant to a Resale Registration Statement on more than one occasion.

Incidental registration rights

If, at any time after the IPO the Company proposes to file a registration statement to register any of its common stock under the Securities Act in connection with a public offering of such common stock, other than pursuant to certain specified registrations, the holders of registrable shares are entitled to notice of registration and, subject to specified exceptions, including market conditions, the Company will be required, upon the holder's request, to register their then held registrable shares.

Warrants

The Company also issued warrants to certain investors and consultants to purchase shares of the Company's preferred stock and common stock. Based on the Company's assessment of the warrants granted in 2013 and 2014 relative to ASC 480, *Distinguishing Liabilities from Equity*, the warrants are classified as equity. No new warrants were issued in the six months ended June 30, 2015. According to ASC 480, an entity shall classify as a liability any financial instrument, other than an outstanding share, that, at inception, both a) embodies an obligation to repurchase the issuer's equity shares, or is indexed to such obligation and b) requires or may require the issuer to settle the obligation by transferring assets. The warrants do not contain any provision that requires the Company to repurchase the shares and are not indexed to such an obligation. The warrants also do not require the Company to settle by transferring assets.

All warrants were exercisable immediately upon issuance. Upon the conversion of the Company's preferred stock into common stock in connection with the closing of the Company's IPO, all outstanding warrants to purchase preferred stock instead became warrants to purchase shares of common stock at a ratio of one share of common stock for every two shares of preferred stock.

The fair value of warrants at date of grant was estimated using the Black-Scholes option pricing model, based on the following assumptions:

	Year Ended December 31, 2014
Risk-free interest rate	0.91%-1.71%
Expected term (in years)	2.50-5.00
Dividend yield	0.00%
Expected volatility	50.00%-55.00%

Series C preferred stock warrants

The Company has issued warrants to certain investors to purchase up to 594,774 shares of Series C preferred stock at an exercise price range of $0.01 to $3.50 per share of which warrants to purchase 285,714 shares were outstanding as of June 30, 2015 and December 31, 2014. There was no warrant activity during the six months ended June 30, 2015.

Series D preferred stock warrants

The Company has issued warrants to certain investors and consultants to purchase up to 1,672,529 shares of Series D preferred stock at an exercise price of $6.00 per share, of which warrants to purchase 1,099,260 shares of Series D preferred stock were outstanding as June 30, 2015 and 1,246,367 shares of Series D preferred stock were outstanding at December 31, 2014. For information on the effect of the closing of the Company's IPO on the Series D preferred stock warrants, see "Note Q – Subsequent Events."

Summary of Series D preferred stock warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price Per Share (1)	Number of Warrants Exercisable	Weighted Average Price Per Share	Fair Value
Outstanding December 31, 2014	1,246,367	$ 6.00	1,246,367	$ 6.00	$ —
Granted	—	—	—	—	—
Exercised	(129,476)	6.00	(129,476)	6.00	—
Cancelled/expired	(17,631)	—	(17,631)	6.00	—
Outstanding June 30, 2015 (unaudited)	1,099,260	$ 6.00	1,099,260	$ 6.00	$ —

Series E-1 and E-2 preferred stock warrants

The Company has issued warrants to certain equity investors and consultants to purchase up to 515,866 shares of Series E-1 preferred stock at an exercise price of $8.00 per share. As of June 30, 2015 and December 31, 2014, warrants to purchase 515,866 shares of Series E-1 preferred stock were outstanding. The Company has issued warrants to certain investors and consultants to purchase up to 403,936 shares of Series E-2 preferred stock at an exercise price of $8.00 per share. As of June 30, 2015 and December 31, 2014, warrants to purchase 403,936 shares of Series E-2 preferred stock were outstanding. For information on the effect of the closing of the Company's IPO on the Series E-1 and E-2 preferred stock warrants, see "Note Q – Subsequent Events." There was no warrant activity during the six months ended June 30, 2015.

Common stock warrants

The Company also issued warrants to certain investors and consultants to purchase 1,138,424 shares of common stock at an exercise price range of $0.02 to $9.00 per share of which warrants to purchase 204,312 shares were outstanding as of June 30, 2015 and December 31, 2014. The was no warrant activity during the six months ended June 30, 2015.

At June 30, 2015 and December 31, 2014, the range of warrant prices per share for shares under warrants and the weighted average contractual life is as follows:

2015	Number of Warrants	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Number of Warrants Exercisable	Weighted Average Price Per Share
Series C	285,714	$ 3.50	2.05	285,714	$ 3.50
Series D	1,099,260	$ 6.00(1)	2.61	1,099,260	$ 6.00
Series E-1	515,866	$ 8.00	4.45	515,866	$ 8.00
Series E-2	403,936	$ 8.00	5.97	403,936	$ 8.00
Common Stock	204,312	$ 8.90	2.77	204,312	$ 8.90

2014	Number of Warrants	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Number of Warrants Exercisable	Weighted Average Price Per Share
Series C	285,714	$ 3.50	2.55	285,714	$ 3.50
Series D	1,246,367	$ 6.00(1)	2.84	1,246,367	$ 6.00
Series E-1	515,866	$ 8.00	4.95	515,866	$ 8.00
Series E-2	403,936	$ 8.00	6.46	403,936	$ 8.00
Common Stock	204,312	$ 8.90	3.26	204,312	$ 8.90

(1) This weighted average exercise price does not give effect to the exchange of warrants to purchase shares of Series D preferred stock for shares of common stock for no additional consideration in connection with the IPO. See "Note Q—Subsequent Events."

Stock option plans

In June 2004, the Company authorized the adoption of the 2004 Stock Option and Incentive Plan (the "2004 Plan"). Under the 2004 Plan, options were granted to persons who were, at the time of grant, employees, officers, or directors of, or consultants or

advisors to, the Company. The 2004 Plan provided for the granting of non-statutory options, incentive options, stock bonuses, and rights to acquire restricted stock.

The option price at the date of grant was determined by the Board of Directors and, in the case of incentive options, could not be less than the fair market value of the common stock at the date of grant, as determined by the Board of Directors. Options granted under the 2004 Plan generally vest over a period of four years and are set to expire 10 years from the date of grant. In February 2011, the Company terminated the 2004 Plan and all options outstanding under it were transferred to the 2011 Stock Option/Stock Issuance Plan (the "2011 Plan").

In February 2011, the Company authorized the adoption of the 2011 Plan. The 2011 Plan is divided into two separate equity programs, Option Grant Program and Stock Issuance Program. Per the 2011 Plan, options can be granted to persons who are, at the time, employees, officers, or directors of, or consultants or advisors to, the Company. The 2011 Plan provides for the granting of non-statutory options, incentive options and common stock. The price at the date of grant is determined by the Board of Directors and, in the case of incentive options and common stock, cannot be less than the fair market value of the common stock at the date of grant, as determined by the Board of Directors. Options granted under the 2011 Plan generally vest over a period of four years and expire 10 years from the date of grant.

In June 2015, the Company terminated the 2011 Plan and all options outstanding under it were transferred to the 2015 Stock Incentive Plan (the "2015 Plan"). The Company had reserved 6,630,242 shares of common stock for issuance under the 2011 Plan including shares previously reserved for under the 2004 Plan, of which 259,403 were still available for grant on June 30, 2015 and transferred to the 2015 Plan.

Activity under the 2011 Plan is as follows:

	Number of Options	Price per Share	Weighted Average Exercise Price per Share
Outstanding December 31, 2014	5,355,567	$ 0.60 - 10.96	$ 4.87
Granted	366,836	10.96 - 15.26	11.19
Exercised	(111,259)	1.10 - 10.96	3.50
Expired	(25,972)	4.32 - 10.96	5.84
Cancelled/Forfeited	(17,725)	5.26 - 10.96	7.51
Outstanding June 30, 2015 (unaudited)	5,567,447	$ 0.60 - 15.26	$ 5.30
Total vested and exercisable	4,170,912		

The 2015 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based awards. The number of shares of our common stock that will be reserved for issuance under the 2015 Plan is the sum of: (1) 2,000,000; plus (2) the number of shares equal to the sum of the number of shares of our common stock then available for issuance under the 2011 Plan and the number of shares of our common stock subject to outstanding awards under the 2011 Plan or under the 2004 Plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by us at their original issuance price pursuant to a contractual repurchase right; plus (3) an annual increase, to be added on the first day of each fiscal year, beginning with the fiscal year ending December 31, 2016 and continuing until, and including, the fiscal year ending December 31, 2025, equal to the least of (a) 3,000,000 shares of our common stock, (b) 3% of the number of shares of our common stock outstanding on the first day of such fiscal year and (c) an amount determined by the Board. Our employees, officers, directors, consultants and advisors will be eligible to receive awards under the 2015 Plan. Incentive stock options, however, may only be granted to our employees. At June 30, 2015, the Company had reserved 2,259,403 shares of common stock for issuance under the 2015 Plan, including shares previously reserved for under the 2004 and 2011 Plans. As of June 30, 2015, 2,244,737 shares of common stock were available for future issuance under the 2015 Plan.

At June 30, 2015, 14,666 shares of restricted stock awards were granted from the 2015 Plan at a price per share of $15.00. No restricted stock awards under the 2015 Plan were vested as of June 30, 2015.

Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using a pricing model is affected by the value of the Company's common stock as well as assumptions regarding a number of complex and subjective variables. The valuation of the Company's common stock is performed with the assistance of an independent third-party valuation firm using a methodology that includes various inputs including the Company's historical and projected financial results, peer company public data and market metrics, such as risk-free interest and discount rates. As the valuation includes unobservable inputs that are primarily based on the Company's own assumptions, the inputs are considered level 3 inputs within the fair value hierarchy.

The weighted average fair value of options granted was $7.54 per share for the three months ended June 30, 2015, and $4.98 for the six months ended June 30, 2015.

The fair value of options at date of grant was estimated using the Black-Scholes option pricing model, based on the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Risk-free interest rate	1.75%	—	1.37%-1.75%	—
Expected term (in years)	6.02 - 6.25	—	5.47 - 6.45	—
Dividend yield	0.00%	—	0.00%	—
Expected volatility	50.00%	—	50.00%	—

Risk-free interest rate. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options.

Expected term. The expected term of stock options represents the period the stock options are expected to remain outstanding and is based on the "SEC Shortcut Approach" as defined in *"Share-Based Payment"* (SAB 107) ASC 718-10-S99, *"Compensation—Stock Compensation—Overall—SEC Materials*," which is the midpoint between the vesting date and the end of the contractual term. With certain stock option grants, the exercise price may exceed the fair value of the common stock. In these instances, the Company adjusts the expected term accordingly.

Dividend yield. The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and, therefore, used an expected dividend yield of zero in the valuation model.

Expected volatility. Expected volatility measures the amount that a stock price has fluctuated or is expected to fluctuate during a period. The Company does not have a history of market prices of its common stock as it is not a public company. Therefore, the Company estimates volatility in accordance with Securities and Exchange Commission's Staff Accounting Bulletin No. 107, SAB 107, using historical volatilities of similar public entities.

Forfeitures. The Company uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. If the Company's actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

Employee stock-based compensation expense recognized was $0.8 million and $0.4 million for the three months ended June 30, 2015 and 2014, respectively, and $1.8 million and $0.9 million for the six months ended June 30, 2015 and 2014, respectively. Stock-based compensation expense was calculated based on awards ultimately expected to vest. To date, the amount of stock-based compensation capitalized as part of inventory was not material.

The following is a summary of stock-based compensation expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of revenues	$ 43	$ 41	$ 153	$ 82
Sales and marketing	180	104	390	217
Research and development	158	158	413	255
General and administrative	376	132	890	346
	$ 757	$ 435	$ 1,846	$ 900

At June 30, 2015, the Company had $5.2 million of total unrecognized compensation expense that will be recognized over a weighted average period of 2.41 years.

Note N—Income Taxes

The Company is subject to U.S. federal, state, and foreign income taxes. The Company recorded a provision for income taxes of $11,000 and $12,000 for the three months ended June 30, 2015 and 2014, respectively, and $21,000, and $20,000 for the six months ended June 30, 2015 and 2014, respectively.

As of June 30, 2015 and December 31, 2014, the Company had reserves for uncertain tax positions of $3.1 million and $2.5 million, respectively, of which $3.0 million and $2.4 million were netted against the Company's net operating losses.

The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months.

The Company recognizes interest and penalties related to income taxes as a component of income tax expense. As of June 30, 2015, $4,000 of interest and penalties have been accrued.

The Company continues to maintain a valuation allowance against certain deferred tax assets where it is more likely than not that the deferred tax asset will not be realized because of its extended history of annual losses. Such deferred tax assets principally relate to tax net operating losses and credit carryforwards in certain jurisdictions for which sufficient taxable income for the utilization

cannot be projected at this time, which may result in net operating losses or credits or both potentially expiring without being utilized due to shorter carryforward periods. Management assesses the need for the valuation allowance on a quarterly basis. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and past financial performance. If and when management determines the valuation allowance should be released, the adjustment would result in a tax benefit in the Consolidated Statements of Operations and may include a portion to be accounted for through "Additional paid-in capital," a component of Stockholders' Equity. The amount of the tax benefit to be recorded in a particular quarter could be material. Management does not believe it is more likely than not that the Company's net federal deferred tax assets as of June 30, 2015 will be realized based upon its assessment of all available evidence, both positive and negative.

Note O—Segment and Geographic Data

The Company operates as one reportable segment as described in Note B to the Consolidated Financial Statements. The countries in which the Company has local revenue generating operations have been combined into the following geographic areas: the United States (including Puerto Rico), and the rest of the word, which consists of Europe predominately (including Germany, Switzerland and the United Kingdom) and other foreign countries. Sales are attributable to a geographic area based upon the customer's country of domicile. Net property, plant and equipment are based upon physical location of the assets.

Geographic information consists of the follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Product Revenue				
United States	$ 11,871	$ 8,026	$ 22,183	$ 14,978
Rest of World	3,892	3,147	8,280	6,994
	$ 15,763	$ 11,173	$ 30,463	$ 21,972

	June 30, 2015	December 31, 2014
Property and equipment, net		
United States	$ 10,461	$ 8,540
Rest of World	137	156
	$ 10,598	$ 8,696

Note P—Recapitalization

On June 16, 2015, the Company effected a reverse stock split of the Company's common stock at a ratio of one share for every two shares previously held. All common stock share and common stock per share data included in these financial statements reflect the reverse stock split.

Note Q—Subsequent Events

On July 7, 2015, the Company closed its IPO in which it issued and sold 10,350,000 shares of its common stock, including 1,350,000 shares of common stock issued upon the exercise in full by the underwriters of their over-allotment option, at a public offering price of $15.00 per share. The Company received aggregate net proceeds from the offering of approximately $140 million after deducting underwriting discounts and commissions and offering expenses payable by the Company. The Company's common stock began trading on the NASDAQ Global Select Market on July 1, 2015.

On July 7, 2015, the Company filed a restated certificate of incorporation in connection with its IPO, pursuant to which the Company is authorized to issue 200,000,000 shares of common stock and 5,000,000 shares of preferred stock. In addition, each of the following occurred in connection with the closing of the IPO on July 7, 2015:

- the issuance of the 10,350,000 shares of the Company's common stock;
- the automatic conversion of all outstanding shares of the Company's preferred stock into 25,527,505 shares of common stock;
- the issuance of 380,902 shares of the Company's common stock upon the exercise or exchange of warrants to purchase the Company's capital stock, which consisted of warrants to purchase:
  - 4,166 shares of the Company's common stock;
  - 252,429 shares of the Company's Series D preferred stock;
  - 300,059 shares of the Company's Series E-1 preferred stock; and
  - 200,996 shares of the Company's Series E-2 preferred stock;
- the right to the issuance of a warrant to purchase 142,857 shares of the Company's common stock at an exercise price of $7.00 per share in replacement of a warrant to purchase 285,714 shares of the Company's Series C preferred stock at an exercise price of $3.50 per share;
- the conversion of a warrant to purchase 160,000 shares of the Company's Series D preferred stock at an exercise price of $6.00 per share into a warrant to purchase 80,000 shares of common stock at an exercise price of $12.00 per share; and

- the expiration of warrants to purchase 483,532 shares of the Company capital stock, which consisted of warrants to purchase:
    - 64,217 shares of the Company's Series D preferred stock;
    - 215,807 shares of the Company's Series E-1 preferred stock; and
    - 202,940 shares of the Company's Series E-2 preferred stock.

In July 2015, upon the closing of the Company's IPO, pursuant to the conditions of the letter agreement in connection with the Asia strategy, $3.5 million of the proceeds was reclassified from restricted cash to cash and cash equivalents. See "Note L—Related Party Transactions".

Table of Contents

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 in conjunction with our financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our final prospectus, dated June 30, 2015, for our initial public offering and filed pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, with the Securities and Exchange Commission on July 1, 2015, which we refer to as the "Prospectus". Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the ''Risk Factors'' section of the Prospectus our actual results could differ materially from the results described, in or implied, by these forward-looking statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management and expected market growth are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These forward-looking statements include, among other things, statements about:

- our estimates regarding the potential market opportunity and timing of estimated commercialization for our current and future products, including our iTotal CR, our iTotal PS and, if we receive required marketing clearances or approvals, our iTotal Hip;
- our expectations regarding our sales, expenses, gross margins and other results of operations;
- our strategies for growth and sources of new sales;
- maintaining and expanding our customer base and our relationships with our independent sales representatives and distributors;
- our current and future products and plans to promote them;
- anticipated trends and challenges in our business and in the markets in which we operate;
- the implementation of our business model, strategic plans for our business, products, product candidates and technology;
- the future availability of raw materials used to manufacture, and finished components for, our products from third-party suppliers, including single source suppliers;
- product liability claims;
- our ability to retain and hire necessary employees and to staff our operations appropriately;
- our ability to compete in our industry and with innovations by our competitors;
- potential reductions in reimbursement levels by third-party payors and cost containment efforts of accountable care organizations;
- our ability to protect proprietary technology and other intellectual property and potential claims against us for infringement of the intellectual property rights of third parties;
- potential challenges relating to changes in and compliance with governmental laws and regulations affecting our U.S. and international businesses, including regulations of the U.S. Food and Drug Administration and foreign government regulators, such as more stringent requirements for regulatory clearance of our products;
- the impact of federal legislation to reform the United States healthcare system and the 2.3 percent medical device excise tax;
- the anticipated adequacy of our capital resources to meet the needs of our business; and
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q and in the "Risk Factors" section of the Prospectus, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, collaborations, joint ventures or investments that we may make or enter into.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q and our other filings with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

We are a medical technology company that uses our proprietary iFit Image-to-Implant technology platform to develop, manufacture and sell joint replacement implants that are individually sized and shaped, which we refer to as customized, to fit each patient's unique anatomy. The worldwide market for joint replacement products is approximately $15 billion annually and growing, and we believe our iFit technology platform is applicable to all major joints in this market. We believe we are the only company offering a broad line of customized knee implants designed to restore the natural shape of a patient's knee. We have sold a total of more than 30,000 knee implants in the United States and Europe. In recent clinical studies, iTotal CR, our cruciate-retaining total knee replacement implant and best-selling product, demonstrated superior clinical outcomes, including better function and greater patient satisfaction compared to traditional, off-the-shelf implants. We recently initiated the limited launch of iTotal PS, our posterior-stabilized total knee replacement implant which addresses the largest segment of the knee replacement market. We are also in development of the iTotal Hip, our first customized hip replacement implant.

Our iFit technology platform comprises three key elements:

- *iFit Design*, our proprietary algorithms and computer software that we use to design customized implants and associated single-use patient-specific instrumentation, which we refer to as iJigs, based on computed tomography, or CT scans of the patient and to prepare a surgical plan customized for the patient that we call iView.

- *iFit Printing*, a three-dimensional, or 3D, printing technology that we use to manufacture iJigs and are in the process of extending to manufacture certain components of our customized knee replacement implants.

- *iFit Just-in-Time Delivery*, our just-in-time manufacturing and delivery capabilities.

We believe our iFit technology platform enables a scalable business model that greatly lowers our inventory requirements, reduces the amount of working capital required to support our operations and allows us to launch new products and product improvements more rapidly, as compared to manufacturers of traditional, off-the-shelf implants.

All of our knee replacement products have been cleared by the FDA under the premarket notification process of Section 510(k) of the Federal Food, Drug, and Cosmetic Act, or the FDCA, and have received certification to CE Mark. We market our products to orthopedic surgeons, hospitals and other medical facilities and patients. We have 89 employees engaged in the sales and marketing of our products in the United States, Germany and the United Kingdom. We use independent sales representatives and distributors to complement our own sales and marketing efforts in these and other markets.

We were incorporated in Delaware and commenced operations in 2004. We introduced our iUni and iDuo partial knee replacement products in 2007, our iTotal CR in 2011 and our iTotal PS on a limited basis in 2015. We expect to initiate the broad commercial launch of our iTotal PS in March 2016.

Components of our results of operations

The following is a description of factors that may influence our results of operations, including significant trends and challenges that we believe are important to an understanding of our business and results of operations.

Revenue

Our revenue is generated from sales to hospitals and other medical facilities that are served through a direct sales force, independent sales representatives and distributors in the United States, the United Kingdom, Austria, Germany, Ireland, Switzerland, Hong Kong and Singapore. In order for surgeons to use our products, the medical facilities where these surgeons treat patients typically require us to enter into purchasing contracts. The process of negotiating a purchasing contract can be lengthy and time-consuming, require extensive management time and may not be successful.

