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Confidential draft registration statement submitted to the Securities and Exchange Commission on August 5, 2015. This draft registration statement has not been filed publicly with the Securities and Exchange Commission and all information contained herein remains strictly confidential.

Registration No. 333-

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

Form S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

SI-BONE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**3841**	26-2216351
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

SI-BONE, Inc.
3055 Olin Avenue, Suite 2200
San Jose, California 95128
(408) 207-0700
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Laura Francis
Chief Financial Officer
SI-BONE, Inc.
3055 Olin Avenue, Suite 2200
San Jose, California 95128
(408) 207-0700
(Name, address, including zip code and telephone number, including area code, of agent for service)

Bennett L. Yee., Esq. **Richard C. Blake, Esq.** **Michael H. Irvine, Esq.** **Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP** **1200 Seaport Blvd.** **Redwood City, California 94063** **(650) 321-2400**	*Copies to:* **Robert E. Johnson, Esq.** **General Counsel** **SI-BONE, Inc.** **3055 Olin Avenue, Suite 2200** **San Jose, California 95128** **(408) 207-0700**	**Michael Benjamin, Esq.** **Ilir Mujalovic, Esq.** **Shearman & Sterling, LLP** **599 Lexington Avenue** **New York, New York 10022-6069** **(212) 848-7658**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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. (Check one):

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee**
Common Stock, $0.0001 par value	$	$

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 5, 2015

Shares

Common Stock

This is the initial public offering of shares of common stock of SI-BONE, Inc.

We are offering shares of our common stock. Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We intend to apply to list our common stock on the Nasdaq Global Market under the symbol "SIBN."

We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements. See "Prospectus Summary—Implications of Being an Emerging Growth Company."

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 14.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to us	$	$

(1) See "Underwriting" for additional disclosure regarding underwriting discounts, commissions and estimated offering expenses.

To the extent that the underwriters sell more than shares of common stock, the underwriters have a 30-day over-allotment option to purchase up to an additional shares from us at the initial public offering price, less the underwriting discounts and commissions.

The underwriters expect to deliver the shares against payment in New York, New York on , 2015.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Morgan Stanley **BofA Merrill Lynch**

Canaccord Genuity **JMP Securities**

, 2015

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Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

Through and including , (25 days after commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

TRADEMARKS

Unless the context indicates otherwise, as used in this prospectus, the terms "SI-BONE" and "iFuse Implant System" and other trademarks or service marks of SI-BONE appearing in this prospectus are the property of SI-BONE. This prospectus contains additional trade names, trademarks, and service marks of ours and of other companies. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

INVESTORS OUTSIDE THE UNITED STATES

Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus and any such free writing prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our common stock. You should carefully consider, among other things, our consolidated financial statements and the related notes and the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to "SI-BONE," "the company," "we," "us," and "our" refer to SI-BONE, Inc.

Our Business

We are a medical device company that has pioneered a proprietary minimally invasive surgical implant system to fuse the sacroiliac joint for treatment of common types of sacroiliac joint disorders that cause lower back pain. We introduced our iFuse Implant System, or iFuse, in 2009 in the United States and in 2010 in certain countries in the European Union. Since 2009, more than 16,500 iFuse procedures have been performed by over 1,000 surgeons, primarily in the United States. Based on our commercial experience and market research, we believe iFuse is currently used in nearly 85% of minimally invasive surgical fusions of the sacroiliac joint in the United States.

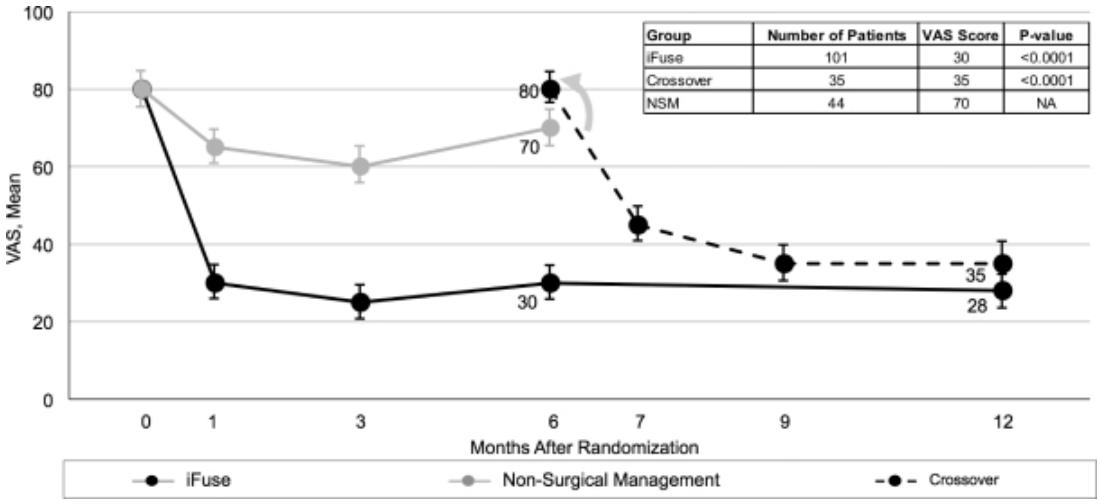
The two sacroiliac joints connect the sacral bone at the base of the spine with the two iliac bones of the pelvis, and absorb and transmit shock between the legs and the upper body. Patients with sacroiliac joint dysfunction may experience pain that can be debilitating. We believe that the sacroiliac joint is the last major joint to be addressed by the orthopedic implant industry.

iFuse is the only minimally invasive product for sacroiliac joint fusion commercially available in the United States that, to our knowledge, is supported by published evidence of safety, clinical effectiveness, durability, and economic utility. These benefits are supported by more than 25 published papers, including a prospective, randomized controlled multi-center clinical trial referred to as "INSITE." Prospective, randomized controlled clinical trials that compare outcomes of surgical to non-surgical management for spine conditions are rare. INSITE six-month follow-up results were published in March 2015 in the *International Journal of Spine Surgery*, and 12-month follow-up results have been accepted for publication in *Neurosurgery*. The INSITE results demonstrate that iFuse procedures result in clinically important and statistically significant reduction in sacroiliac joint pain and related disability as well as improvement in quality of life.

Moreover, the improvement in all of these measures after the iFuse procedure was statistically superior to those after non-surgical management. In April 2015, INSITE was awarded the "best overall" paper out of approximately 450 submitted clinical study papers at the International Society for Advancement of Spine Surgery, or ISASS, conference.