Revenue from sales of our products fluctuates principally based on the selling price of the joint replacement product, as the sales price of our products varies among hospitals and other medical facilities. In addition, our revenue may fluctuate based on the product sales mix and mix of sales by geography. Our revenue from international sales can be significantly impacted by fluctuations in foreign currency exchange rates, as our sales are denominated in the local currency in the countries in which we sell our products. We expect our revenue to fluctuate from quarter-to-quarter due to a variety of factors, including seasonality, as we have historically experienced lower sales in the summer months and around year-end, the timing of the introduction of our new products, if any, and the impact of the buying patterns and implant volumes of medical facilities.

In April 2015, we entered into a fully paid up, worldwide license agreement with Wright Medical Group, Inc., or Wright Group, and its wholly owned subsidiary Wright Medical Technology, Inc., or Wright Technology and collectively with Wright Group, Wright Medical. Under the terms of this license agreement, we granted a perpetual, irrevocable, non-exclusive license to Wright Medical to use patient-specific instrument technology covered by our patents and patent applications with off-the-shelf implants in the foot and ankle. This license does not extend to patient-specific implants. This license agreement provided for a single lump-sum payment by Wright Medical to us of mid-single digit millions of dollars upon entering into the license agreement, which has been paid. This license agreement will expire upon the expiration of the last to expire of our patents and patent applications licensed to Wright Medical, which currently is expected to occur in 2031.

In April 2015, we entered into a worldwide license agreement with MicroPort Orthopedics Inc., or MicroPort, a wholly owned subsidiary of MicroPort Scientific Corporation. Under the terms of this license agreement, we granted a perpetual, irrevocable, non-exclusive license to MicroPort to use patient-specific instrument technology covered by our patents and patent applications with off-the-shelf implants in the knee. This license does not extend to patient-specific implants. This license agreement provides for the payment to us of a fixed royalty at a high single to low double digit percentage of net sales on patient-specific instruments and associated implant components in the knee, including MicroPort's Prophecy patient-specific instruments used with its Advance and Evolution implant components. We cannot be certain as to the timing or amount of payment of any royalties under this license agreement. This license agreement also provided for a single lump-sum payment by MicroPort to us of low-single digit millions of dollars upon entering into the license agreement, which has been paid. This license agreement will expire upon the expiration of the last to expire of our patents and patent applications licensed to MicroPort, which currently is expected to occur in 2029.

We have accounted for the agreements with Wright Medical and MicroPort under ASC 605-25, Multiple-Element Arrangements and Staff Accounting Bulletin No. 104, Revenue Recognition (ASC 605). In accordance with ASC 605, we were required to identify and account for each of the separate units of accounting. We identified the relative selling price for each and then allocated the total consideration based on their relative values. In connection with these agreements, in April 2015, we recognized in aggregate (i) back-owed royalties of $3.4 million as royalty revenue and (ii) the value attributable to the settlements of $0.2 million as other income. Additionally, we recognized $5.1 million in aggregate as deferred royalty revenue, which will be recognized as royalty revenue ratably through 2031. See "Note I — Deferred Revenue" to the financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The on-going royalty from MicroPort is recognized as royalty revenue upon receipt of payment.

Cost of revenue

We produce all of our computer aided designs ("CAD") in-house and use them to direct all of our product manufacturing efforts. We manufacture all of our patient-specific instruments, or iJigs, in our facilities in Burlington and Wilmington, Massachusetts. We also make in our facilities the majority of the tibial components used in our implants. We outsource the production of the remainder of the tibial components and the manufacture of femoral and other

implant components to third-party suppliers. Our suppliers make our customized implant components using the CAD designs we supply. Cost of revenue consists primarily of costs of raw materials, manufacturing personnel, manufacturing supplies, inbound freight and manufacturing overhead and depreciation expense.

We calculate gross margin as revenue less cost of revenue divided by revenue. Our gross margin has been and will continue to be affected by a variety of factors, including primarily volume of units produced, mix of product components manufactured by us versus sourced from third parties, our average selling price, the geographic mix of sales, royalty revenue and product sales mix.

We expect our gross margin from the sale of our products, which excludes royalty revenue, to expand over time to the extent we are successful in reducing our manufacturing costs per unit and increasing our manufacturing efficiency as sales volume increases. We believe that areas of opportunity to expand our gross margins in the future, if and as the volume of our product sales increases, include the following:

- absorbing overhead costs across a larger volume of product sales;
- obtaining more favorable pricing for the materials used in the manufacture of our products;
- increasing the proportion of certain components of our products that we manufacture in-house, which we believe we can manufacture at a lower unit cost than vendors we currently use;
- applying our 3D printing technology to select metal components of our products, which we believe can lower our unit costs compared to our current manufacturing methods;
- developing new versions of our software used in the design of our customized joint replacement implants, which we believe will reduce costs associated with the design process; and
- obtaining more favorable pricing of certain components of our products manufactured for us by third parties.

We also plan to explore other opportunities to reduce our manufacturing costs. However, these and the above opportunities may not be realized. In addition, our gross margin may fluctuate from period to period.

Operating expenses

Our operating expenses consists of sales and marketing, research and development and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consists of salaries, benefits, stock-based compensation and sales commissions.

Sales and marketing. Sales and marketing expense consists primarily of personnel costs, including salary, employee benefits and stock-based compensation for personnel employed in sales, marketing, customer service, medical education and training, as well as investments in surgeon training programs, industry events and other promotional activities. In addition, our sales and marketing expense includes sales commissions and bonuses, generally based on a percentage of sales, to our sales managers, direct sales representatives and independent sales representatives. Recruiting, training and retaining productive sales representatives and educating surgeons about the benefits of our products are required to generate and grow revenue. We expect sales and marketing expense to significantly increase as we build up our sales and support personnel and expand our marketing efforts. Our sales and marketing expense may fluctuate from period to period due to the seasonality of our revenue and the timing and extent of our expenses.

Research and development. Research and development expense consists primarily of personnel costs, including salary, employee benefits and stock-based compensation for personnel employed in research and development, regulatory and clinical areas. Research and development expense also includes costs associated with product design, product refinement and improvement efforts before and after receipt of regulatory clearance, development prototypes, testing, clinical study programs and regulatory activities, contractors and consultants, and equipment and software to support our development. As our revenue increases, we will also incur additional expenses for revenue share payments to our past and present scientific advisory board members, including our Chief Executive Officer. We expect research and development expense to increase in absolute dollars as we develop new products to expand our product pipeline, add research and development personnel and conduct clinical activities.

General and administrative. General and administrative expense consists primarily of personnel costs, including salary, employee benefits and stock-based compensation for our administrative personnel that support our general operations, including executive management, general legal and intellectual property, finance and accounting, information technology and human resources personnel. General and administrative expense also includes outside legal costs associated with intellectual property and general legal matters, financial audit fees, insurance, fees for other consulting services, depreciation expense, freight, medical device tax and facilities expense.

We expect our general and administrative expense will increase in absolute dollars as we increase our headcount and expand our infrastructure to support growth in our business and our operations as a public company, as well as in connection with the completion of the move of our primary manufacturing facility from Burlington to Wilmington by the end of August 2015. We anticipate increased expenses associated with being a public company will include increases in 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 our revenue increases we also will incur additional expenses for freight and medical device tax. Our general and administrative expense may fluctuate from period to period due to the timing and extent of the expenses.

Other income (expense), net

Other income (expense), net consists primarily of interest expense and amortization of debt discount associated with our term loans and realized gains (losses) from foreign currency transactions. The effect of exchange rates on our foreign currency-denominated asset and liability balances are recorded in other income (expense) and are recorded as foreign currency translation adjustments in the consolidated statements of comprehensive loss.

Income tax provision

Income tax provision consists primarily of a provision for income taxes in foreign jurisdictions in which we conduct business. We maintain a full valuation allowance for deferred tax assets including net operating loss carryforwards and research and development credits and other tax credits.

Consolidated results of operations

Comparison of the three months ended June 30, 2015 and 2014

The following table sets forth our results of operations expressed as dollar amounts, percentage of total revenue and quarter-to-quarter change (in thousands):

	2015		2014		2015 vs 2014	
Three months ended June 30,	Amount	As a% of Total Revenue	Amount	As a % of Total Revenue	$ Change	% Change
Revenue						
Product revenue	$ 15,763	82%	$ 11,173	100%	$ 4,590	41%
Royalty	3,459	18	—	—	3,459	100
Total revenue	19,222	100	11,173	100	8,049	72
Cost of revenue	10,664	55	7,097	64	3,567	50
Gross profit	8,558	45	4,076	36	4,482	110
Operating expenses:						
Sales and marketing	9,758	51	7,080	63	2,678	38
Research and development	4,317	22	3,615	32	702	19
General and administrative	5,355	28	3,900	35	1,455	37
Total operating expenses	19,430	101	14,595	131	4,835	33
Loss from operations	(10,872)	(57)	(10,519)	(94)	(353)	(3)
Total other expenses	(9)	—	(12)	—	3	(25)
Loss before income taxes	(10,881)	(57)	(10,531)	(94)	(350)	(3)
Income tax provision	11	—	12	—	1	(8)
Net loss	$ (10,892)	(57)	$ (10,543)	(94)	$ (349)	(3)

Revenue. Product revenue was $15.8 million for the three months ended June 30, 2015 compared to $11.2 million for the three months ended June 30, 2014, an increase of $4.6 million or 41%, due principally to increased sales of our first primary total knee product, iTotal CR, as well as the addition on a limited basis of our iTotal PS product line in the United States.

The following table sets forth, for the periods indicated, our product revenue by geography expressed as U.S. dollar amounts, percentage of product revenue and year-over-year change (in thousands):

	2015		2014		2015 vs 2014	
Three months ended June 30,	Amount	As a % of Product Revenue	Amount	As a % of Product Revenue	$ Change	% Change
United States	$ 11,871	75%	$ 8,026	72%	$ 3,845	48%
Rest of world	3,892	25	3,147	28	745	24
Product revenue	$ 15,763	100	$ 11,173	100	$ 4,590	41

Product revenue in the United States is generated through our direct sales force and independent sales representatives. Product revenue outside the United States is generated through our direct sales force and distributors. The percentage of product revenue generated in the United States was 75% for the three months ended June 30, 2015 compared to 72% for the three months ended June 30, 2014. We believe the lower level of rest of world product revenue as a percentage of product revenue

in the three months ended June 30, 2015 was due to the decline in foreign currency exchange rates for sales made in Germany and the United Kingdom and the increase in sales in the United States realized from the limited introduction of the iTotal PS in the United States.

In April 2015, we entered into a fully paid up, worldwide license agreement with Wright Medical for a single lump-sum payment by Wright Medical to us upon entering into the agreement. At this same time we also entered into a worldwide license agreement with MicroPort for a single lump-sum payment by MicroPort to us upon entering into the license agreement. Royalty revenue related to these agreements was $3.5 million for the three months ended June 30, 2015. The balance of the payments received was allocated to deferred revenue and will be recognized over the term of the agreements.

Cost of revenue, gross profit and gross margin. Cost of revenue was $10.7 million for the three months ended June 30, 2015 compared to $7.1 million for the three months ended June 30, 2014, an increase of $3.6 million or 50%. The increase was due primarily to an increase in production and personnel costs associated with the increase in sales volume. Gross profit was $8.6 million for the three months ended June 30, 2015 compared to $4.1 million for the three months ended June 30, 2014, an increase of $4.5 million or 110%. Gross margin increased 900 basis points to 45% for the three months ended June 30, 2015 from 36% for the three months ended June 30, 2014. This increase in gross margin was driven primarily by the royalty revenue and higher sales volume during the three months ended June 30, 2015, which was offset in part by the additional product costs and foreign currency exchange rate changes.

Sales and marketing. Sales and marketing expense was $9.8 million for the three months ended June 30, 2015 compared to $7.1 million for the three months ended June 30, 2014, an increase of $2.7 million or 38%. The increase was due primarily to a $1.8 million increase in personnel costs as a result of our hiring of additional direct sales representatives and sales support and increases in commissions as a result of the increase in sales volume, and a $0.9 million increase in marketing and other expenses.

Research and development. Research and development expense was $4.3 million for the three months ended June 30, 2015 compared to $3.6 million for the three months ended June 30, 2014, an increase of $0.7 million or 19%. The increase was due primarily to a $0.2 million increase in personnel costs, a $0.4 million increase in revenue share expenses and a $0.1 million increase in other research expenses.

General and administrative. General and administrative expense was $5.4 million for the three months ended June 30, 2015 compared to $3.9 million for the three months ended June 30, 2014, an increase of $1.5 million or 37%. The increase was due primarily to a $0.6 million increase in personnel costs, a $0.4 million increase in facilities and office relocation costs, a $0.3 million increase in consulting services, $0.2 million increase in freight expense and a $0.5 million increase in various other expenses, offset in part by a decrease of $0.5 million in general and patent legal fees.

Other expense, net. Other expense, net was $9,000 for the three months ended June 30, 2015 compared to $12,000 for the three months ended June 30, 2014, a decrease of $3,000, or 25%. The decrease was primarily due to $208,000 in other income related to a gain on the royalty settlement from Wright and MicroPort, which was offset by an increase of $220,000 in interest expense associated with our long-term debt of $10.2 million, $13,000 of realized loss on currency conversion, and $2,000 in interest income.

Income taxes. Income tax provision was $11,000 for the three months ended June 30, 2015 compared to $12,000 for the three months ended June 30, 2014. We continue to generate losses for U.S. federal and state tax purposes and have net operating loss carryforwards creating a deferred tax asset. We maintain a full valuation allowance for deferred tax assets.

Comparison of the six months ended June 30, 2015 and 2014

The following table sets forth our results of operations expressed as dollar amounts, percentage of total revenue and year-over-year change (in thousands):

	2015		2014		2015 vs 2014	
Six months ended June 30,	**Amount**	**As a% of Total Revenue**	**Amount**	**As a% of Total Revenue**	**$ Change**	**% Change**
Revenue						
Product revenue	$ 30,463	90%	$ 21,972	100%	$ 8,491	39%
Royalty	3,459	10	—	—	3,459	100
Total revenue	33,922	100	21,972	100	11,950	54
Cost of revenue	20,052	59	14,609	66	5,443	37
Gross profit	13,870	41	7,363	34	6,507	88
Operating expenses:						
Sales and marketing	19,338	57	15,458	70	3,880	25
Research and development	8,333	25	7,193	33	1,140	16
General and administrative	11,134	33	7,848	36	3,286	42
Total operating expenses	38,805	114	30,499	139	8,306	27
Loss from operations	(24,935)	(74)	(23,136)	(105)	(1,799)	(8)
Total other expenses	(193)	(1)	(39)	—	(154)	(395)
Loss before income taxes	(25,128)	(75)	(23,175)	(105)	(1,953)	(8)
Income tax provision	21	—	20	—	1	5
Net loss	$ (25,149)	(74)	$ (23,195)	(106)	$ (1,954)	(8)

Revenue. Product revenue was $30.5 million for the six months ended June 30, 2015 compared to $22.0 million for the six months ended June 30, 2014, an increase of $8.5 million or 39%, due principally to increased sales of our first primary total knee product, iTotal CR, as well as the addition on a limited basis of our iTotal PS product line in the United States.

The following table sets forth, for the periods indicated, our product revenue by geography expressed as U.S. dollar amounts, percentage of product revenue and year-over-year change (in thousands):

	2015		2014		2015 vs 2014	
Six months ended June 30,	**Amount**	**As a % of Product Revenue**	**Amount**	**As a % of Product Revenue**	**$ Change**	**% Change**
United States	$ 22,183	73%	$ 14,978	68%	$ 7,205	48%
Rest of world	8,280	27	6,994	32	1,286	18
Product revenue	$ 30,463	100	$ 21,972	100	$ 8,491	39

Product revenue in the United States is generated through our direct sales force and independent sales representatives. Product revenue outside the United States is generated through our direct sales force and distributors. The percentage of product revenue generated in the United States was 73% for the six months ended June 30, 2015 compared to 68% for the six months ended June 30, 2014. We believe the lower level of rest of world product revenue as a percentage of product revenue in the three months ended June 30, 2015 was due to the decline in foreign currency exchange rates for sales made in Germany and the United Kingdom and the increase in sales in the United States realized from the limited introduction of the iTotal PS in the United States.

In April 2015, we entered into a fully paid up, worldwide license agreement with Wright Medical for a single lump-sum payment by Wright Medical to us upon entering into the agreement. At this same time we also entered into a worldwide license agreement with MicroPort for a single lump-sum payment by MicroPort to us upon entering into the license agreement. Royalty revenue related to these agreements was $3.5 million for the six months ended June 30, 2015. The balance of the payments received was allocated to deferred revenue and will be recognized over the term of the agreements.

Cost of revenue, gross profit and gross margin. Cost of revenue was $20.1 million for the six months ended June 30, 2015 compared to $14.6 million for the six months ended June 30, 2014, an increase of $5.4 million or 37%. The increase was due primarily to an increase in production and personnel costs associated with the increase in sales volume. Gross profit was $20.0 million for the six months ended June 30, 2015 compared to $14.6 million for the six months ended June 30, 2014, an increase of $5.4 million or 37%. Gross margin increased 700 basis points to 41% for the six months ended June 30, 2015 from 34% for the six months ended June 30, 2014. This increase in gross margin was driven primarily by the royalty revenue and higher sales volume during the six months ended June 30, 2015 which was offset in part by the additional product costs and foreign currency exchange rate changes.

Sales and marketing. Sales and marketing expense was $19.3 million for the six months ended June 30, 2015 compared to $15.5 million for the six months ended June 30, 2014, an increase of $3.9 million or 25%. The increase was due primarily to a $3.0 million increase in personnel costs as a result of our hiring of additional direct sales representatives and sales support and increases in commissions as a result of the increase in sales volume, and a $0.9 million increase in marketing and other expenses.

Research and development. Research and development expense was $8.3 million for the six months ended June 30, 2015 compared to $7.2 million for the six months ended June 30, 2014, an increase of $1.1 million or 16%. The increase was due primarily to a $0.6 million increase in personnel costs and a $0.6 million increase in revenue share expenses, offset in part by a $0.1 million decrease in other research expenses.

General and administrative. General and administrative expense was $11.1 million for the six months ended June 30, 2015 compared to $7.8 million for the six months ended June 30, 2014, an increase of $3.3 million or 42%. The increase was due primarily to a $1.3 million increase in personnel costs, a $0.6 million increase in facilities and office relocation costs, a $0.7 million increase in consulting services, $0.9 million increase in freight expense and a $0.7 million increase in various other expenses, offset in part by a decrease of $0.9 million in general and patent legal fees.

Other expense, net. Other expense, net was $193,000 for the six months ended June 30, 2015 compared to $39,000 for the six months ended June 30, 2014, an increase of $154,000, or 395%. The increase was primarily due to $348,000 in interest expense associated with our long-term debt of $10.2 million and $14,000 of realized loss on currency conversion, which was offset by $208,000 in other income related to a gain on the royalty settlement from Wright and MicroPort.

Income taxes. Income tax provision was $21,000 for the six months ended June 30, 2015 compared to $20,000 for the six months ended June 30, 2014. We continue to generate losses for U.S. federal and state tax purposes and have net operating loss carryforwards creating a deferred tax asset. We maintain a full valuation allowance for deferred tax assets.

Liquidity, capital resources and plan of operations

Sources of liquidity and funding requirements

From our inception in June 2004 through the six months ended June 30, 2015, we have financed our operations through private placements of preferred stock, bank debt and convertible debt financings, equipment purchase loans and product revenue beginning in 2007. Our product revenue has continued to grow from year-to-year; however, we have not yet attained profitability and continue to incur operating losses. As of June 30, 2015, we had an accumulated deficit of $293.2 million.

From 2004 through the six months ended June 30, 2015, we have raised an aggregate of $330 million from the sale of preferred stock and the exercise of preferred stock warrants and common stock warrants and options.

In June 2011, we entered into a $1.4 million secured term loan facility with the Massachusetts Development Financing Agency, referred to as the MDFA facility, to finance equipment purchases, of which $0.62 million was outstanding as of June 30, 2015 and $0.76 million was outstanding as of December 31, 2014. We are scheduled to make monthly interest and principal payments for the MDFA facility through July 2017. For further information regarding this facility, see "Note K—Debts and Notes Payable—$1.4 million term loan—Massachusetts Development Finance Agency" in the financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

In May 2014, we made the final payment on a $15 million term loan facility with Western Technology Investment under which we originally borrowed $10 million in 2011.

In November 2014, we entered into a senior secured $25 million loan and security agreement with Silicon Valley Bank and Oxford Finance, LLC, referred to as the SVB/Oxford Agreement, consisting of a revolving line of credit, or the Revolving Line, of up to $5 million and commitments for two $10 million term loans. In November 2014, in connection with our entry into the SVB/Oxford Agreement, we drew down the first $10 million term loan, referred to as the SVB/Oxford Term Loan A. We are eligible to draw down the second $10 million term loan on or prior to November 7, 2015 upon meeting certain conditions. As of June 30, 2015, we did not have any revolving loans outstanding under the Revolving Line, with $5 million available for borrowing, subject to our meeting certain conditions, based on our borrowing base under the Revolving Line. We believe our need for the availability of the second $10 million term loan and loans under the Revolving Line will be reduced significantly due to proceeds from our IPO, which closed on July 7, 2015. For further information regarding this facility, see "Note K—Debts and Notes Payable—SVB/Oxford" in the financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

On July 7, 2015, we closed our initial public offering ("IPO") of our common stock and issued and sold 10,350,000 shares of our common stock, including 1,350,000 shares of common stock issued upon the exercise in full by the underwriters of their over-allotment option, at a public offering price of $15.00 per share, for aggregate offering proceeds of approximately $155 million. We received aggregate net proceeds from the offering of approximately $140 million after deducting underwriting discounts and commissions and offering expenses payable by us. Our common stock began trading on the NASDAQ Global Select Market on July 1, 2015.

We expect to incur substantial expenditures in the foreseeable future in connection with the following:

- expansion of our sales and marketing efforts;
- expansion of our manufacturing capacity;
- funding research, development and clinical activities related to our existing products and product platform, including iFit design software and product support;
- funding research, development and clinical activities related to new products that we may develop, including other joint replacement products;
- pursuing and maintaining appropriate regulatory clearances and approvals for our existing products and any new products that we may develop;
- servicing our indebtedness under our existing credit facilities; and
- preparing, filing and prosecuting patent applications, and maintaining and enforcing our intellectual property rights and position.

In addition, our general and administrative expense will increase due to the additional operational and reporting costs associated with our expanded operations and being a public company.

We anticipate that our principal sources of funds in the future will be revenue generated from the sales of our products and revenues that we may generate in connection with

licensing our intellectual property. Our credit facility with SVB/Oxford is our only committed external source of funds. We will need to generate significant additional revenue to achieve and maintain profitability, and even if we achieve profitability, we cannot be sure that we will remain profitable for any substantial period of time. It is also possible that we may allocate significant amounts of capital toward products or technologies for which market demand is lower than anticipated and, as a result, abandon such efforts. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, or if we expend capital on projects that are not successful, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and we may even have to scale back our operations. Our failure to become and remain profitable could impair our ability to raise capital, expand our business, maintain our research and development efforts or continue to fund our operations.

We may need to engage in additional equity or debt financings to secure additional funds, including the funds required to pay our existing indebtedness at maturity. We may not be able to obtain additional financing on terms favorable to us, or at all. In addition, the negative covenants, pledge of our assets as collateral and negative pledge with respect to our intellectual property under the SVB/Oxford Agreement could limit our ability to obtain additional debt financing. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interest of our stockholders will be diluted. The terms of these future equity or debt securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders or involve negative covenants that restrict our ability to take specific actions, such as incurring additional debt or making capital expenditures.

At June 30, 2015, we had cash and cash equivalents of $14.5 million and $4.3 million in restricted cash allocated to lease deposits and funding a contractual commitment to expand our business in Asia. In July 2015, we completed our IPO and received net proceeds of approximately $140 million. Based on our current operating plan, we expect that the net proceeds from our IPO, together with our existing cash and cash equivalents as of June 30, 2015 and anticipated revenue from operations, including from projected sales of our products, will enable us to fund our operating expenses and capital expenditure requirements and pay our debt service as it becomes due for at least the next 12 months. We have based this expectation on assumptions that may prove to be wrong, such as the revenue that we expect to generate from the sale of our products and the gross profit we expect to generate from those revenues, and we could use our capital resources sooner than we expect.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated, as well as the year-over-year change between periods (in thousands):

	Six Months June 30,			
	2015	2014	$ Change	% Change
Net cash (used in) provided by:				
Operating activities	$ (21,418)	$ (22,806)	$ 1,388	6%
Investing activities	(2,868)	(276)	(2,592)	(939)
Financing activities	668	(376)	1,044	278
Effect of exchange rate on cash	214	(166)	380	229
Total	$ (23,404)	$ (23,624)	$ 220	1

Cash used in operating activities. Net cash used in operating activities was $21.4 million for the six months ended June 30, 2015 and $22.8 million for the six months ended June 30, 2014, a decrease of $1.4 million. These amounts primarily reflect net losses of $25.1 million for the six months ended June 30, 2015 and $23.2 million for the six months ended June 30, 2014. The net cash used in operating activities for the six months ended June 30, 2015 was affected by changes in our operating assets and liabilities, including an increase of $5.0 million in accounts payable and accrued liabilities, an increase in deferred royalty revenue of $5.1 million as well as non-cash stock-based compensation and depreciation totaling $1.1 million, which were offset in part by an increase in our outstanding

prepaid and other assets of $4.3 million primarily related to the deferred IPO costs, an increase in our accounts receivable of $1.8 million and an increase in our inventory of $2.0 million.

Net cash used in investing activities. Net cash used in investing activities was $2.9 million for the six months ended June 30, 2015 and $0.3 million for the six months ended June 30, 2014, an increase of $2.6 million. These amounts primarily reflect more cash used for purchases of property and equipment and a decrease in restricted cash balances. We anticipate that the amount of cash used in investing activities will increase in 2015 as we purchase additional property and equipment to manufacture more components in our own facility.

Net cash provided by (used in) financing activities. Net cash provided by financing activities was $0.7 million for the six months ended June 30, 2015 and net cash used in financing activities was $0.4 million for the six months ended June 30, 2014, a decrease of $1.0 million. The decrease was due to a $1.9 million decrease in debt payments offset in part by a $0.9 million decrease in proceeds from the issuance of common and preferred stock.

Contractual obligations and commitments

During the six months ended June 30, 2015, there were no material changes to our contractual obligations and commitments described under Management's Discussion and Analysis of Financial Condition and Results of Operations in the Prospectus.

Off-balance sheet arrangements

Through June 30, 2015, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical accounting policies and significant judgments and use of estimates

We have prepared our consolidated financial statements in conformity with accounting principles generally accepted in the United States. Our preparation of these financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. The accounting estimates that require our most significant estimates include revenue recognition, accounts receivable valuation, inventory valuations, intangible valuation, equity instruments, impairment assessments, income tax reserves and related allowances, and the lives of property and equipment. We evaluate our estimates and judgments on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical accounting policies and significant judgments and use of estimates" in the Prospectus and Note B to the consolidated financial statements appearing in this Quarterly Report on Form 10-Q.

Recent accounting pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. ASU 2015-03 applies to all business entities and is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect that the adoption of ASU 2015-03 will have a material effect on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" ("ASU 2015-05"), which provides guidance to clarify the customer's accounting for fees paid in a cloud computing arrangement. This guidance is effective for annual periods and interim reporting periods of public entities beginning after December 15, 2015. The Company does not expect that the adoption of ASU 2015- 05 will have a material effect on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Amendments to the Consolidation Analysis" ("ASU 2015-02"), which amends certain requirements for determining whether a variable interest entity must be consolidated. The amendments are effective for annual and interim reporting periods of public entities beginning after December 31, 2015. The Company does not expect that the adoption of ASU 2015-02 will have a material effect on its consolidated financial statements.

In August 2014, FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40)— Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). This newly issued accounting standard provides guidance about management's responsibility to evaluate whether there is a "substantial doubt" about an entity's ability to continue as a going concern and to provide related footnote disclosures. The defined term "substantial doubt" requires an evaluation of every reporting period including interim periods, provides principles for considering the mitigating effect of management's plans, requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, requires an express statement and other disclosures when substantial doubt is not alleviated, and requires an assessment for a period of one year after the date that the financial statements are issued or available to be issued.

The amendments in ASU 2014-15 are effective for annual periods beginning after December 15, 2016 and interim periods within those reporting periods. Earlier adoption is permitted. The Company is currently evaluating the impact of this pronouncement on its consolidated financial statements.

In April 2014, FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU amendment changes the requirements for reporting discontinued operations in Subtopic 205-20. The amendment is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. The Company will apply the provisions of this ASU to any future transactions that qualify for reporting discontinued operations.

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition

requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU's effective date will be the first quarter of fiscal year 2017 using one of two retrospective application methods. The Company has not determined the potential effects of this ASU on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to various market risks, which may result in potential losses arising from adverse changes in market rates, such as interest rates and foreign exchange rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes and do not believe we are exposed to material market risk with respect to our cash and cash equivalents.

Interest rate risk

We are exposed to interest rate risk in connection with borrowings made under the Revolving Line provided under the SVB/Oxford Agreement, which bears interest at a floating rate based on the prime rate. For variable rate debt, interest rate changes generally do not affect the fair value of the debt instrument, but do impact future earnings and cash flows, assuming other factors are held constant. A hypothetical 100 basis point change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

Foreign currency exchange risk

Fluctuations in the rate of exchange between the U.S. dollar and foreign currencies could adversely affect our financial results. Approximately 25% and 28% of our product revenue for the three months ended June 30, 2015 and 2014, respectively, were denominated in foreign currencies. Approximately 27% and 32% of our product revenue for the six months ended June 30, 2015 and 2014, respectively, were denominated in foreign currencies. We expect that foreign currencies will continue to represent a similarly significant percentage of our net sales in the future. Costs of revenue related to these sales are primarily denominated in U.S. dollars; however, operating costs, including sales and marketing and general and administrative expense, related to these sales are largely denominated in the same currencies as the sales, thereby partially limiting our transaction risk exposure. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. To date, foreign currency transaction realized gains and losses have not been material to our consolidated financial statements, and we have not engaged in any foreign currency hedging transactions. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates. A 10% increase or decrease in foreign currency exchange rates would not have had a material impact on our consolidated financial statements for the three months ended June 30, 2015 or for the three months ended June 30, 2014. A 10% increase or decrease in foreign currency exchange rates would have resulted in additional income or expense of $0.3 million for the six months ended June 30, 2015 and $0.3 million for the six months ended June 30, 2014.

We do not believe that inflation and change in prices had a significant impact on our results of operations for any periods presented in our consolidated financial statements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2015, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three and six months ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The manufacture and sale of joint replacement products is subject to routine risk of product liability, patent infringement and other claims in the United States and in other countries where we sell our products. In September 2013, we filed suit in the U.S. District Court, District of Massachusetts against Wright Medical Technology, Inc., or Wright Technology, a wholly owned subsidiary of Wright Medical Group, Inc., or Wright Group. We refer to Wright Technology and Wright Group collectively as Wright Medical. The lawsuit alleged that Wright Technology's PROPHECY® knee and ankle systems infringe four of our patents. In January 2014, Wright Group transferred its orthopedic reconstruction division to MicroPort Orthopedics, Inc., or MicroPort, a wholly owned subsidiary of MicroPort Scientific Corporation. In February 2014, we filed an amended complaint, naming MicroPort as an additional defendant, and alleging infringement by the defendants of an additional patent. We settled this lawsuit against Wright Medical and MicroPort in April 2015. We currently are not a party to any other material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in our final prospectus dated June 30, 2015 for our initial public offering and filed with the Securities and Exchange Commission on July 1, 2015 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended.

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

Use of proceeds from registered securities

On July 7, 2015, we closed our initial public offering, or IPO, of our common stock and issued and sold 10,350,000 shares of our common stock, including 1,350,000 shares of common stock issued upon the exercise in full by the underwriters of their over-allotment option, at a public offering price of $15.00 per share, for aggregate offering proceeds of approximately $155 million.

The offer and sale of all of the shares in the offering was registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-204384), which was declared effective by the SEC on June 30, 2015. J.P. Morgan Securities LLC and Deutsche Bank Securities Inc. acted as joint book-running managers of the offering, and Wells Fargo Securities, LLC, Canaccord Genuity Inc. and Oppenheimer & Co. Inc. acted as co-managers of the offering. The offering commenced on June 30, 2015 and did not terminate until the sale of all of the shares offered.

We received aggregate net proceeds from the offering of approximately $140 million after deducting underwriting discounts and commissions and offering expenses payable by us. None of the underwriting discounts and commissions or offering expenses were incurred or paid to to any director or officer of ours, to any of their associates, to persons owning 10% or more of our common stock or to any affiliates of ours.

Because the closing of our IPO occurred on July 7, 2015, as of June 30, 2015, we had not yet received the net proceeds from the sale of shares of common stock in our IPO and, therefore, had used none of the proceeds as of June 30, 2015.

We have not used any of the net proceeds from our IPO to make payments, directly or indirectly, to any director or officer of ours, to any of their associates, to persons owning 10% or more of our common stock or to any affiliates of ours. We have invested the net proceeds from the offering in a variety of capital preservation investments, including short-term, investment grade, interest bearing instruments and U.S. government securities. There has been no material change in our planned use of the net proceeds from the initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act on July 1, 2015.

Stock options and other equity awards

During the six months ended June 30, 2015, we issued to certain employees, directors and consultants options to purchase an aggregate of 366,836 shares of our common stock at a weighted-average exercise price of $11.19 per share. During the six months ended June 30, 2015, options to purchase an aggregate of 111,259 shares of our common stock were exercised. The stock options and shares of our common stock issued upon the exercise of stock options described above were issued pursuant to written compensatory plans or arrangements with our employees, directors and consultants, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 701 promulgated under the Securities Act or the exemption set forth in Section 4(a)(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering. All recipients either received adequate information about us or had access, through employment or other relationships, to such information.

Issuance of stock upon the exercise of warrants

During the six months ended June 30, 2015, warrants to purchase an aggregate of 129,476 shares of our Series D Preferred Stock were exercised. The shares issued pursuant to the warrant exercises were issued to accredited investors in reliance upon the exemption provided by Section 4(a)(2) of the Securities Act of 1933 relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. The recipients of warrants in this issuance represented that they were accredited investors and were acquiring the securities for their own account for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time and appropriate legends were affixed to the instruments representing such securities issued in such transactions.

Issuance of restricted stock

On June 30, 2015, we issued 14,666 shares of restricted common stock under our 2015 stock incentive plan to a director in connection with his election to our board of directors. The shares will vest with respect to 100% of the shares on the second anniversary of the grant date, and such vesting will accelerate in full upon a change of control.

We relied upon the exemption provided by Section 4(a)(2) of the Securities Act of 1933 with respect to the issuance of these shares. The recipient received adequate information about us or had access, through his position as a director, to such information. There was no general solicitation in connection with the offer or sale of these securities. We did not receive any commission or other form of remuneration in connection with the issuance of these shares.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

Table of Contents

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.

CONFORMIS, INC.

Date: August 14, 2015

By: /s/ Paul Weiner
Paul Weiner
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	Lease Agreement, dated as of August 26, 2010, between the registrant and N.W. Middlesex 36 Trust, as amended by Termination Agreement, dated as of May 13, 2014 between the registrant and N.W. Middlesex 36 Trust and as amended by the letter agreement regarding Modifications to Yield Up Requirements, 11 North Avenue, dated as of July 13, 2015, between the registrant and N.W. Middlesex 36 Trust
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Database
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* This certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

Exhibit 10.1

NORTHWEST PARK

LEASE

BY AND BETWEEN

N.W. MIDDLESEX 36 TRUST (LANDLORD)

AND

CONFORMIS, INC. (TENANT)

FOR PREMISES AT
11 NORTH AVENUE

BURLINGTON, MASSACHUSETTS

TABLE OF CONTENTS

NORTHWEST PARK

LEASE

ARTICLE 1
Reference Data

1.1 *Subject Referred To*.

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Section 1.1.

Date of this Lease:	August 26, 2010
Building	The single story Building in Northwest Park in Burlington, Massachusetts (hereinafter referred to as the "Park") on a parcel of land, known as 11 North Avenue (the Building and such parcel of land hereinafter being collectively referred to as the "Property").
Premises:	The entire Building, substantially as shown on Exhibit A attached hereto.
Rentable Floor Area of Premises:	Approximately 29,227 square feet
Landlord:	Rodger P. Nordblom, Peter C. Nordblom, and John Macomber, as Trustees of N.W. Middlesex 36 Trust under Declaration of Trust recorded in Middlesex South Registry of Deeds, Book 25660, Page 213.
Original Notice Address of Landlord:	c/o Nordblom Management Company, Inc. 15 Third Avenue Burlington, Massachusetts 01803
Tenant:	ConforMis, Inc., a Delaware corporation
Original Notice Address of Tenant:	11 North Avenue Burlington, MA 01803
Delivery Date:	Ninety (90) days from the later of (i) Tenant's final approval of the construction plans for the Landlord's Work and (ii) issuance of a building permit.

Commencement Date:	See Section 2.2.	
Rent Commencement Date:	January 1, 2011, subject to abatement pursuant to Section 3.2.	
Expiration Date:	October 31, 2015 (unless sooner terminated as provided for herein)	
Annual Fixed Rent	Rent Commencement	
Rate:	Date-October 31, 2011:	$219,999.00
	November 1, 2011 - October 31, 2012:	$306,876.00
	November 1, 2012 - October 31, 2013:	$336,108.00
	November 1, 2013 - October 31, 2015:	$365,328.00
Monthly Fixed Rent Rate:	Rent Commencement	
	Date-October 31, 2011:	$18,333.00
	November 1, 2011 - October 31, 2012: November 1,	$25,573.00
	2012 - October 31, 2013: November 1, 2013 -	$28,009.00
	October 31, 2015:	$30,444.00
Security and Restoration Deposit:	$250,000.00	
Allowance:	$300,000.00 subject to the requirements of Section 3.1.	
Tenant's Percentage:	The ratio of the Rentable Floor Area of the Premises to the total rentable area of the Building, which shall be 100%.	
Initial Estimate of Tenant's Percentage of Taxes for the Tax Year:	$60,000.00	
Initial Estimate of Tenant's Percentage of Operating Costs for the Calendar Year:	$70,440.00	
Permitted Uses:	General business offices and light manufacturing and assembly.	
Public Liability Insurance Limits:		
Commercial General Liability:	$3,000,000 per occurrence $5,000,000 general aggregate	

1.2 *Exhibits*.

The Exhibits listed below in this section are incorporated in this Lease by reference and are to be construed as a part of this Lease.

EXHIBIT A	Plan showing the Premises.
EXHIBIT A-l	Plan Showing Landlord's Work
EXHIBIT B	Work Change Order
EXHIBIT C	Form Letter of Credit
EXHIBIT D	Rules and Regulations
EXHIBIT E	Form Tenant Estoppel Certificate
EXHIBIT F	Landlord's Consent and Waiver

ARTICLE 2
Premises and Term

2.1 *Premises*. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Premises, excluding the roof, exterior faces of exterior walls, and pipes, ducts, conduits, wires, and appurtenant fixtures serving the Building (and any areas, such as the space above the ceiling or in the walls, that may contain such pipes, ducts, conduits, wires or appurtenant fixtures).

Tenant shall have, as appurtenant to the Premises, rights to use in common, subject to reasonable rules of general applicability to tenants of the Park from time to time made by Landlord of which Tenant is given notice: (a) common walkways and driveways necessary for access to the Building, and (b) the common parking areas serving the Building.

Tenant shall be permitted to use, at no additional cost or fee, up to 102 parking spaces in the parking area adjacent to the Building. Tenant may identify any of these spaces as "visitor parking only," in accordance with the Northwest Park sign policy.

Landlord reserves the right from time to time, without unreasonable interference with access to or use of the Premises: (a) to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises or Building, (b) to make any repairs and replacements to the Premises which Landlord may deem necessary, and (c) in connection with any excavation made upon adjacent land of Landlord or others, to enter, and to license others to enter, upon the Premises to do such work as the person causing such excavation deems necessary to preserve the wall of the Building from injury or damage and to support the same.

Landlord reserves the right, at its own cost and expense, to require Tenant, upon one hundred eighty (180) days' notice, to relocate its Premises elsewhere in the Park after the expiration of the Original Term, to an area of substantially equivalent size and at least of the equivalent quality, and with substantially similar improvements as are in the Premises, as designated by Landlord. If Landlord shall exercise such right to relocate Tenant, Landlord shall pay for all Tenant's reasonable relocation costs, including costs of moving and revalidating Tenant's manufacturing process.

2.2 *Term*. TO HAVE AND TO HOLD for a term (the "Original Term") beginning on the Commencement Date which shall be the earlier of (a) the date on which the work to be performed by Landlord pursuant to Exhibit C and the final approved construction plans has been substantially completed or (b) the opening by Tenant of its business in the Premises, and ending on the Expiration Date, unless sooner terminated as hereinafter provided. The term "substantially completed" as used herein shall mean that the work to be performed by Landlord pursuant to Exhibit C and the final construction plans has been completed with the exception of minor items which can be fully completed without material interference with Tenant and other items which because of the season or weather or the nature of the item are not practicable to do at the time, provided that none of said items is necessary to make the Premises tenantable for the Permitted Uses, and a Certificate of Occupancy (which may be temporary) has been issued by the Town of Burlington. When the Commencement Date has been determined, such date shall be evidenced by a document which Landlord shall deliver to Tenant, and which shall be deemed conclusive unless Tenant shall notify Landlord of any disagreement therewith within ten (10) days of receipt.

2.3 *Extension Option*. Tenant shall have the right to extend the Original Term of this Lease for one additional period of five (5) years, to begin immediately on the day following the Expiration Date (the "Extended Term"), provided that each of the following conditions has been satisfied:

(i) As of the date of the Extension Notice (defined below) and as of the commencement of the Extended Term, Tenant shall not be in default and shall not have previously been in default of its obligations under this Lease beyond any applicable grace period;

(ii) Tenant shall have had a net income before depreciation and amortization (using generally accepted accounting principles) for the 12-month period immediately preceding the date of the Extension Notice (which may be rounded to the nearest quarter of Tenant's fiscal year preceding such date) and for the 12-month period immediately preceding the commencement of the Extended Term (which may be rounded to the nearest quarter of Tenant's fiscal year preceding such commencement of the Extended Term); and

(iii) simultaneously with the delivery of the Extension Notice and also at the commencement of the Extended Term, Tenant shall have delivered to Landlord an unaudited statement, using generally accepted accounting principles and certified as true by Tenant's Chief Financial Officer, evidencing such net income during each of the periods specified in clause (ii) hereinabove.

All of the terms, covenants and provisions of this Lease shall apply to the Extended Term except that the Annual Fixed Rent Rate for such extension period shall be the fair market rate for comparable buildings in the Burlington area (the "Market Rate") at the commencement of the Extended Term, as designated by Landlord. If Tenant shall elect to exercise the aforesaid option, it shall do so by giving Landlord written

notice (the "Extension Notice") of its intention to do so not later than one (1) year prior to the expiration of the Original Term of this Lease. If Tenant gives such notice and satisfies the conditions specified above, the extension of this Lease shall be automatically effected without the execution of any additional documents. The Original Term and the Extended Term are hereinafter collectively called the "Term" or the "term".

Not later than thirty (30) days following the giving of Tenant's Extension Notice, Landlord shall notify Tenant of Landlord's determination of the Market Rate for the Extended Term. Within fifteen (15) days after Landlord gives Tenant Landlord's determination of the Market Rate, Tenant shall notify Landlord whether Tenant accepts or disputes such rate. If Tenant disagrees with Landlord's determination, then Landlord and Tenant shall commence negotiations to agree upon the Market Rate. In any event, the Annual Fixed Rent Rate for the Extended Term shall not be less than the Annual Fixed Rent Rate in effect immediately prior to the Extended Term. If Landlord and Tenant are unable to reach agreement on the Market Rate within thirty (30) days after the date on which Landlord first gave Tenant Landlord's proposal for the Market Rate, then the Market Rate shall be determined as provided below.

If Landlord and Tenant are unable to agree on the Market Rate by the end of said thirty (30)-day period, then within five (5) days thereafter, Landlord and Tenant shall each simultaneously submit to the other in a sealed envelope its good faith estimate of the Market Rate. If the higher of such estimates is not more than one hundred five percent (105%) of the other estimate, then the Market Rate shall be the average of the two estimates. If the matter is not resolved by the exchange of estimates, then Market Rate shall be determined by an independent arbitrator as set forth below.

Within seven (7) days after the exchange of estimates, the parties shall select, as an arbitrator, a mutually acceptable commercial real estate broker licensed in the Commonwealth of Massachusetts specializing in the field of commercial office leasing in the Burlington area, having no less than ten (10) years' experience (an "Approved Arbitrator"). If the parties cannot agree on such person, then within a second period of seven (7) days, each shall select one Approved Arbitrator and the two appointed Arbitrators shall, within five (5) days, select a third Approved Arbitrator who shall be the final decision-maker (the "Final Arbitrator"). If one party shall fail to timely make such appointment, then the person chosen by the other party shall be the sole arbitrator. Once the Final Arbitrator has been selected as provided for above, then, as soon thereafter as practicable, but in any case within fourteen (14) days after his or her appointment, the arbitrator shall determine the Market Rate by selecting either the Landlord's estimate of Market Rate or the Tenant's estimate of Market Rate. Such arbitrator must choose the proposed Market Rate that he/she determines is closest to the actual market rental rate for the Premises. There shall be no discovery or similar proceedings. The arbitrator's decision as to which estimate shall be the Market Rate for the Renewal Term shall be rendered in writing to both Landlord and Tenant and shall be final and binding upon them and shall be the Annual Fixed Rent for the Renewal Extended Term. The costs of the Final Arbitrator will be equally divided between Landlord and Tenant. Any fees of any counsel engaged by Landlord or Tenant, however, shall be borne by the party that retained such counsel.

Once the Market Rate has been determined, the parties shall promptly execute an amendment to this Lease setting forth the Annual Fixed Rent for the Premises during the Extended Term. For any part of the Extended Term during which the Annual Fixed Rent is in dispute, or has not yet been finally determined, Tenant shall make payments to Landlord on account of Annual Fixed Rent at the rate per square foot of the Premises last paid under this Lease. The parties shall adjust for any overpayments or underpayments upon final determination of such rent.

ARTICLE 3
Landlord's Work; TI Allowance

3.1 *Performance of Work and Approval of Landlord's Work*. Landlord shall cause to be performed the work substantially as shown on the fit plan prepared by Maugel Architects, attached hereto as Exhibit A-l, and the approved final construction plans and specifications (the "Landlord's Work"). The final construction plans for the Landlord's Work have not been prepared as of the date of this Lease, but shall emanate from and be consistent with the fit plan attached hereto as Exhibit A-l. The Allowance stated in Section 1.1 shall be utilized to pay for the Total Costs of Landlord's Work. Landlord shall provide, initially, $150,000.00 (the "Initial Allowance") toward the Total Costs of the Landlord's Work and any Additional Costs. All Total Costs of Landlord's Work in excess of the Initial Allowance shall be paid by Tenant as set forth below. Any unused portion of the Allowance may be utilized for Tenant's Additional Costs, which shall mean telephone and data wiring costs, additional renovation costs, moving costs, electric power distribution costs, and other out-of-pocket expenses of Tenant to prepare the Premises for occupancy (but none of Tenant's Additional Costs shall include costs of purchasing and installing Tenant's furniture and equipment). All Landlord's Work shall be done in a good and workmanlike manner employing good materials and so as to conform to all applicable building codes and laws. Tenant agrees that Landlord may make any changes in such work which may become reasonably necessary or advisable, other than, substantial changes, without approval of Tenant, provided written notice is promptly given to Tenant; and Landlord may make substantial changes in such work, with the written approval of Tenant, which shall not be unreasonably withheld or delayed. Landlord shall use diligence to cause Landlord's Work to be substantially completed by the Delivery Date, subject to the provisions of Section 10.5 hereof, and any delays caused by (i) the action or inaction of Tenant, and/or (ii) any long lead-time items. Landlord agrees that Tenant may make changes in such work with the approval of Landlord and the execution by Landlord and Tenant of a Work Change Order, in the form attached hereto as Exhibit B. In addition to Landlord's Work, Landlord shall, at its sole cost and expense, cause all capital, structural and mechanical elements of the Premises to be in working order and in proper serviceable condition on the Commencement Date.

Tenant acknowledges that Landlord's application of the Initial Allowance towards the Total Costs of Landlord's Work is conditioned upon Tenant raising $15,000,000.00 of new capital financing on or before the Commencement Date. As of the date of this Lease, Tenant has not raised the total amount of such financing. As such, Landlord shall only apply $10,000.00 of the Initial Allowance for each $1,000,000.00 of capital financing that Tenant proves, by evidence reasonably acceptable to Landlord, has been funded. As Tenant receives additional financing, whether prior to, on, or after the Commencement Date, and delivers reasonable evidence of the same to Landlord, Landlord shall release such additional sums of the Initial Allowance up to the full amount of the Initial Allowance and in accordance with the ratio set forth in the preceding sentence. If by the Commencement Date, the Initial Allowance has not been fully applied towards Landlord's Work due to Tenant's inability to obtain the entire $15,000,000.00 of financing, then the difference between the original amount of the Initial Allowance and the actual funds disbursed and applied by Landlord as aforesaid shall be deemed Excess Amounts to be paid by Tenant as set forth in the next paragraph below.

Tenant shall pay directly to Landlord the amount by which the Total Costs of the Landlord's Work exceeds the Initial Allowance (such amount being referred to as the "Excess Amount"), as hereinafter set forth: (a) 50% of the estimated Excess Amount shall be paid upon Tenant's receipt of Landlord's submission of a bill for the estimated Excess Amount; (b) 40% of the anticipated Excess Amount shall be paid upon the Commencement Date; and (c) the remaining balance shall be paid within twenty days following Landlord's submission of a final bill to Tenant. The "Total Costs" of the Landlord's Work shall mean all hard construction costs, all architectural and engineering fees, and a construction management fee to Nordblom Management Company, Inc. equal to 4% of the hard construction costs.

3.2 *Late Delivery*. In the event that Landlord's Work is not substantially complete by the date (the "Outside Date") that is 90 days following (a) Tenant's final approval of the construction plans and (b) the issuance of a building permit by the Town of Burlington for the Landlord's Work, for any reason other than a delay caused by the action or inaction of Tenant or long lead-time items, and/or an event described in Section 10.5, then the Fixed Rent first coming due as of the Rent Commencement Date shall be abated by one day for each day of delay during the period beginning on the Outside Date and ending on the day the Landlord's Work is in fact substantially complete.

3.3 *Supplemental Allowance*. On the condition that, on October 31, 2013, Tenant is not then in default under this Lease and has not previously been in default of its obligations beyond the expiration of all applicable notice and cure periods under this Lease, then Landlord shall pay to Tenant $150,000.00 (the "Supplemental Allowance") to reimburse Tenant for the Excess Amount paid to Landlord and for any other Total Costs or Additional Costs incurred by Tenant over and above the Initial Allowance pursuant to Section 3.1 above.

3.4 *Acceptance of the Premises*. Tenant or its representatives may, at reasonable times, enter upon the Premises during the progress of the work to inspect the progress thereof and to determine if the work is being performed in accordance with the requirements of Section 3.1. Tenant shall promptly give to Landlord notices of any alleged failure by Landlord to comply with those requirements. Landlord's Work shall be deemed approved by Tenant when Tenant occupies the Premises for the conduct of its business, except for items of Landlord's Work which are uncompleted or do not conform to Exhibit C and as to which Tenant shall, in either case, have given written notice to Landlord prior to such occupancy. A certificate of completion by a licensed architect or registered engineer shall be conclusive evidence that Landlord's Work has been completed except for items stated in such certificate to be incomplete or not in conformity with Exhibit C.

3.5 *Pre-Commencement Entry*. With Landlord's prior consent, Tenant shall have the right to enter the Premises at any time prior to the Commencement Date, during normal business hours and subject to all the terms and conditions of this Lease, except the payment of Fixed Rent, for the sole purpose of installing Tenant's telephone and telecommunications system and equipment, furniture and equipment, and other work related to preparing the Premises for Tenant's use and to engaging in the transition of Tenant's operations to the Premises (but not for the purpose of actually conducting Tenant's business in the Premises), such as calibrating, validating and operating Tenant's merchandising equipment. Tenant's right to perform such work prior to the Commencement Date is conditioned on there being no interference with the performance of Landlord's Work. All Tenant's work shall be performed in compliance with applicable laws and building codes and Section 6.2.5 of this Lease. Prior to accessing the Premises, Tenant shall deliver to Landlord the insurance certificates required under Section 4.4 below.

ARTICLE 4
Rent

4.1 *The Fixed Rent*. Commencing on the Rent Commencement Date, Tenant covenants and agrees to pay rent to Landlord by electronic funds transfer (or by such other method, as set forth below, or at such other place or to such other person or entity as Landlord may by notice in writing to Tenant from time to time direct), at the Annual Fixed Rent Rate, in equal installments at the Monthly Fixed Rent Rate (which is 1/12th of the Annual Fixed Rent Rate), in advance, without notice or demand, and without setoff, abatement, suspension, deferment, reduction or deduction, except as otherwise expressly provided herein, on the first day of each calendar month from and after the Rent Commencement Date; and for any portion of any calendar month following the Rent Commencement Date, at the rate for the first year of the Term, pro-rated for the number of days in such calendar month and payable in advance. It is the intention of the parties hereto that the

obligations of Tenant hereunder shall be separate and independent covenants and agreements, that the Annual Fixed Rent, the Additional Rent and all other sums payable by Tenant to Landlord shall continue to be payable in all events and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease.

If Landlord shall give notice to Tenant that all rent and/or other payments due hereunder are to be made to Landlord by check, or by other commercially reasonable means, Tenant shall make all such payments as shall be due after receipt of said notice by means of said electronic funds transfers (or such similar means as designated by Landlord, with such payments to be made to such address and to such person or entity as is specified by Landlord).

4.2 *Additional Rent*. Tenant covenants and agrees to pay, as Additional Rent, insurance costs, utility charges, personal property taxes and its pro rata share of taxes and operating costs with respect to the Premises as provided in this Section 4.2 as follows:

4.2.1 *Real Estate Taxes*. Tenant shall pay to Landlord, as additional rent, for each tax period partially or wholly included in the term, Tenant's Percentage of Taxes (as hereinafter defined). Tenant shall remit to Landlord, on the first day of each calendar month, estimated payments on account of Taxes, such monthly amounts to be sufficient to provide Landlord, by the time real estate tax payments are due and payable to any governmental authority responsible for collection of same, a sum equal to the Tenant's Percentage of Taxes, as reasonably estimated by Landlord from time to time on the basis of the most recent tax data available. The initial calculation of the monthly estimated payments shall be based upon the Initial Estimate of Tenant's Percentage of Taxes for the governmental authority's fiscal tax period applicable to the Building (the "Tax Year") and upon quarterly payments being due to the governmental authority on August 1, November 1, February 1 and May 1, and shall be made when the Commencement Date has been determined. If the total of such monthly remittances for any Tax Year is greater than the Tenant's Percentage of Taxes for such Tax Year, Landlord shall promptly pay to Tenant, or credit against the next accruing payments to be made by Tenant pursuant to this subsection 4.2.1, the difference; if the total of such remittances is less than the Tenant's Percentage of Taxes for such Tax Year, Tenant shall pay the difference to Landlord at least twenty (20) days prior to the date or dates within such Tax Year that any Taxes become due and payable to the governmental authority (but in any event no earlier than twenty (20) days following a written notice to Tenant, which notice shall set forth the manner of computation of Tenant's Percentage of Taxes).

If, after Tenant shall have made reimbursement to Landlord pursuant to this subsection 4.2.1, Landlord shall receive a refund of any portion of Taxes paid by Tenant with respect to any Tax Year during the term hereof as a result of an abatement of such Taxes by legal proceedings, settlement or otherwise (without either party having any obligation to undertake any such proceedings), Landlord shall promptly pay to Tenant, or credit against the next accruing payments to be made by Tenant pursuant to this subsection 4.2.1, the Tenant's Percentage of the refund (less the proportional, pro rata expenses, including attorneys' fees and appraisers' fees, incurred in connection with obtaining any such refund), as relates to Taxes paid by Tenant to Landlord with respect to any Tax Year for which such refund is obtained.

In the event this Lease shall commence, or shall end (by reason of expiration of the term or earlier termination pursuant to the provisions hereof), on any date other than the first or last day of the Tax Year, or should the Tax Year or period of assessment of real estate taxes be changed or be more or less than one (1) year, as the case may be, then the amount of Taxes which may be payable by Tenant as provided in this subsection 4.2.1 shall be appropriately apportioned and adjusted.

The term "Taxes" shall mean all taxes, assessments, betterments and other charges and impositions (including, but not limited to, fire protection service fees and similar charges) levied, assessed or imposed at any time during the term by any governmental authority upon or against the Property, or taxes in lieu thereof, and additional types of taxes to supplement real estate taxes due to legal limits imposed thereon. If, at any time during the term of this Lease, any tax or excise on rents or other taxes, however described, are levied or assessed against Landlord with respect to the rent reserved hereunder, either wholly or partially in substitution for, or in addition to, real estate taxes assessed or levied on the Property, such tax or excise on rents shall be included in Taxes; however, Taxes shall not include franchise, estate, inheritance, succession, capital levy, transfer, income or excess profits taxes assessed on Landlord. Taxes shall include any estimated payment made by Landlord on account of a fiscal tax period for which the actual and final amount of taxes for such period has not been determined by the governmental authority as of the date of any such estimated payment.

4.2.2 *Personal Property Taxes*. Tenant shall pay all taxes charged, assessed or imposed upon the personal property of Tenant in or upon the Premises.

4.2.3 *Operating Costs*. Tenant shall pay to Landlord the Tenant's Percentage of Operating Costs (as hereinafter defined) incurred by Landlord in any calendar year. Tenant shall remit to Landlord, on the first day of each calendar month, estimated payments on account of Operating Costs, such monthly amounts to be sufficient to provide Landlord, by the end of the calendar year, a sum equal to the Operating Costs, as reasonably estimated by Landlord from time to time. The initial

monthly estimated payments shall be in an amount equal to 1/12th of the Initial Estimate of Tenant's Percentage of Operating Costs for the calendar year. If, at the expiration of the year in respect of which monthly installments of Operating Costs shall have been made as aforesaid, the total of such monthly remittances is greater than the actual Operating Costs for such year, Landlord shall promptly pay to Tenant, or credit against the next accruing payments to be made by Tenant pursuant to this subsection 4.2.3, the difference; if the total of such remittances is less than the Operating Costs for such year, Tenant shall pay the difference to Landlord within thirty (30) days from the date Landlord shall furnish to Tenant an itemized statement of the Operating Costs, prepared, allocated and computed in accordance with generally accepted accounting principles. Any reimbursement for Operating Costs due and payable by Tenant with respect to periods of less than twelve (12) months shall be equitably prorated.

Within sixty (60) days from Tenant's receipt of the itemized statement from Landlord detailing the Operating Costs for the prior year, and upon at least thirty (30) days prior written notice from Tenant, Landlord shall make available to Tenant at Landlord's address for review or audit by Tenant during business hours, all of Landlord's books, records and documents relating to Operating Costs for the prior calendar year. In addition, upon written request of Tenant, Landlord shall furnish to Tenant a copy of the applicable bill(s) showing Taxes for the prior fiscal year. If Landlord and Tenant determine that the results of the audit show that the Operating Costs for the prior year is less than reported, then Landlord shall give Tenant a credit in the amount of the overpayment toward Tenant's next monthly payment of Operating Costs. If Landlord and Tenant determine that the results of the audit show that the Operating Costs for the prior year are more than reported, the Tenant shall pay to the Landlord the amount of the underpayment within thirty (30) days.

The term "Operating Costs" shall mean all costs and expenses incurred for the operation, cleaning, maintenance, repair and upkeep of the Property, and the portion of such costs and expenses with regard to the common areas, facilities and amenities of the Park which is equitably allocable to the Property, including, without limitation, all costs of maintaining and repairing the Property and the Park (including snow removal, landscaping and grounds maintenance, operation and maintenance of parking lots, sidewalks, walking paths, access roads and driveways, security, operation and repair of heating and air-conditioning equipment, elevators, lighting and any other Building equipment or systems) and of all repairs and replacements (other than repairs or replacements for which Landlord has received full reimbursement from contractors, other tenants of the Building or from others) necessary to keep the Property and the Park in good working order, repair, appearance and condition; all costs, including material and equipment costs, for window cleaning of the Building); all costs of any reasonable insurance carried by Landlord relating to the Property; all costs related to provision of heat (including oil, electric, steam and/or gas), air-conditioning, and water (including sewer charges) and other utilities to the Building and Property that are not separately metered to Tenant; payments under all service contracts relating to the foregoing; all compensation, fringe benefits, payroll taxes and workmen's compensation insurance premiums related thereto with respect to any employees of Landlord or its affiliates engaged in security and maintenance of the Property and the Park; attorneys' fees and disbursements (exclusive of any such fees and disbursements incurred in tax abatement proceedings or the preparation of leases) and auditing and other professional fees and expenses; and a management fee consistent with that charged by other landlords providing similar services in comparable buildings in the vicinity of the Building.

There shall not be included in such Operating Costs:

1. brokerage fees (including rental fees) related to the operation of the Building;

2. interest and depreciation charges incurred on the Property;

3. expenditures made by Tenant with respect to (i) cleaning, maintenance and upkeep of the Premises, and (ii) the provision of electricity to the Property;

4. any ground lease rental;

5. except as expressly provided for herein, any capital expenditure;

6. the costs of repairs or other work necessitated by fire or other casualty, to the extent financed from insurance proceeds;

7. depreciation and interest payments, except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation and interest payments would otherwise have been included in the charge for such third party's services;

8. expenses in connection with services or other benefits which are not offered to Tenant but which are provided to another tenant or occupant of the Park or for which Tenant is charged directly;

9. costs incurred by Landlord due to a breach by Landlord of the terms and conditions of this Lease, but only to the extent such costs do not arise from or are attributable to the acts or omissions of Tenant;

10. overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in the Building to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

11. any compensation paid to clerks, attendants, or other persons in commercial concessions operated by Landlord or in the parking facilities of the Property or wherever Tenant is granted its parking privileges and/or fees paid to any parking facility operator (on or off the Property);

12. advertising and promotional expenditures, and costs of installing signs in or on the Building or the Property identifying the owner of the Building or other tenants' signs;

13. Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments and/or file any tax or informational returns when due;

14. costs or expenses related to the removal, abatement or remediation of hazardous material in or about the Building and/or Property which is existing as of the date hereof, to the extent said costs or expenses are not attributable to or arise from the acts or omissions of Tenant or Tenant's agents, employees, invitees, servants or contractors;

15. Landlord's charitable or political contributions;

16. costs (including in connection therewith all attorney's fees and costs of settlement judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with or actual claims litigation or arbitrations pertaining to Landlord and/or the Property;

17. Landlord's entertainment, dining or travel expenses;

18. any gift (e.g. flowers, balloons) provided by Landlord to any entity whatsoever (including but not limited to tenants, vendors, contractors, prospective tenants and agents).

19. any "validated" parking for any entity;

20. salaries and bonuses of officers, executives and administrative employees above the grade of property manager.

If, during the term of this Lease, Landlord shall replace any capital items or make any capital expenditures which are (a) required to comply with laws in effect after the Commencement Date, or (b) are intended to reduce Operating Costs, or (c) are required to replace worn-out items as may be necessary to maintain the Building in good working order, repair and appearance and in a first class condition (the items in (a), (b) and (c) above collectively called "capital expenditures") the total amount of which is not properly included in Operating Costs for the calendar year in which they were made, there shall nevertheless be included in Operating Costs for each calendar year in which and after such capital expenditure is made the annual charge-off of such capital expenditure. (Annual charge-off shall be determined by (i) dividing the original cost of the capital expenditure by the number of years of useful life thereof [The useful life shall be reasonably determined by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of acquisition of the capital item.]; and (ii) adding to such quotient an interest factor computed on the unamortized balance of such capital expenditure based upon an interest rate reasonably determined by Landlord as being the interest rate then being charged for long-term mortgages by institutional lenders on like properties within the locality in which the Building is located.) Provided, further, that if Landlord reasonably concludes on the basis of engineering estimates that a particular capital expenditure will effect savings in Operating Costs and that such annual projected savings will exceed the annual charge-off of capital expenditure computed as aforesaid, then and in such events, the annual charge-off shall be determined by dividing the amount of such capital expenditure by the number of years over which the projected amount of such savings shall fully amortize the cost of such capital item or the amount of such capital expenditure; and by adding the interest factor, as aforesaid.

If during any portion of any year for which Operating Costs are being computed, the Building was not fully occupied by tenants or if not all of such tenants were paying fixed rent or if Landlord was not supplying all tenants with the services, amenities or benefits being supplied hereunder, actual Operating Costs incurred shall be reasonably extrapolated by Landlord to the estimated Operating Costs that would have been incurred if the Building were fully occupied by tenants and all such tenants were then paying fixed rent or if such services were being supplied to all tenants, and such extrapolated amount shall, for the purposes of this Section 4.2.3, be deemed to be the Operating Costs for such year.

4.2.4 *Insurance*. Tenant shall, at its expense, as Additional Rent, take out and maintain throughout the term the following insurance protecting Landlord:

4.2.4.1 Commercial general liability insurance naming Landlord, Tenant, and Landlord's managing agent and any mortgagee of which Tenant has been given notice as insureds or additional insureds and indemnifying the parties so named against all claims and demands for death or any injury to person or damage to property which may be claimed to have occurred on the Premises (or the Property, insofar as used by customers, employees, servants or invitees of the Tenant), in amounts which shall, at the beginning of the term, be at least equal to the limits set forth in Section 1.1, and, which, from time to time during the term, shall be for such higher limits, if any, as are customarily carried in the area in which the Premises are located on property similar to the Premises and used for similar purposes; and workmen's compensation insurance with statutory limits covering all of Tenant's employees working on the Premises.

4.2.4.2 Special Risk property insurance with the usual extended coverage endorsements covering all Tenant's furniture, furnishings, fixtures and equipment.

4.2.4.3 All such policies shall be obtained from responsible companies qualified to do business and in good standing in Massachusetts, which companies and the amount of insurance allocated thereto shall be subject to Landlord's approval. Tenant agrees to furnish Landlord with certificates evidencing all such insurance prior to the beginning of the term hereof and evidencing renewal thereof at least thirty (30) days prior to the expiration of any such policy. Each such policy shall be non-cancelable with respect to the interest of Landlord without at least ten (10) days' prior written notice thereto. In the event provision for any such insurance is to be by a blanket insurance policy, the policy shall allocate a specific and sufficient amount of coverage to the Premises.

4.2.4.4 All insurance which is carried by either party with respect to the Building, Premises or to furniture, furnishings, fixtures, or equipment therein or alterations or improvements thereto, whether or not required, shall include provisions which either designate the other party as one of the insured or deny to the insurer acquisition by subrogation of rights of recovery against the other party to the extent such rights have been waived by the insured party prior to occurrence of loss or injury, insofar as, and to the extent that, such provisions may be effective without making it impossible to obtain insurance coverage from responsible companies qualified to do business in the state in which the Premises are located (even though extra premium may result therefrom). In the event that extra premium is payable by either party as a result of this provision, the other party shall reimburse the party paying such premium the amount of such extra premium. If at the request of one party, this non-subrogation provision is waived, then the obligation of reimbursement shall cease for such period of time as such waiver shall be effective, but nothing contained in this subsection shall derogate from or otherwise affect releases elsewhere herein contained of either party for claims. Each party shall be entitled to have certificates of any policies containing such provisions. Each party hereby waives all rights of recovery against the other for loss or injury against which the waiving party is protected by insurance containing said provisions, reserving, however, any rights with respect to any excess of loss or injury over the amount recovered by such insurance. Tenant shall not acquire as insured under any insurance carried on the Premises any right to participate in the adjustment of loss or to receive insurance proceeds and agrees upon request promptly to endorse and deliver to Landlord any checks or other instruments in payment of loss in which Tenant is named as payee.

4.2.5 *Utilities*. Tenant shall pay directly to the applicable utility provider all charges for electricity, and gas furnished or consumed on the Premises which are separately metered, and all charges for telephone and other utilities or services not supplied by Landlord pursuant to Subsections 5.1.1 and 5.1.3, whether designated as a charge, tax, assessment, fee or otherwise, all such charges to be paid as the same from time to time become due. Except as otherwise provided in Article 5, it is understood and agreed that Tenant shall make its own arrangements for the installation or provision of all such utilities and that Landlord shall be under no obligation to furnish any utilities to the Premises and shall not be liable for any interruption or failure in the supply of any such utilities to the Premises.

4.3 *Late Payment of Rent*. If any installment of rent is paid after the date the same was due, and if on a prior occasion in the twelve (12) month period prior to the date such installment was due an installment of rent was paid after the same was due, then Tenant shall pay Landlord a late payment fee equal to five (5%) percent of the overdue payment.

4.4 *Security Deposit; Letter of Credit*. A. Upon the execution of this Lease, Tenant shall deposit with Landlord the Security and Restoration Deposit. Said deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms of this Lease by said Tenant to be observed and performed. The Security and Restoration Deposit shall not be mortgaged, assigned, transferred or encumbered by Tenant without the written consent of Landlord and any such act on the part of Tenant shall be without force and effect and shall not be binding upon Landlord.

If the Fixed Rent or Additional Rent or any other sum payable hereunder shall be overdue and unpaid or should Landlord make payments on behalf of the Tenant, or Tenant shall fail to perform any of the terms of this Lease, then Landlord may, at its option and without prejudice to any other remedy which Landlord

may have on account thereof, appropriate and apply said entire deposit or so much thereof as may be necessary to compensate Landlord toward the payment of Fixed Rent, Additional Rent or other sums or loss or damage sustained by Landlord due to such breach on the part of Tenant; and Tenant shall forthwith upon demand restore said security to the original sum deposited. Should Tenant comply with all of said terms and promptly pay all of the rentals as they fall due and all other sums payable by Tenant to Landlord, said deposit shall be returned in full to Tenant at the end of the term.

In the event of bankruptcy or other creditor-debtor proceedings against Tenant, all securities shall be deemed to be applied first to the payment of rent and other charges due Landlord for all periods prior to the filing of such proceedings.

B. Tenant shall be obligated to inform Landlord if, at any time, Tenant's cash position falls below $10,000,000.00, and shall deliver to Landlord, within fifteen (15) business days after the end of each quarter of Tenant's fiscal year, an unaudited financial statement certified as true by Tenant's Chief Financial Officer. At such time that Tenant's cash position falls below $10,000,000.00, Landlord shall have the right to withdraw the total amount of the Security and Restoration Deposit and hold the proceeds until such time that Tenant delivers to Landlord a letter of credit to secure the performance of Tenant's obligations under this Lease throughout the Term, in accordance with and subject to the following terms and conditions:

4.4.1 *Amount of Letter of Credit*. Within ten days following Landlord's written notice requiring delivery of a letter of credit, Tenant shall deliver to Landlord an irrevocable standby letter of credit (the "Original Letter of Credit") which shall be (i) in the form of Exhibit C attached to this Lease (the "Form LC"), (ii) issued by a bank reasonably satisfactory to Landlord upon which presentment may be made in Boston, Massachusetts, (iii) in the amount of $250,000.00 (the "Letter of Credit Amount") equal to the Letter of Credit Amount, and (iv) for a term of at least 1 year, subject to the provisions of Section 4.4.2 below. The Original Letter of Credit, any Additional Letters(s) of Credit and Substitute Letter(s) of Credit are referred to herein as the "Letter of Credit." Upon receipt of a satisfactory Letter of Credit, Landlord shall refund the proceeds of the Security and Restoration Deposit Landlord is then holding.

4.4.2 *Reduction in Security*. A. At any time after October 31, 2013, Tenant may reduce the Security and Restoration Deposit or the Letter of Credit Amount, as applicable, to $125,000.00, on the condition that (i) Tenant has had two consecutive profitable quarters for the current fiscal year of Tenant, (ii) Tenant provides Landlord with an unaudited statement reporting such profitability, certified as true by Tenant's Chief Financial Officer, and (iii) Tenant is not then in default under this Lease and has not previously been in default of its obligations beyond the expiration of all applicable notice and cure periods under this Lease.

B. In lieu of effecting the reduction of subparagraph A above, Tenant may reduce the Security and Restoration Deposit or the Letter of Credit Amount, as applicable, to $200,000.00, at any time after October 31, 2013, and may further reduce the Letter of Credit amount to $150,000, at any time after October 31, 2014, in both cases on the condition that at the time of the applicable reduction, (i) Tenant delivers to Landlord satisfactory evidence that Tenant has sufficient cash in its accounts to fund all of its operations through the expiration of the Term and (ii) Tenant is not in default at the time of the reduction and has not previously been in default of its obligations beyond the expiration of all applicable notice and cure periods under this Lease. In no event shall the amount of the security (whether in the form of a cash Security and Restoration Deposit or a Letter of Credit) be reduced below $150,000.00 pursuant to this subparagraph B.

4.4.3 *Renewal of Letter of Credit*. The Letter of Credit shall be automatically renewable in accordance with the second to last paragraph of the Form LC; provided however, that Tenant shall be required to deliver to Landlord a new letter of credit (a "Substitute Letter of Credit") satisfying the requirements for the Original Letter of Credit under Section 4.4.1 on or before the date 30 days prior to the expiration of the term of the Letter of Credit then in effect, if the issuer of such Letter of Credit gives notice of its election not to renew such Letter of Credit for any additional period pursuant thereto. Should any Letter of Credit contain a final expiration date, in addition to a current expiration date, such final expiration date shall be no earlier than 45 days following the Expiration Date of this Lease.

4.4.4 *Draws to Cure Defaults*. If the Fixed Rent, Additional Rent or any other sum payable to Landlord hereunder shall be overdue and unpaid or should Landlord make payments on behalf of the Tenant, or Tenant shall fail to perform any of the terms of this Lease in all cases beyond the expiration of all applicable notice and cure periods, then Landlord shall have the right, at any time thereafter to draw down from the Letter of Credit the amount necessary to cure such default. In the event of any such draw by the Landlord, Tenant shall, within 30 days of written demand therefor, either (i) deliver to Landlord an additional Letter of Credit ("Additional Letter of Credit") satisfying the requirements for the Original Letter of Credit, except that the amount of such Additional Letter of Credit shall be the amount of such draw, or (ii) provide evidence reasonably satisfactory to Landlord that the Original Letter of Credit has been replenished to the Letter of Credit Amount.

4.4.5 *Draws to Cure Damages*. In addition, if (i) this Lease shall have been terminated as a result of Tenant's default under this Lease beyond the expiration of the applicable cure period, and/or (ii)

this Lease shall have been rejected in a bankruptcy or other creditor-debtor proceeding, then Landlord shall have the right at any time thereafter to draw down from the Letter of Credit an amount sufficient to pay any and all damages payable by Tenant on account of such termination or rejection, as the case may be, pursuant to Article 8 hereof. In the event of bankruptcy or other creditor-debtor proceeding against Tenant, all proceeds of the Letter of Credit shall be deemed to be applied first to the payment of rent and other charges due Landlord for all periods prior to the filing of such proceedings.

4.4.6 *Issuing Bank*. In the event the issuer of any Letter of Credit becomes insolvent or is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, or if a trustee, receiver or liquidator is appointed for the issuer, then, effective as of the date of such occurrence, the Letter of Credit shall be deemed to not meet the requirements of this Section 4.4 and Tenant shall, within ten (10) business days of written notice from Landlord, deliver to Landlord a Substitute Letter of Credit which otherwise meets the requirements of this Section, or, alternatively, Tenant shall, within such five-day period deliver cash to Landlord in the Letter of Credit Amount, which Landlord shall hold as "Security Proceeds" which shall be governed by subject to the provisions of Section 4.4.6 below.

4.4.7 *Draws for Failure to Deliver Substitute Letter of Credit*. If Tenant fails timely to deliver to Landlord a Substitute Letter of Credit, then Landlord shall have the right, at any time thereafter, without giving any notice to Tenant, to draw down the Letter of Credit and to hold the proceeds thereof ("Security Proceeds") in a bank account in the name of Landlord, which may be withdrawn and applied by Landlord under the same circumstances and for the same purposes as if the Security Proceeds were a Letter of Credit. Upon any such application of Security Proceeds by Landlord, Tenant shall, within 30 days of written demand therefor, deliver to Landlord an Additional Letter of Credit in the amount of Security Proceeds so applied.

4.4.8 *Transferability*. Landlord shall be entitled to transfer its beneficial interest under the Letter of Credit or any Security Proceeds in connection with (i) Landlord's sale or transfer of the Building, or (ii) the addition, deletion or modification of any beneficiaries under the Letter of Credit, and the Letter of Credit shall specifically state on its face that it is transferable by Landlord, its successors and assigns. Landlord shall pay all costs and fees charged to effect such transfer.

4.4.9 *Return of Letter of Credit at End of Term*. Within 45 days after the expiration of the term, to the extent Landlord has not previously drawn upon any Letter of Credit or Security Proceeds held by Landlord, Landlord shall return the same to Tenant provided that there is not at such time any continuing default of any of Tenant's obligations under this Lease.

ARTICLE 5
Landlord's Covenants

5.1 *Affirmative Covenants*. Landlord covenants with Tenant:

5.1.1 *Heat and Air-Conditioning*. To furnish to the Premises, separately metered and at the direct expense of Tenant as hereinabove provided, heat and air-conditioning (reserving the right, at any time, to change energy or heat sources) sufficient to maintain the Premises at comfortable temperatures (subject to all federal, state, and local regulations relating to the provision of heat), during such hours of the day and days of the year that the Building is normally open (it being understood that Tenant shall control such hours of heat and air-conditioning for the Premises).

5.1.2 *Electricity*. To furnish to the Premises, separately metered and at the direct expense of Tenant as hereinabove provided, reasonable electricity for Tenant's Permitted Uses. If Tenant shall require electricity in excess of reasonable quantities for Tenant's Permitted Uses and if (i) in Landlord's reasonable judgment, Landlord's facilities are inadequate for such excess requirements, or (ii) such excess use shall result in an additional burden on the Building utilities systems and additional cost to Landlord on account thereof, as the case may be, (a) Tenant shall, upon demand, reimburse Landlord for such additional cost, as aforesaid, or (b) Landlord, upon written request, and at the sole cost and expense of Tenant, will furnish and install such additional wire, conduits, feeders, switchboards and appurtenances as reasonably may be required to supply such additional requirements of Tenant (if electricity therefor is then available to Landlord), provided that the same shall be permitted by applicable laws and insurance regulations and shall not cause permanent damage or injury to the Building or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or repairs.

5.1.3 *Water*. To furnish water for ordinary cleaning, lavatory and toilet facilities.

5.1.4 *Fire Alarm*. To maintain fire alarm systems within the Building.

5.1.5 *Repairs*. Except as otherwise expressly provided herein, to make such repairs and replacements to the roof, exterior walls, floor slabs and other structural components of the Building, and to the plumbing, electrical, heating, ventilating and air-conditioning systems of the Building as may be necessary to keep them in good repair and condition (exclusive of equipment installed by Tenant

and except for those repairs required to be made by Tenant pursuant to Section 6.1.3 hereof and repairs or replacements occasioned by any act or negligence of Tenant, its servants, agents, customers, contractors, employees, invitees, or licensees).

5.1.6 *Insurance*. To take out and maintain throughout the term all-risk casualty insurance in an amount equal to 100% of the replacement cost of the Building above foundation walls.

5.2 *Interruption*. Landlord shall be under no responsibility or liability for failure or interruption of any of the above-described services, repairs or replacements caused by breakage, accident, strikes, repairs, inability to obtain supplies, labor or materials, or for any other causes beyond the control of the Landlord, and in no event for any indirect or consequential damages to Tenant; and failure or omission on the part of the Landlord to furnish any of same for any of the reasons set forth in this paragraph shall not be construed as an eviction of Tenant, actual or constructive, nor entitle Tenant to an abatement of rent, nor render the Landlord liable in damages, nor release Tenant from prompt fulfillment of any of its covenants under this Lease. Notwithstanding the foregoing, if Landlord fails to provide any service that it is required to provide above so that Tenant's ability to conduct business at the Premises is materially adversely affected for a period of five (5) consecutive business days after written notice thereof from Tenant to Landlord, then, provided that such failure or Landlord's inability to cure such condition is not (i) due to a cause beyond Landlord's reasonable control and/or (ii) generally affecting other buildings in the vicinity of the Premises (such as a neighborhood power outage or a water main break) or a fire or other casualty or taking (which shall be governed by Article 7 below) or the fault or negligence of Tenant or any of its agents, employees or contractors, the Fixed Rent and Additional Rent shall be equitably abated based upon the impact thereof on Tenant's ability to conduct business in the Premises until the earlier of (a) the date such service(s) is restored to their level prior to the interruption or (b) the date Tenant commences to cure, pursuant to Section 10.6, a failure by Landlord to provide a service that is materially essential to Tenant's business operations.

5.3 *Outside Services*. In the event Tenant wishes to provide outside services for the Premises over and above those services to be provided by Landlord as set forth herein, Tenant shall first obtain the prior written approval of Landlord for the installation and/or utilization of such services ("Outside services" shall include, but shall not be limited to, cleaning services, television, so-called "canned music" services, security services, catering services and the like.) In the event Landlord approves the installation and/or utilization of such services, such installation and utilization shall be at Tenant's sole cost, risk and expense.

5.4 *Access*. Tenant shall have access to the Premises 24 hours/day, 7 days/week.

ARTICLE 6
Tenant's Additional Covenants

6.1 *Affirmative Covenants*. Tenant covenants at all times during the term and for such further time (prior or subsequent thereto) as Tenant occupies the Premises or any part thereof:

6.1.1 *Perform Obligations*. To perform promptly all of the obligations of Tenant set forth in this Lease; and to pay when due the Fixed Rent and Additional Rent and all charges, rates and other sums which by the terms of this Lease are to be paid by Tenant.

6.1.2 *Use*. To use the Premises only for the Permitted Uses, and from time to time to procure all licenses and permits necessary therefor, at Tenant's sole expense. With respect to any licenses or permits for which Tenant may apply, pursuant to this subsection 6.1.2 or any other provision hereof, Tenant shall furnish Landlord copies of applications therefor on or before their submission to the governmental authority.

6.1.3 *Repair and Maintenance*. To maintain the Premises in neat order and condition, to contract for cleaning services for the Premises consistent with prevailing cleaning standards for similar properties in the area, and to perform all routine and ordinary repairs to the Premises and to any plumbing, heating, electrical, ventilating and air-conditioning systems located within the Premises and installed by Tenant such as are necessary to keep them in good working order, appearance and condition, as the case may require, reasonable use and wear thereof and damage by fire or by unavoidable casualty only excepted; to keep all glass in windows and doors of the Premises (except glass in the exterior walls of the Building) whole and in good condition with glass of the same quality as that injured or broken; and to make as and when needed as a result of misuse by, or neglect or improper conduct of Tenant or Tenant's servants, employees, agents, invitees or licensees or otherwise, all repairs necessary, which repairs and replacements shall be in quality and class equal to the original work. (Landlord, upon default of Tenant hereunder and upon prior notice to Tenant, may elect, at the expense of Tenant, to perform all such cleaning and maintenance and to make any such repairs or to repair any damage or injury to the Building or the Premises caused by moving property of Tenant in or out of the Building, or by installation or removal of furniture or other property, or by misuse by, or neglect, or improper conduct of, Tenant or Tenant's servants, employees, agents, contractors, customers, patrons, invitees, or licensees.)

6.1.4 *Compliance with Law*. From and after the Commencement Date, to make all repairs, alterations, additions or replacements to the Premises required by any law or ordinance or any order or

regulation of any public authority (to the extent the same are required on account of Tenant's specific use of the Premises and/or any work performed by or on account of Tenant whether before or after the Commencement Date); to keep the Premises equipped with all safety appliances so required; and to comply with the orders and regulations of all governmental authorities with respect to zoning, building, fire, health and other codes, regulations, ordinances or laws applicable to the Premises, except that Tenant may defer compliance so long as the validity of any such law, ordinance, order or regulations shall be contested by Tenant in good faith and by appropriate legal proceedings, if Tenant first gives Landlord appropriate assurance or security against any loss, cost or expense on account thereof.

6.1.5 *Indemnification*. To save harmless, exonerate and indemnify Landlord, its agents (including, without limitation, Landlord's managing agent) and employees (such agents and employees being referred to collectively as the "Landlord Related Parties") from and against any and all claims, liabilities or penalties asserted by or on behalf of any person, firm, corporation or public authority on account of injury, death, damage or loss to person or property in or upon the Premises and the Property arising out of the use or occupancy of the Premises, including Tenant's use of the roof of the Building, by Tenant or by any person claiming by, through or under Tenant (including, without limitation, all patrons, employees and customers of Tenant), or arising out of any delivery to or service supplied to the Premises, or on account of or based upon anything whatsoever done on the Premises, except if the same was caused by the gross negligence, fault or misconduct of Landlord or the Landlord Related Parties. In respect of all of the foregoing, Tenant shall indemnify Landlord and the Landlord Related Parties from and against all costs, expenses (including reasonable attorneys' fees), and liabilities incurred in or in connection with any such claim, action or proceeding brought thereon; and, in case of any action or proceeding brought against Landlord or the Landlord Related Parties by reason of any such claim, Tenant, upon notice from Landlord and at Tenant's expense, shall resist or defend such action or proceeding and employ counsel therefor reasonably satisfactory to Landlord.

6.1.6 *Landlord's Right to Enter*. To permit Landlord and its agents to enter into and examine the Premises at reasonable times and, except in the case of emergency (where no notice is required) upon at least 24 hours' prior notice (which may be oral notice) and to show the Premises, and to make repairs to the Premises, and, during the last six (6) months prior to the expiration of this Lease, to keep affixed in suitable places notices of availability of the Premises.

6.1.7 *Personal Property at Tenant's Risk*. All of the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and of all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Premises, shall be at the sole risk and hazard of Tenant and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or to be borne by Landlord, except that Landlord shall in no event be indemnified or held harmless or exonerated from any liability to Tenant or to any other person, for any injury, loss, damage or liability to the extent prohibited by law.

6.1.8 *Payment of Landlord's Cost of Enforcement*. To pay on demand Landlord's expenses, including reasonable attorneys' fees, incurred in enforcing any obligation of Tenant under this Lease or in curing any default by Tenant under this Lease as provided in Section 8.4.

6.1.9 *Yield Up*. At the expiration of the term or earlier termination of this Lease: to surrender all keys to the Premises; to remove all of its trade fixtures and personal property in the Premises; to deliver to Landlord stamped architectural plans showing the Premises at yield up (which may be the initial plans if Tenant has made no installations after the Commencement Date); to remove such installations made by it as Landlord may request (including computer and telecommunications wiring and cabling, it being understood that if Tenant leaves such wiring and cabling in a useable condition, Landlord, although having the right to request removal thereof, is less likely to so request) and all Tenant's signs wherever located; to repair all damage caused by such removal and to yield up the Premises (including all installations and improvements made by Tenant except for trade fixtures and such of said installations or improvements as Landlord shall request Tenant to remove), broom-clean and in the same good order and repair in which Tenant is obliged to keep and maintain the Premises by the provisions of this Lease. Tenant, at the time of making any installations, may request in writing Landlord's permission to leave such installation in the Premises at the expiration or earlier termination of this Lease. If Landlord grants permission, then, notwithstanding the foregoing provisions of this subsection 6.1.9, Landlord may not later request removal of such installation at the end of the term. Notwithstanding the foregoing, Landlord shall not require Tenant to remove any of the alterations depicted on Exhibit A-1 attached hereto; provided, however, that notwithstanding anything to the contrary contained herein, Landlord may elect on or before the expiration or earlier termination of this Lease to require Tenant to remove the so-called SLS, Breakout and Receiving areas (including but not limited to removal of dedicated air-conditioning systems and restoring the affected area to typical, open R&D space including connection to the Building's HVAC system) as highlighted in yellowon Exhibit A-1. Any property not so removed shall be deemed abandoned and, if Landlord so elects, deemed to be Landlord's property, and may be retained or removed and disposed of by Landlord in such manner as Landlord shall determine and Tenant shall pay Landlord the entire cost and expense incurred by

it in effecting such removal and disposition and in making any incidental repairs and replacements to the Premises and for use and occupancy during the period after the expiration of the term and prior to its performance of its obligations under this subsection 6.1.9. Tenant shall further indemnify Landlord against all loss, cost and damage resulting from Tenant's failure and delay in surrendering the Premises as above provided.

If the Tenant remains in the Premises beyond the expiration or earlier termination of this Lease, such holding over shall be without right and shall not be deemed to create any tenancy, but the Tenant shall be a tenant at sufferance only at a daily rate of rent equal to two (2) times the rent and other charges in effect under this Lease as of the day prior to the date of expiration of this Lease.

6.1.10 *Rules and Regulations*. To comply with the Rules and Regulations set forth in Exhibit D, and with all reasonable Rules and Regulations of general applicability to all tenants of the Park hereafter made by Landlord, of which Tenant has been given notice; Landlord shall not be liable to Tenant for the failure of other tenants of the Park to conform to such Rules and Regulations.

6.1.11 *Estoppel Certificate*. Upon not less than fifteen (15) days' prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing, which may be in the form attached hereto as Exhibit E or in another form reasonably similar thereto, or such other form as Landlord may provide from time to time, certifying all or any of the following: (i) that this Lease is unmodified and in full force and effect, (ii) whether the term has commenced and Fixed Rent and Additional Rent have become payable hereunder and, if so, the dates to which they have been paid, (iii) whether or not Landlord is in default in performance of any of the terms of this Lease, (iv) whether Tenant has accepted possession of the Premises, (v) whether Tenant has made any claim against Landlord under this Lease and, if so, the nature thereof and the dollar amount, if any, of such claim, (vi) whether to Tenant's knowledge there exist any offsets or defenses against enforcement of any of the terms of this Lease upon the part of Tenant to be performed, and (vii) such further information with respect to the Lease or the Premises as Landlord may reasonably request. Any such statement delivered pursuant to this subsection 6.1.11 may be relied upon by any prospective purchaser or mortgagee of the Premises, or any prospective assignee of such mortgage. Landlord hereby agrees to provide Tenant with an estoppel certificate signed by Landlord, containing the same type of information, and within the same time period, as set forth above, with such changes as are reasonably necessary to reflect that the estoppel certificate is being granted and signed by Landlord to Tenant, rather than by Tenant to Landlord or a lender. Tenant shall also deliver to Landlord such financial information as may be reasonably required by Landlord to be provided to any mortgagee or prospective purchaser of the Premises, provided such party first executes a reasonable confidentiality agreement with Tenant.

6.1.12 *Landlord's Expenses Re Consents*. To reimburse Landlord promptly on demand for all reasonable legal expenses incurred by Landlord in connection with all requests by Tenant for consent or approval hereunder.

6.2 *Negative Covenants*. Tenant covenants at all times during the term and such further time (prior or subsequent thereto) as Tenant occupies the Premises or any part thereof:

6.2.1 *Assignment and Subletting*. Not to assign, transfer, mortgage or pledge this Lease or to sublease (which term shall be deemed to include the granting of concessions and licenses and the like) all or any part of the Premises or suffer or permit this Lease or the leasehold estate hereby created or any other rights arising under this Lease to be assigned, transferred or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law, or permit the occupancy of the Premises by anyone other than Tenant without the prior written consent of Landlord. In the event Tenant desires to assign this Lease or sublet any portion or all of the Premises, Tenant shall notify Landlord in writing of Tenant's intent to so assign this Lease or sublet the Premises and the proposed effective date of such subletting or assignment, and shall request in such notification that Landlord consent thereto. Landlord may terminate this Lease in the case of a proposed assignment, or suspend this Lease pro tanto for the period and with respect to the space involved in the case of a proposed subletting, by giving written notice of termination or suspension to Tenant, with such termination or suspension to be effective as of the effective date of such assignment or subletting. If Landlord does not so terminate or suspend, Landlord's consent shall not be unreasonably withheld to an assignment or to a subletting, provided that the following conditions are met:

(i) the assignee or subtenant shall use the Premises only for the Permitted Uses;

(ii) the proposed assignee or subtenant has a net worth and creditworthiness reasonably acceptable to Landlord (it being understood such condition shall not be imposed unless Tenant's net worth at the time Tenant requests such consent is less than Tenant's net worth as of the date hereof);

(iii) the amount of the aggregate rent to be paid by the proposed subtenant is not less than the then current sublease market rate for the Premises; and

(iv) the proposed assignee or subtenant is not then a tenant in the Building or the Park, or an entity with which Landlord is dealing or has dealt within the preceding six months regarding the possibility of leasing space in the Building or the Park.

Tenant shall furnish Landlord with any information reasonably requested by Landlord to enable Landlord to determine whether the proposed assignment or subletting complies with the foregoing requirements, including without limitation, financial statements relating to the proposed assignee or subtenant.

Tenant shall, as Additional Rent, reimburse Landlord promptly for Landlord's reasonable legal expenses incurred in connection with any request by Tenant for such consent. If Landlord consents thereto, no such subletting or assignment shall in any way impair the continuing primary liability of Tenant hereunder, and no consent to any subletting or assignment in a particular instance shall be deemed to be a waiver of the obligation to obtain the Landlord's written approval in the case of any other subletting or assignment.

If for any assignment or sublease consented to by Landlord hereunder Tenant receives rent or other consideration, either initially or over the term of the assignment or sublease, in excess of the rent called for hereunder, or in case of sublease of part, in excess of such rent fairly allocable to the part, after appropriate adjustments to assure that all other payments called for hereunder are appropriately taken into account and after deduction for reasonable marketing expenses of Tenant in connection with the assignment or sublease (including broker's commissions, allowances and costs of tenant improvements), to pay to Landlord as additional rent fifty (50%) percent of the excess of each such payment of rent or other consideration received by Tenant promptly after its receipt.

Whenever Tenant lists with a broker or brokers or otherwise advertises, holds out or markets the Premises or any part thereof for sublease or assignment, Tenant shall give Nordblom Company, as brokers, a non-exclusive listing with respect to such sublease or assignment.

If at any time during the term of this Lease, there is a name change, reformation or reorganization of the Tenant entity, Tenant shall so notify Landlord and deliver evidence reasonably satisfactory to Landlord documenting such name change, reformation or reorganization. If, at any time during the term of this Lease, there is a transfer of a controlling interest in the stock, membership or general partnership interests of Tenant, Tenant shall so notify Landlord and (whether or not Tenant so notifies Landlord) such transfer shall be deemed an assignment subject to the terms of this Section 6.2.1.

Notwithstanding anything herein to the contrary, Landlord's prior consent shall not be required for, (i) transfers with an entity into or with which Tenant is merged or consolidated or (ii) transfers with an entity to which all of Tenant's stock or all or substantially all of Tenant's assets are transferred or (iii) transfers to any entity (a "Related Entity") which controls, is controlled by, or is under common control with Tenant, provided that in any of such events (A) such entity or successor to Tenant (specifically excluding a Related Entity) has a net worth computed in accordance with generally accepted accounting principles at least equal to the greater of (1) the net worth of Tenant on the date of this Lease and (2) the net worth of Tenant immediately prior to such merger, consolidation or transfer, (B) proof reasonably satisfactory to Landlord of such net worth shall have been delivered to Landlord within at least ten (10) days of the effective date of any such transaction (except in connection with a transfer to a Related Entity), (C) in the case of an assignment, the assignee agrees directly with Landlord, by written instrument in form reasonably satisfactory to Landlord, to perform all the obligations of Tenant; (D) in the case of a sublease, the sublessee agrees, in a written sublease instrument in form reasonably satisfactory to Landlord, to abide by all of the terms and covenants of this Lease and the sublessee occupies the Premises for the Permitted Uses and no other use; and (E) nothing shall impair the continuing primary liability of Tenant hereunder.

6.2.2 *Nuisance*. Not to injure, deface or otherwise harm the Premises; nor commit any nuisance; nor permit in the Premises any vending machine (except such as is used for the sale of merchandise to employees of Tenant) or inflammable fluids or chemicals (except such as are customarily used in connection with standard office equipment and light manufacturing); nor permit any cooking to such extent as requires special exhaust venting; nor permit the emission of any objectionable noise or odor; nor make, allow or suffer any waste; nor make any use of the Premises which is improper, offensive or contrary to any law or ordinance or which will invalidate any of Landlord's insurance; nor conduct any auction, fire, "going out of business" or bankruptcy sales.

6.2.3 *Hazardous Wastes and Materials*. Not to dispose of any hazardous wastes, hazardous materials or oil on the Premises or the Property, or into any of the plumbing, sewage, or drainage systems thereon, and to indemnify and save Landlord harmless from all claims, liability, loss or damage arising on account of the use or disposal of hazardous wastes, hazardous materials or oil, including, without limitation, liability under any federal, state, or local laws, requirements and regulations, or damage to any of the aforesaid systems. Tenant shall comply with all governmental reporting requirements with respect to hazardous wastes, hazardous materials and oil, and shall deliver to Landlord copies of all reports filed with governmental authorities.

6.2.4 *Floor Load; Heavy Equipment*. Not to place a load upon any floor of the Premises exceeding the floor load per square foot area which such floor was designed to carry and which is allowed by law. Landlord reserves the right to prescribe the weight and position of all heavy business machines and equipment, including safes, which shall be placed so as to distribute the weight. Business machines and mechanical equipment which cause vibration or noise shall be placed and maintained by Tenant at Tenant's expense in settings sufficient to absorb and prevent vibration, noise and annoyance.

6.2.5 *Installation, Alterations or Additions*. Not to make any installations, alterations or additions in, to or on the Premises nor to permit the making of any holes in the walls, partitions, ceilings or floors nor the installation or modification of any locks or security devices without on each occasion obtaining the prior written consent of Landlord, and then only pursuant to plans and specifications approved by Landlord in advance in each instance. All approvals of Landlord required hereunder shall not be unreasonably withheld in the case of non-structural interior alterations that do not impair the structural integrity of the Building, impact the Building systems, or involve penetration of the roof or exterior walls. Landlord shall respond to Tenant's request for approval within ten (10) business days of the same being made, and if Landlord denies such request it shall provide Tenant with a reason for such denial. Landlord shall be deemed to have approved any request submitted by Tenant, if (x) Landlord fails to respond within ten (10) business days after receiving a request for such approval, and (y) following such ten (10) business day period, Landlord fails to respond within an additional five (5) business days after receiving a second request containing a prominent reference in bold print, with reference to this particular section of the Lease, advising Landlord that failure to respond to such notice shall result in deemed approval of the matters subject to such notice. Tenant shall pay promptly when due the entire cost of any work to the Premises undertaken by Tenant so that the Premises shall at all times be free of liens for labor and materials, and at Landlord's request Tenant shall furnish to Landlord a bond or other security acceptable to Landlord assuring that any work commenced by Tenant will be completed in accordance with the plans and specifications theretofore approved by Landlord and assuring that the Premises will remain free of any mechanics' lien or other encumbrance arising out of such work. In any event, Tenant shall forthwith bond against or discharge any mechanics' liens or other encumbrances that may arise out of such work. Tenant shall procure all necessary licenses and permits at Tenant's sole expense before undertaking such work. All such work shall be done in a good and workmanlike manner employing materials of good quality and so as to conform with all applicable zoning, building, fire, health and other codes, regulations, ordinances and laws. Tenant shall save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by or growing out of such work.

Not to grant a security interest in, or to lease, any personal property or equipment being installed in the Premises, including, without limitation, demountable partitions (the "Collateral") without first obtaining an agreement for the benefit of Landlord in the form attached hereto as Exhibit F, from the secured party or lessor ("Secured Party") that stipulates in the event either the Lease is terminated or Tenant defaults in its obligations to Secured Party, then (i) Secured Party will remove the Collateral within ten (10) business days after notice from Landlord of the expiration or earlier termination of this Lease, or within ten (10) business days after Secured Party notifies Landlord that Secured Party has the right to remove the Collateral on account of Tenant's default in its obligations to Secured Party, (ii) Secured Party will restore the area affected by such removal, and (iii) that a failure to so remove the Collateral will subject such property to the provisions of subsection 6.1.9 of the Lease.

6.2.5.1 Emergency Generator. A. Without waiver of the provisions of the first paragraph of this Section 6.2.5, Tenant shall have the right, at its sole expense, to install, maintain, repair, replace and operate an emergency generator having a capacity no greater than what is then permitted by the applicable local building code (the generator is referred to as the "Generator") in a mutually acceptable location on the roof of the Building (the "Generator Area"), provided Tenant shall promptly repair any damage caused to the Building caused by reason of such installation and operation. Tenant shall not install the Generator in the Generator Area without Landlord's prior approval of the manner of and the plans and specifications for such installation and screening if reasonably required by Landlord. If such installation shall result in an increase in premiums for Landlord's insurance coverage for the Building, then Tenant shall be liable for the increase as Additional Rent hereunder. The installation, maintenance and operation of the Generator shall be at Tenant's sole cost and expense, and shall be performed in accordance with all applicable laws and requirements of applicable governmental authorities, and otherwise in accordance with the terms of this Lease.

B. Tenant agrees that upon the expiration or earlier termination of this Lease, Tenant shall, in accordance with subsection 6.1.9 hereof, remove the Generator, at Tenant's expense, and promptly repair and restore any damage to the Property or the Building due to such removal. If the Generator is not so removed by Tenant upon the expiration of the term of this Lease, then it shall become the property of Landlord and, if Landlord so elects, Landlord shall remove the same and charge Tenant for the cost of removal, including costs, if any, associated with restoration of the Property due to such removal.

C. Tenant shall obtain insurance coverage for the benefit of Landlord and its managing

agent in such amount and of such type as Landlord may reasonably require, insuring against liabilities arising from the installation, maintenance, repair, replacement and operation of the Generator.

D. It is expressly understood that the right to install and operate the Generator is personal to the initial Tenant named herein, and may not be assigned.

6.2.5.2 Rooftop Telecommunications Equipment. A. Without waiver of any of the provisions of the above paragraph of this Section 6.2.5 as they relate to the approval of plans and the performance of the work in connection with such installation, Tenant shall have the right to install, maintain, operate, repair and replace a satellite dish on the roof of the Building, subject to Landlord's approval regarding size, location and the manner of installation in each instance, including conformance with Landlord's reasonable design criteria (including visual shielding such that it cannot be seen from street level) and provided that such installation does not void any roof bonds or affect the integrity of the roof. The installation, operation, maintenance and removal of such equipment shall be at Tenant's sole cost and expense and shall be performed in accordance with all applicable laws and requirements of applicable governmental authorities.

B. Tenant, its contractors, agents or employees shall have access to the roof at all times in order to install, repair, replace, maintain, use and operate its telecommunications equipment, upon the following terms and conditions: (i) all access by Tenant to the roof shall be subject to Landlord's reasonable safeguards for the security and protection of the Building; and (ii) any damage to the Building or to the personal property of Landlord arising as a result of such access shall be repaired and restored, at Tenant's sole cost, to the condition existing prior to such access.

C. It is expressly understood that the right to install and use the rooftop equipment is personal to the initial Tenant named herein.

6.2.6 *Abandonment*. Not to abandon the Premises during the term.

6.2.7 *Signs*. Not without Landlord's prior written approval (which shall not be unreasonably withheld, conditioned or delayed) to paint or place any signs or place any curtains, blinds, shades, awnings, aerials, or the like, visible from outside the Premises. Tenant may, at is sole expense, install its identifying sign on the exterior of the Building in a location mutually acceptable to Tenant and Landlord. Such sign shall comply with all local regulations and with the sign policy for the Park, shall be subject to Landlord's approval as to design, size, and installation, and shall be maintained by Tenant, at its sole expense, in good condition and repair.

6.2.8 *Parking and Storage*. Not to permit any storage of materials outside of the Premises; nor to permit the use of the parking areas for either temporary or permanent storage of trucks; nor permit the use of the Premises for any use for which heavy trucking would be customary.

ARTICLE 7
Casualty or Taking

7.1 *Termination*. In the event that the Premises or the Building, or any material part thereof, shall be taken by any public authority or for any public use, or shall be destroyed or damaged by fire or casualty, or by the action of any public authority, then this Lease may be terminated at the election of Landlord. Such election, which may be made notwithstanding the fact that Landlord's entire interest may have been divested, shall be made by the giving of notice by Landlord to Tenant within sixty (60) days after the date of the taking or casualty. In the event that the Premises are destroyed or damaged by fire or casualty, or if there is a taking of a material part of the Premises or Building, and, in the reasonable opinion of an independent architect or engineer selected by Landlord, cannot be repaired or restored within two hundred and seventy (270) days from the date repair or restoration work would commence, then this Lease may be terminated at the election of Landlord or Tenant, which election shall be made by the giving of notice to the other party within thirty (30) days after the date the opinion of the architect or engineer is made available to the parties.

7.2 *Restoration*. If Landlord does not elect to so terminate, this Lease shall continue in force and a just proportion of the rent reserved, according to the nature and extent of the damages sustained by the Premises, shall be suspended or abated until the Premises, or what may remain thereof, shall be put by Landlord in proper condition for use, which Landlord covenants to do with reasonable diligence to the extent permitted by the net proceeds of insurance recovered or damages awarded for such taking, destruction or damage and subject to zoning and building laws or ordinances then in existence. "Net proceeds of insurance recovered or damages awarded" refers to the gross amount of such insurance or damages less the reasonable expenses of Landlord incurred in connection with the collection of the same, including without limitation, fees and expenses for legal and appraisal services.

7.3 *Award*. Irrespective of the form in which recovery may be had by law, all rights to damages or compensation shall belong to Landlord in all cases. Tenant hereby grants to Landlord all of Tenant's rights

to such damages and covenants to deliver such further assignments thereof as Landlord may from time to time request, provided, however, Tenant may make a separate claim with the condemning authority for its personal property and/or moving costs, provided that such action shall not affect the amount of compensation otherwise recoverable by Landlord from the taking authority

ARTICLE 8
Defaults

8.1 *Events of Default.* (a) If Tenant shall default in the performance of any of its obligations to pay the Fixed Rent, Additional Rent or any other sum due Landlord hereunder and if such default shall continue for ten (10) days after written notice from Landlord designating such default or if within thirty (30) days after written notice from Landlord to Tenant specifying any other default or defaults Tenant has not commenced diligently to correct the default or defaults so specified or has not thereafter diligently pursued such correction to completion, or (b) if any assignment shall be made by Tenant or any guarantor of Tenant for the benefit of creditors, or (c) if Tenant's leasehold interest shall be taken on execution, or (d) if a lien or other involuntary encumbrance is filed against Tenant's leasehold interest or Tenant's other property, including said leasehold interest, and is not discharged within ten (10) days thereafter, or (e) if a petition is filed by Tenant or any guarantor of Tenant for liquidation, or for reorganization or an arrangement under any provision of any bankruptcy law or code as then in force and effect, or (f) if an involuntary petition under any of the provisions of any bankruptcy law or code is filed against Tenant or any guarantor of Tenant and such involuntary petition is not dismissed within sixty (60) days thereafter, then, and in any of such cases, Landlord and the agents and servants of Landlord lawfully may, in addition to and not in derogation of any remedies for any preceding breach of covenant, immediately or at any time thereafter without demand or notice and with or without process of law (forcibly, if necessary) enter into and upon the Premises or any part thereof in the name of the whole or mail a notice of termination addressed to Tenant, and repossess the same as of landlord's former estate and expel Tenant and those claiming through or under Tenant and remove its and their effects (forcibly, to the extent permitted by law) without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or prior breach of covenants, and upon such entry or mailing as aforesaid this Lease shall terminate, Tenant hereby waiving all statutory rights to the Premises (including without limitation rights of redemption, if any, to the extent such rights may be lawfully waived) and Landlord, without notice to Tenant, may store Tenant's effects, and those of any person claiming through or under Tenant, at the expense and risk of Tenant, and, if Landlord so elects, may sell such effects at public auction or private sale and apply the net proceeds to the payment of all sums due to Landlord from Tenant, if any, and pay over the balance, if any, to Tenant.

8.2 *Remedies.* In the event that this Lease is terminated under any of the provisions contained in Section 8.1 or shall be otherwise terminated for breach of any obligation of Tenant, Tenant covenants to pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the term over the rental value of the Premises for said residue of the term. In calculating the rent reserved there shall be included, in addition to the Fixed Rent and Additional Rent, the value of all other considerations agreed to be paid or performed by Tenant for said residue. Tenant further covenants as additional and cumulative obligations after any such termination, to pay punctually to Landlord all the sums and to perform all the obligations which Tenant covenants in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant pursuant to the next preceding sentence Tenant shall be credited with any amount paid to Landlord as compensation as in this Section 8.2, provided and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all Landlord's expense in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the term and may grant such concessions and free rent as Landlord in its sole judgment considers advisable or necessary to relet the same and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its sole judgment considers advisable or necessary to relet the same, and no action of Landlord in accordance with the foregoing or failure to relet or to collect rent under reletting shall operate or be construed to release or reduce Tenant's liability as aforesaid.

In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under all the foregoing provisions of this Section 8.2, Landlord may by written notice to Tenant, at any time after this Lease is terminated under any of the provisions contained in Section 8.1 or is otherwise terminated for breach of any obligation of Tenant and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the aggregate of the Fixed Rent and Additional Rent accrued in the twelve (12) months ended next prior to such termination plus the amount of rent of any kind accrued and unpaid at the time of termination and less the amount of any recovery by Landlord under the foregoing provisions of this Section 8.2 up to the time of payment of such liquidated damages. Nothing contained in this Lease shall, however, limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater than, equal to, or less than the amount of the loss or damages referred to above.

8.3 *Remedies Cumulative.* Any and all rights and remedies which Landlord may have under this Lease, and at law and equity, shall be cumulative and shall not be deemed inconsistent with each other, and any two or

more of all such rights and remedies may be exercised at the same time insofar as permitted by law.

8.4 *Landlord's Right to Cure Defaults*. Landlord may, but shall not be obligated to, cure, at any time and without notice in an emergency, and after the expiration of applicable notice and cure periods specified in Section 8.1 in all other instances, any default by Tenant under this Lease; and whenever Landlord so elects, all costs and expenses incurred by Landlord, including reasonable attorneys' fees, in curing a default shall be paid, as Additional Rent, by Tenant to Landlord on demand, together with lawful interest thereon from the date of payment by Landlord to the date of payment by Tenant.

8.5 *Effect of Waivers of Default*. Any consent or permission by Landlord to any act or omission which otherwise would be a breach of any covenant or condition herein, shall not in any way be held or construed (unless expressly so declared) to operate so as to impair the continuing obligation of any covenant or condition herein, or otherwise, except as to the specific instance, operate to permit similar acts or omissions.

8.6 *No Waiver, etc*. The failure of either party to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of rent with knowledge of the breach of any covenant of this Lease shall not be deemed to have been a waiver of such breach by Landlord. No consent or waiver, express or implied, by either party to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

8.7 *No Accord and Satisfaction*. No acceptance by Landlord of a lesser sum than the Fixed Rent, Additional Rent or any other charge then due shall be deemed to be other than on account of the earliest installment of such rent or charge due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided.

ARTICLE 9
Rights of Mortgage Holders

9.1 *Rights of Mortgage Holders*. The word "mortgage" as used herein includes mortgages, deeds of trust or other similar instruments evidencing other voluntary liens or encumbrances, and modifications, consolidations, extensions, renewals, replacements and substitutes thereof. The word "holder" shall mean a mortgagee, and any subsequent holder or holders of a mortgage. Until the holder of a mortgage shall enter and take possession of the Property for the purpose of foreclosure, such holder shall have only such rights of Landlord as are necessary to preserve the integrity of this Lease as security. Upon entry and taking possession of the Property for the purpose of foreclosure, such holder shall have all the rights of Landlord. No such holder of a mortgage shall be liable either as mortgagee or as assignee, to perform, or be liable in damages for failure to perform, any of the obligations of Landlord unless and until such holder shall enter and take possession of the Property for the purpose of foreclosure. Upon entry for the purpose of foreclosure, such holder shall be liable to perform all of the obligations of Landlord, subject to and with the benefit of the provisions of Section 10.4, provided that a discontinuance of any foreclosure proceeding shall be deemed a conveyance under said provisions to the owner of the equity of the Property.

The covenants and agreements contained in this Lease with respect to the rights, powers and benefits of a holder of a mortgage (particularly, without limitation thereby, the covenants and agreements contained in this Section 9.1) constitute a continuing offer to any person, corporation or other entity, which by accepting a mortgage subject to this Lease, assumes the obligations herein set forth with respect to such holder; such holder is hereby constituted a party of this Lease as an obligee hereunder to the same extent as though its name were written hereon as such; and such holder shall be entitled to enforce such provisions in its own name. Tenant agrees on request of Landlord to execute and deliver from time to time any agreement which may be necessary to implement the provisions of this Section 9.1.

9.2 *Lease Superior or Subordinate to Mortgages*. It is agreed that the rights and interest of Tenant under this Lease shall be (i) subject or subordinate to any present or future mortgage or mortgages and to any and all advances to be made thereunder, and to the interest of the holder thereof in the Premises or any property of which the Premises are a part if Landlord shall elect by notice to Tenant to subject or subordinate the rights and interest of Tenant under this Lease to such mortgage or (ii) prior to any present or future mortgage or mortgages, if Landlord shall elect, by notice to Tenant, to give the rights and interest of Tenant under this Lease priority to such mortgage; in the event of either of such elections and upon notification by Landlord to that effect, the rights and interest of Tenant under this Lease should be deemed to be subordinate to, or have priority over, as the case may be, said mortgage or mortgages, irrespective of the time of execution or time of recording of any such mortgage or mortgages (provided that, in the case of subordination of this Lease to any future mortgages, the holder thereof agrees not to disturb the possession of Tenant so long as Tenant is not in default hereunder). Tenant agrees it will, upon not less than ten (10) days' prior written request by Landlord, execute, acknowledge and deliver any and all instruments deemed by Landlord necessary or desirable to give effect to or notice of such subordination or priority. Any Mortgage to which this Lease shall be subordinated may contain such terms, provisions and conditions as the holder deems usual or customary. Landlord shall obtain for Tenant's benefit a so-called non-disturbance agreement from its current lender on such lender's standard form.

ARTICLE 10
Miscellaneous Provisions

10.1 *Notices from One Party to the Other*. All notices required or permitted hereunder shall be in writing and addressed, if to the Tenant, at the Original Notice Address of Tenant or such other address as Tenant shall have last designated by notice in writing to Landlord and, if to Landlord, at the Original Notice Address of Landlord or such other address as Landlord shall have last designated by notice in writing to Tenant. Any notice shall be deemed duly given when mailed to such address postage prepaid, by registered or certified mail, return receipt requested, or when delivered to such address by hand.

10.2 *Quiet Enjoyment*. Landlord agrees that upon Tenant's paying the rent and performing and observing the agreements, conditions and other provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises during the term hereof without any manner of hindrance or molestation from Landlord or anyone claiming under Landlord, subject, however, to the terms of this Lease.

10.3 *Lease not to be Recorded*. Tenant agrees that it will not record this Lease. Both parties shall, upon the request of either, execute and deliver a notice or short form of this Lease in such form, if any, as may be permitted by applicable statute. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact (which appointment shall survive termination of the term of this Lease) with full power of substitution to execute, acknowledge and deliver a notice of termination of lease in Tenant's name if Tenant fails, within 10 days after request therefor, to either execute, acknowledge or deliver such notice of termination or give Landlord written notice setting forth the reasons why Tenant is refusing to deliver such notice of termination.

10.4 *Limitation of Landlord's Liability*. The term "Landlord" as used in this Lease, so far as covenants or obligations to be performed by Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Property, and in the event of any transfer or transfers of title to said property, the Landlord (and in case of any subsequent transfers or conveyances, the then grantor) shall be concurrently freed and relieved from and after the date of such transfer or conveyance, without any further instrument or agreement of all liability as respects the performance of any covenants or obligations on the part of the Landlord contained in this Lease thereafter to be performed, it being intended hereby that the covenants and obligations contained in this Lease on the part of Landlord, shall, subject as aforesaid, be binding on the Landlord, its successors and assigns, only during and in respect of their respective successive periods of ownership of said leasehold interest or fee, as the case may be. Tenant, its successors and assigns, shall not assert nor seek to enforce any claim for breach of this Lease against any of Landlord's assets other than Landlord's interest in the Property and in the rents, issues and profits thereof, and Tenant agrees to look solely to such interest for the satisfaction of any liability or claim against Landlord under this Lease, it being specifically agreed that in no event whatsoever shall Landlord (which term shall include, without limitation, any general or limited partner, trustees, beneficiaries, officers, directors, or stockholders of Landlord) ever be personally liable for any such liability.

10.5 *Acts of God*. In any case where either party hereto is required to do any act, delays caused by or resulting from Acts of God, war, civil commotion, fire, flood or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, unusually severe weather, or other causes beyond such party's reasonable control shall not be counted in determining the time during which work shall be completed, whether such time be designated by a fixed date, a fixed time or a "reasonable time," and such time shall be deemed to be extended by the period of such delay.

10.6 *Landlord's Default*. Landlord shall not be deemed to be in default in the performance of any of its obligations hereunder unless it shall fail to perform such obligations and such failure shall continue for a period of thirty (30) days or such additional time as is reasonably required to correct any such default after written notice has been given by Tenant to Landlord specifying the nature of Landlord's alleged default. Landlord shall not be liable in any event for incidental or consequential damages to Tenant by reason of Landlord's default, whether or not notice is given. Tenant shall have no right to terminate this Lease for any default by Landlord hereunder and no right, for any such default, to offset or counterclaim against any rent due hereunder. Tenant may, but shall not be obligated, to cure any default by Landlord in performing an obligation or providing a service that is material and essential to Tenant's business operations, and that is relating to the Premises and/or the building systems serving the Premises. If Tenant elects to so cure Landlord's default, Tenant shall give at least seven (7) business days' prior written notice to Landlord (the "self-help notice"), or with reasonable prior notice under the circumstances in an emergency, stating that Tenant is invoking its self-help rights under this Section 10.6. Tenant may take such action as is reasonable and prudent under the circumstances to remedy any uncured default of Landlord, provided however, that Tenant shall not have the right to cure any such default (a) to the extent that Tenant's curative actions would relate to areas outside of the Premises, or the structure of the Building, or (b) if the nature of such default or the Landlord's inability to cure is due to circumstances generally affecting other buildings in the vicinity (such as a power outage, a water main break or inclement weather, for example). However, if at the time of Tenant's self-help notice, Landlord has undertaken to cure the default in question and is proceeding with diligence, but has been unable to fully complete such cure by the expiration of seven (7) business days from Tenant's self-help notice, Landlord shall be afforded a reasonable time thereafter in which to complete its curative efforts before Tenant may effect a cure. For the purposes of this Section 10.6, the phrase "reasonable time" shall mean an additional period of time reasonably determined by Landlord given the nature of the default and the steps reasonably necessary to rectify the same. Whenever Tenant so elects to cure a default by Landlord as set forth herein, Landlord shall, within twenty (20) days after receipt of any

invoice therefor, reimburse Tenant for all costs and expenses incurred by Tenant in curing a default.

10.7 *Brokerage*. Tenant warrants and represents that it has dealt with no broker in connection with the consummation of this Lease, other than Nordblom Company, Inc. and FHO Partners, LLC (collectively, the "Brokers"), and in the event of any brokerage claims, other than by the Brokers, against Landlord predicated upon prior dealings with Tenant, Tenant agrees to defend the same and indemnify and hold Landlord harmless against any such claim. Landlord shall pay the Brokers a commission pursuant to a separate agreement.

10.8 *Applicable Law and Construction; Merger; Jury Trial*. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts and, if any provisions of this Lease shall to any extent be invalid, the remainder of this Lease shall not be affected thereby. This Lease and the Exhibits attached hereto and forming a part hereof constitute all the covenants, promises, agreements, and understandings between Landlord and Tenant concerning the Premises and the Building and there are no covenants, promises, agreements or understandings, either oral or written, between them other than as are set forth in this Lease. Neither Landlord nor Landlord's agents shall be bound to any representations with respect to the Premises, the Building or the Property except as herein expressly set forth, and all representations, either oral or written, shall be deemed to be merged into this Lease. The titles of the several Articles and Sections contained herein are for convenience only and shall not be considered in construing this Lease. Each of Landlord and Tenant shall and does hereby waive trial by jury in any action, proceeding, or claim brought by or against the other party regarding any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant or Tenant's use or occupancy of the Premises. Unless repugnant to the context, the words "Landlord" and "Tenant" appearing in this Lease shall be construed to mean those named above and their respective heirs, executors, administrators, successors and assigns, and those claiming through or under them respectively. If there be more than one person or entity named as tenant, the obligations imposed by this Lease upon Tenant shall be joint and several.

WITNESS the execution hereof under seal on the day and year first above written:

Landlord:

/s/ Peter C. Norblom
As Trustee, but not individually

/s/ Peter C. Norblom
As Trustee, but not individually

Tenant:
CONFORMIS, INC.

/s/ Philipp Lang
Philipp Lang
CEO

EXHIBIT A

PLAN SHOWING THE PREMISES

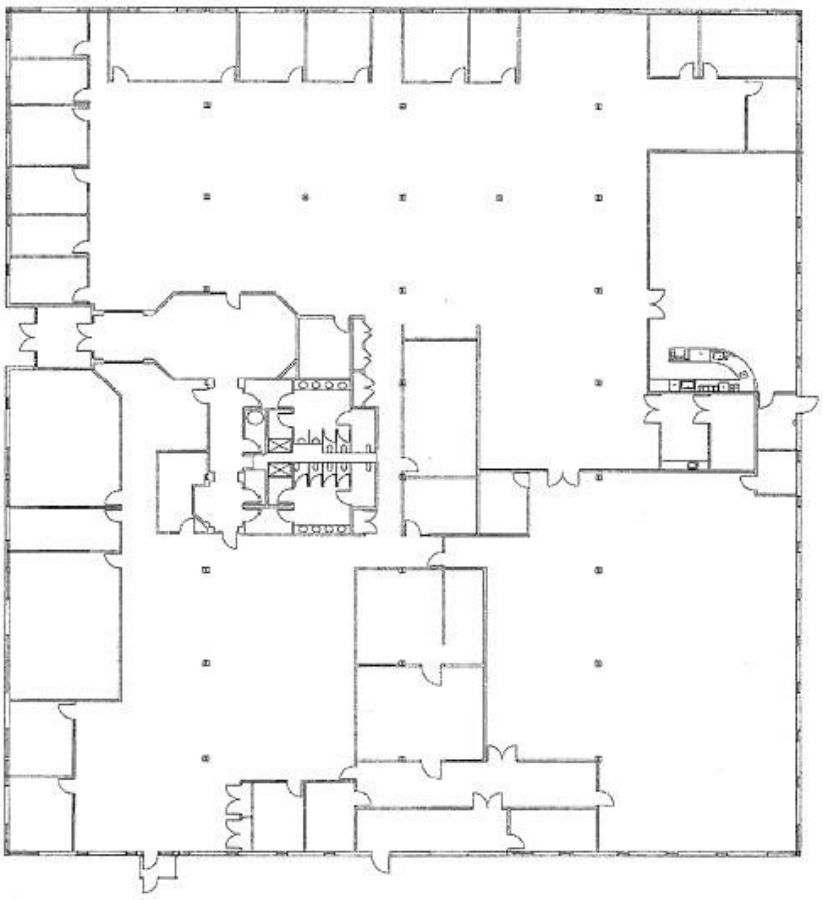

EXHIBIT A-1

PLAN SHOWING LANDLORD'S WORK

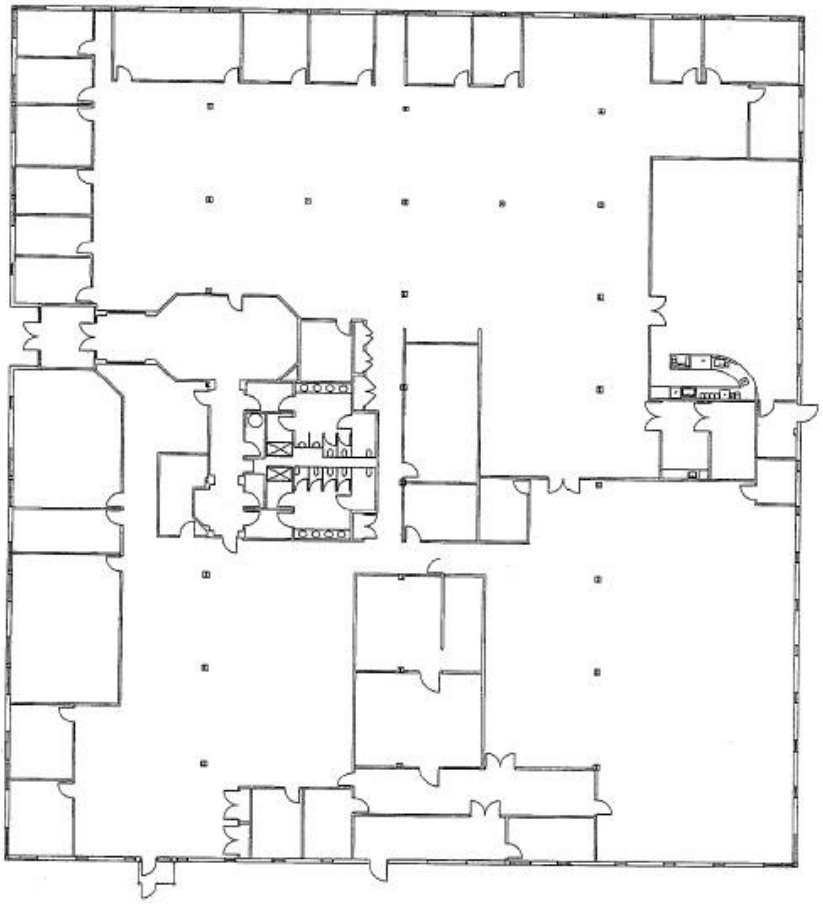

EXHIBIT B

WORK CHANGE ORDER FORM

Lease Date: _____ Date: _____

Landlord: _____ Work Change Order No.: _____

Tenant: _____ Building Address: _____

Premises: _____

_____

Tenant directs Landlord to make the following additions to Landlord's work:

Description of additional work:

Work Change Order Amount:

_____

Amount of Previous Work Change Orders:

This Work Change Order:

Total Amount of Work Change Orders :

Landlord approves this Work Change Order and Tenant agrees to pay to Landlord the Total Amount of Work Change Orders at the earlier of ten days following receipt of the Certificate of Occupancy of the premises or occupancy of the premises by Tenant.

Tenant: Landlord:

By: _____ By: _____

Title: _____ Title: _____

EXHIBIT C

FORM OF LETTER OF CREDIT

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

ISSUANCE DATE: _____

BENEFICIARY: _____

ISSUING BANK: _____

APPLICANT: _____

MAXIMUM/AGGREGATE CREDIT AMOUNT: USD $

EXPIRATION: _____

LADIES AND GENTLEMEN:

We hereby establish our irrevocable letter of credit in your favor for account of the Applicant up to an aggregate amount not to exceed US Dollars ($) available by your draft(s) drawn on ourselves at sight accompanied by:

The original Letter of Credit and all amendment(s), if any.

Your statement, purportedly signed by an authorized officer or signatory of the Beneficiary certifying that the Beneficiary is entitled to draw upon this Letter of Credit (in the amount of the draft submitted herewith) pursuant to Section 4.4 of the lease (the "Lease") dated , by and between , as Landlord, and , as Tenant, relating to the premises at .

Draft(s) must indicate name and issuing bank and credit number and must be presented at this office. Drawings may also be presented via facsimile transmission at facsimile number [ ].

You shall have the right to make multiple and partial draws against this Letter of Credit, from time to time.

This Letter of Credit is transferrable by Beneficiary from time to time in accordance with the provisions of Section 4.4 of the Lease.

This Letter of Credit shall expire at our office on , (the "Stated Expiration Date").

It is a condition of this Letter of Credit that the Stated Expiration Date shall be deemed automatically extended without amendment for successive one (1) year periods from such Stated Expiration Date, unless at least forty-five (45) days prior to such Stated Expiration Date) or any anniversary thereof) we shall notify the Beneficiary and the Applicant in writing by certified mail (return receipt) that we elect not to consider this Letter of Credit extended for any such additional one (1) year period.

We engage with you that all drafts drawn under and in compliance with the terms of this letter of credit will be duly honored within two (2) business days after presentation to us as described above.

Except as otherwise expressly stated herein, this Letter of Credit is subject to the "International Standby Practice 1998 ICC Publication 590 (ISP98)."

Very truly yours.

_____

Authorized Signatory

EXHIBIT D

RULES AND REGULATIONS

1. The sidewalks, entrances, passages, corridors, vestibules, halls, elevators, or stairways in or about the Building shall not be obstructed by Tenant.

2. Tenant shall not place objects against glass partitions, doors or windows which would be unsightly from the Building corridor or from the exterior of the Building.

3. Tenant shall not waste electricity or water in the Building premises and shall cooperate fully with Landlord to assure the most effective operation of the Building heating and air conditioning systems. All regulating and adjusting of heating and air-conditioning apparatus shall be done by the Landlord's agents or employees.

4. Tenant shall not use the Premises so as to cause any increase above normal insurance premiums on the Building.

5. No bicycles, vehicles, or animals of any kind shall be brought into or kept in or about the Premises. No space in the Building shall be used for the sale of merchandise of any kind at auction or for storage thereof preliminary to such sale.

6. Tenant shall cooperate with Landlord in minimizing loss and risk thereof from fire and associated perils.

7. The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were designed and constructed and no sweepings, rubbish, rags, acid or like substance shall be deposited therein. All damages resulting from any misuse of the fixtures shall be borne by the Tenant.

8. Landlord reserves the right to establish, modify, and enforce reasonable parking rules and regulations, provided such rules and obligations do not diminish Tenant's rights under the Lease.

9. Landlord reserves the right at any time to rescind, alter or waive any rule or regulation at any time prescribed for the Building and to impose additional reasonable rules and regulations when in its judgment deems it necessary, desirable or proper for its best interest and for the best interest of the tenants and no alteration or waiver of any rule or regulation in favor of one tenant shall operate as an alteration or waiver in favor of any other tenant, provided such rules and regulations do not diminish Tenant's rights under the Lease. Landlord shall not be responsible to any tenant for the nonobservance or violation by any other tenant however resulting of any rules or regulations at any time prescribed for the Building. Notwithstanding anything herein to the contrary, Landlord shall enforce the rules and regulations against all tenants in a non-discriminatory manner.

10. Tenant acknowledges that the Building has been designated a non-smoking building. At no time shall Tenant permit its agents, employees, contractors, guests or invitees to smoke in the Building or, except in specified locations, directly outside the Building.

EXHIBIT E

TENANT ESTOPPEL CERTIFICATE

TO: ("Mortgagee" or "Purchaser")

THIS IS TO CERTIFY THAT:

1. The undersigned is the tenant (the "Tenant") under that certain lease (the "Lease") dated , 20 , by and between as landlord (the "Landlord"), and the undersigned, as Tenant, covering those certain premises commonly known and designated as (the "Premises") in the building located at , , Massachusetts.

2. The Lease is attached hereto as Exhibit A and (i) constitutes the entire agreement between the undersigned and the Landlord with respect to the Premises, (ii) is the only Lease between the undersigned and the Landlord affecting the Premises and (iii) has not been modified, changed, altered or amended in any respect, except (if none, so state):

3. The undersigned has accepted and now occupies the Premises as of the date hereof, and to Tenant's knowledge all improvements, if any, required by the terms of the Lease to be made by the Landlord have been completed and all construction allowances to be paid by Landlord have been paid. In addition, the undersigned has made no agreement with Landlord or any agent, representative or employee of Landlord concerning free rent, partial rent, rebate of rental payments or any other type of rental or other economic inducement or concession except (if none, so state):

4.

(1) The term of the Lease began (or is scheduled to begin) on ,20 and will expire on , 20 ;

(2) The fixed rent for the Premises has been paid to and including , 20 ;

(3) The fixed rent being paid pursuant to the Lease is at the annual rate of $; and

(4) The escalations payable by Tenant under the Lease are currently $, based on a pro rata share of %, and have been reconciled through , 20 .

5. (i) To Tenant's knowledge, no party to the Lease is in default, (ii) the Lease is in full force and effect, (iii) the rental payable under the Lease is accruing to the extent therein provided thereunder, (iv) to Tenant's knowledge, as of the date hereof the undersigned has no charge, lien or claim of off-set (and no claim for any credit or deduction) under the Lease or otherwise, against rents or other charges due or to become due thereunder or on account of any prepayment of rent more than one (1) month in advance of its due date, and (v) to Tenant's knowledge, Tenant has no claim against Landlord for any security, rental, cleaning or other deposits, except (if none, so state):

6. To Tenant's knowledge, since the date of the Lease there are no actions, whether voluntary or otherwise, pending against the undersigned under the bankruptcy, reorganization, arrangement, moratorium or similar laws of the United States, any state thereof of any other jurisdiction.

7. Tenant has not sublet, assigned or hypothecated or otherwise transferred all or any portion of Tenant's leasehold interest.

8. To Tenant's knowledge, neither Tenant nor Landlord has commenced any action or given or received any notice for the purpose of terminating the Lease, nor does Tenant have any right to terminate the Lease, except (if none, so state):

9. Tenant has no option or preferential right to purchase all or any part of the Premises (or the real property of which the Premises are a part) nor any right or interest with respect to the Premises or the real property of which the Premises are a part. Tenant has no right to renew or extend the term of the Lease or expand the Premises except (if none, so state):

10. The undersigned acknowledges that the parties named herein are relying upon this estoppel certificate and the accuracy of the information contained herein in making a loan secured by the Landlord's interest in the Premises, or in connection with the acquisition of the Property of which the Premises is a part.

EXECUTED UNDER SEAL AS OF , 20 .

TENANT:

_____

By: _____
Name:
Title:
Duly Authorized

EXHIBIT F

LANDLORD'S CONSENT AND WAIVER

WHEREAS, (the "Tenant") has or is about to enter into certain financing agreements with (the "Bank") pursuant to which the Bank has been or may be granted a security interest in certain property of the Tenant; and

WHEREAS, Tenant is the tenant, pursuant to a lease agreement by and between Tenant and the undersigned (the "Landlord") dated as of (the "Lease"), of certain demised premises contained in the building located at the following address:

and more particularly described in the Lease (the "Premises");

NOW, THEREFORE, for valuable consideration, the Landlord agrees, for as long as Tenant remains indebted to the Bank, as follows:

(a) Landlord acknowledges and agrees that the personal property of Tenant (which for purposes hereof shall not include computer wiring, telephone wiring and systems, and demountable partitions) in which the Bank has been granted a security interest (the "Bank Collateral") may from time to tune be located on the Premises;

(b) Landlord subordinates, waives, releases and relinquishes unto the Bank, its successors or assigns, all right, title and interest, if any, which the Landlord may otherwise claim in and to the Bank Collateral, except as provided in subparagraph (d) hereinbelow;

(c) Upon providing the Landlord with at least five (5) business days' prior written notice that Tenant is in default of its obligations to the Bank, the Bank shall then have the right to enter the Premises during business hours for the purpose of removing said Bank Collateral, provided (i) the Bank completes the removal of said Bank Collateral within ten (10) business days following said first written notice of default, and (ii) the Bank restores any part of the Premises which may be damaged by such removal to its condition prior to such removal in an expeditious manner not to exceed ten (10) business days following said first written notice of default;

(d) Upon receipt of written notice from Landlord of the expiration or earlier termination of the Lease, the Bank shall have ten (10) business days to enter the Premises during business hours, remove said Bank Collateral, and restore any part of the Premises which may be damaged by such removal to its condition prior to such removal. If the Bank fails to so remove the Bank Collateral, the Bank agrees that the Bank Collateral shall thereupon be deemed subject to the yield up provisions of the Lease, so the Landlord may treat the Bank Collateral as abandoned, deem it Landlord's property, if Landlord so elects, and retain or remove and dispose of it, all as provided in the Lease;

(e) All notices and other communications under this Landlord's Consent and Waiver shall be in writing, and shall be delivered by hand, by a nationally recognized commercial next day delivery service, or by certified or registered mail, return receipt requested, and sent to the following addresses:

if to the Bank:

Attention:

with a copy to:

if to the Landlord: c/o Nordblom Management Company, Inc.
15 Third Avenue
Burlington, MA 01803

Such notices shall be effective (a) in the case of hand deliveries, when received, (b) in the case of a next day delivery service, on the next business day after being placed in the possession of such delivery service with next day delivery charges prepaid, and (c) in the case of mail, five (5) days after deposit in the postal system, certified or registered mail, return receipt requested and postage prepaid. Either party may change its address and telecopy number by written notice to the other as provided above; and

(f) The Bank shall indemnify and hold harmless the Landlord for any and all damage caused as a result of the exercise of the Bank's rights hereunder.

This Landlord's Consent and Waiver may not be changed or terminated orally and inures to the benefit of and is binding upon the Landlord and its successors and assigns, and inures to the benefit of and is binding upon the Bank and its successors and assigns.

IN WITNESS WHEREOF, Landlord and Bank have each executed this Landlord's Consent and Waiver or caused it to be executed by an officer thereunto duly authorized, and the appropriate seal to be hereunto affixed, this day of , 200 .

LANDLORD:

_____

By: _____
(Name)
(Title)

BANK:

_____

By: _____
(Name)
(Title)

COMMONWEALTH OF MASSACHUSETTS

County, ss.

On this day of , 200 , before me, the undersigned Notary Public, personally appeared the above-named , proved to me by satisfactory evidence of identification, being (check whichever applies): ☐ driver's license or other state or federal governmental document bearing a photographic image, ☐ oath or affirmation of a credible witness known to me who knows the above signatories, or ☐ my own personal knowledge of the identity of the signatory, to be the person whose name is signed above, and acknowledged the foregoing to be signed by her/him voluntarily for its stated purpose.

Print Name:
My commission expires:

STATE OF

County, ss.

On this day of , 200 , before me, the undersigned Notary Public, personally appeared the above-named , proved to me by satisfactory evidence of identification, being (check whichever applies): ☐ driver's license or other state or federal governmental document bearing a photographic image, ☐ oath or affirmation of a credible witness known to me who knows the above signatories, or ☐ my own personal knowledge of the identity of the signatory, to be the person whose name is signed above, that he/she signed it as for , and acknowledged the foregoing to be signed by her/him voluntarily for its stated purpose.

Print Name:
My commission expires:

TERMINATION AGREEMENT

THIS TERMINATION AGREEMENT (this "Agreement") is made and entered into as of this 13th day of May, 2014, by and between N.W. Middlesex 36 Trust (hereinafter called "Landlord") and ConforMIS, Inc. (hereinafter called "Tenant").

BACKGROUND:

A. Landlord and Tenant entered into a lease dated August 26, 2010, (referred to herein as the "Lease"), with respect to a premises consisting of 29,227 rentable square feet in the building located at 11 North Avenue, Burlington, Massachusetts (hereinafter called the "Premises");

B. The term of the Lease is scheduled to expire on October 31, 2015.

C. Landlord and Tenant desire to terminate the Lease prior to the expiration date contained therein.

NOW, THEREFORE, in consideration of the mutual promises and undertakings of the parties hereto and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

(1) As of July 31, 2015 (the "Termination Date"), Tenant shall surrender the Lease and the Premises, together with all keys, free from all occupants and subtenants and their personal property, and Landlord shall accept the surrender of the Lease and of the Premises, and as of the Termination Date the Lease shall terminate and be of no further force and effect and neither Landlord nor Tenant shall have any thereafter accruing liability or obligation thereunder, except as provided in Paragraph 2 of this Agreement. Reference is made to the fact that Landlord is currently in negotiations with Keystone Dental, Inc. for a lease of the Premises. It is an express condition precedent to the termination of the Lease as contemplated herein, that Keystone Dental, Inc. shall execute a lease for the Premises on or prior to August 31, 2014 (the "Outside Date"). If such condition is not satisfied on or prior to the Outside Date, then this Agreement shall be null and void with the exception of Paragraph (2) below which shall expressly survive, and the Lease shall remain in full force and effect through its original expiration date of October 31, 2015.

(2) Lease Section 2.3, Extension Option, is hereby deleted as of the date of this Agreement. It is the intent of the parties that Tenant hereby forever waives and relinquishes its right to extend the Original Term of the Lease without regard to the execution of a lease with any third party.

(3) All monetary obligations created by the Lease shall be prorated through the Termination Date. If the amount of Operating Costs or Taxes or of any other such obligation has not been determined by the Termination Date, final adjustment shall be made when the amount thereof is determined.

(4) It shall be a further condition precedent to the surrender and termination of the Lease set forth in Paragraph 1 hereinabove that as of the Termination Date, Tenant (a) shall be current in its payments under the Lease, (b) shall have made any payments then invoiced pursuant to Paragraph (3) hereinabove and (c) shall have entirely vacated and yielded up the Premises in the condition required pursuant to the Paragraph (6) of this Agreement, and if such condition precedent has not occurred on or before the Termination Date, then, at Landlord's sole option, this Agreement shall become null and void with the exception of Paragraph (2) below which shall expressly survive, and the Lease shall remain in full force and effect, or in the alternative Landlord may treat Tenant's failure to satisfy such condition precedent as a holding over by Tenant after the Termination Date, and Tenant shall be subject to all of the provisions of Section 6.1.9 of the Lease, including all yield up requirements without regard to anything to the contrary contained in paragraph (6) below. On the election by Landlord of either such option, Landlord will be entitled to exercise all of Landlord's rights and remedies under the Lease, at law or in equity.

(5) In the event that Tenant is in compliance with all of the terms and conditions of the Lease and this Agreement as of the Termination Date, then Landlord shall return the Security and Restoration Deposit (or as much of the Security and Restoration Deposit as may remain following any application by Landlord of the same pursuant to the terms of Section 4.4 of the Lease) to Tenant within forty-five (45) days after the Termination Date.

(6) On the condition Tenant vacates and surrenders the Premises on or before the Termination Date, then, notwithstanding any contrary yield up requirements contained in Section 6.1.9 of the Lease, Tenant shall have no removal requirements except that Tenant shall be obligated to remove (a) all of its portable clean room and the dedicated air-conditioning systems serving the SLS room, including all hvac units, piping, ductwork, diffusers and associated components, using as Tenant's contractor Shawsheen Air, (b) Tenant's trade fixtures, personal property and equipment, and (c) all Tenant's signs wherever located. With respect to Tenant's removal of its air-conditioning systems pursuant to clause (a) above, Tenant's work shall be done by licensed professionals and shall include, but not be limited to: removal of the rooftop unit(s); removal of the curb(s); patching of roof deck and roof; removal of electrical disconnect(s) including conduit and cable to a location under the roof deck), all to be done in a good and workman-like manner. Tenant shall repair any and all damage caused by the removal of items required under this Paragraph (6) leaving the Premises broom-clean and in the same good order and repair in which Tenant is obligated to maintain the Premises under the Lease terms. If any of the foregoing work is not performed by Tenant to Landlord's reasonable satisfaction, Landlord shall perform the required work, at Tenant's expense. If Tenant does not timely vacate and surrender the Premises on or before the Termination Date, then the preceding provisions of this Paragraph (6) shall become null and void, and Lease Section 6.1.9 shall govern in all respects.

(7) Tenant has made an independent determination that Tenant's obligation to pay rent under the Lease far exceeds the value to Tenant of the use of the Premises for the unexpired portion of the Lease term and that the value given by Tenant hereunder represents payment of reasonably equivalent value for the benefits derived by Tenant from the termination of the Lease and Tenant's payment obligations thereunder.

(8) Each of the covenants, conditions, terms, agreements and obligations of the parties shall be binding upon, and inure to the benefit of, the heirs, personal representatives, successors and assigns of each party.

(9) Except where required by law or governmental or judicial order or in any litigation involving the matters provided for herein, Tenant agrees to keep the terms of this Agreement confidential and agrees that it will not disclose in any manner its course of dealing or the terms hereof with any other tenant in the Building, any brokers, or any third persons whatsoever.

(10) Landlord and Tenant each represent, as to itself, (a) that it has the authority and capacity to enter into this Agreement and perform all of its obligations hereunder; (b) that all necessary action has been taken in order to authorize it to enter into and perform all of its obligations hereunder; (c) that the person executing this Agreement on its behalf is duly authorized to do so.

(11) This Agreement shall become effective in all respects only upon its due execution and delivery by both Landlord and Tenant.

(12) This Agreement contains the entire agreement of the parties regarding the subject matter hereof. There are no promises, agreements, conditions, undertakings, warranties or representations, oral or written, express or implied, among them, relating to this subject matter, other than as set forth herein. This Agreement may not be modified orally or in any other manner other than by an agreement in writing signed by the party against whom such modification is sought to be enforced.

(13) This Agreement may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Remainder of page intentionally left blank

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Agreement under seal as of the date first written above.

LANDLORD:

By: /s/ Peter Nordblum
As Trustee and not individually

By: /s/ John Macomber
As Trustee and not individually

TENANT:
CONFORMIS, INC.

By: /s/ Philipp Lang

Its: President & CEO
Hereunto duly authorized

Nordblom

July 13, 2015

Mr. Camillo Costa
Facilities Manager
ConforMis, Inc.
11 North Avenue
Burlington, MA 01803

RE: MODIFICATIONS TO YIELD UP REQUIREMENTS, 11 NORTH AVENUE

Dear Cam:

On behalf of N.W. Middlesex 36 Trust ("Landlord"), I am writing to inform you that the Landlord has approved the request by ConforMis, Inc. ("Tenant") to modify the yield up requirements under the Lease dated August 26, 2010 (the "Lease"), as modified by Termination Agreement dated May 13, 2014 (the "Termination Agreement"). Tenant has confirmed its need to hold over for 30 days beyond its current lease termination date of July 31, 2015, through August 31, 2015.

As such, notwithstanding any contrary yield up requirements contained in Section 6.1.9 of the Lease, Landlord has agreed to the yield up terms detailed in the Termination Agreement, however, Landlord will now also require the following items to be performed as part of the yield up:

1. Removal and restoration of the wooden partition walls in the tile floor area.

2. Removal of the rooftop antenna detailed in Landlord's approval letter dated 4/14/11.

3. Removal of any voice and data cabling remaining in the conduit between 1 North Avenue and 11 North Avenue, and capping of the conduit at the point of entry to 11 North Avenue (exact capping location to be reviewed with Landlord and Tenant and approved by Landlord).

4. Restore the ceiling in the portable clean room area (including any associated lighting, sprinklers, hvac supply).

In addition to the items detailed above, in any typical yield-up scenario we would also require Tenant to remove and/restore the SLS area back to an open space. While the Landlord committed to completing a portion of this work for Keystone Dental, the new tenant, we will now require Tenant to contribute to completing the remaining portion of the work to bring this space back to an open configuration. The contribution required from Tenant for this work is $15,965. As discussed, as part of the final reconciliation, Landlord will deduct $15,965 from the security deposit instead of requesting a separate payment from Tenant.

Please note, although Landlord is willing to make the above exceptions to standard yield up based on its longstanding relationship with Tenant, the holdover provision of the Lease remains in full force and effect. Tenant will be responsible for two (2) times the rent and other charges for any day beyond July 31, 2015, through the date by which Tenant completes the yield up as agreed, and returns the building to the Landlord pursuant to the terms of the Lease, as modified by the Termination Agreement and this letter.

Tenant must acknowledge and indicate acceptance of these modifications to the yield up requirements, and return this letter to N.W. Middlesex 36 Trust, c/o Nordblom Management Company, by July 15, 2015.

Best regards,

Maureen Harrington
Leasing Manager

/s/ Maureen Harrington

Acknowledged and accepted for
ConforMis, Inc.

By: /s/ Philipp Lang

Date: July 13, 2015

Exhibit 31.1

CERTIFICATIONS

I, Philipp Lang, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

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

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

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

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

Date: August 14, 2015

By: /s/ Philipp Lang
Philipp Lang, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Paul Weiner, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

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

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

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

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

Date: August 14, 2015

By: /s/ Paul Weiner
Paul Weiner
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of ConforMIS, Inc. (the "Company") for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Philipp Lang, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2015

By: /s/ Philipp Lang
Philipp Lang, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 ConforMIS, Inc. (the "Company") for the period ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul Weiner, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2015

By: /s/ Paul Weiner
Paul Weiner
Chief Financial Officer
(Principal Financial and Accounting Officer)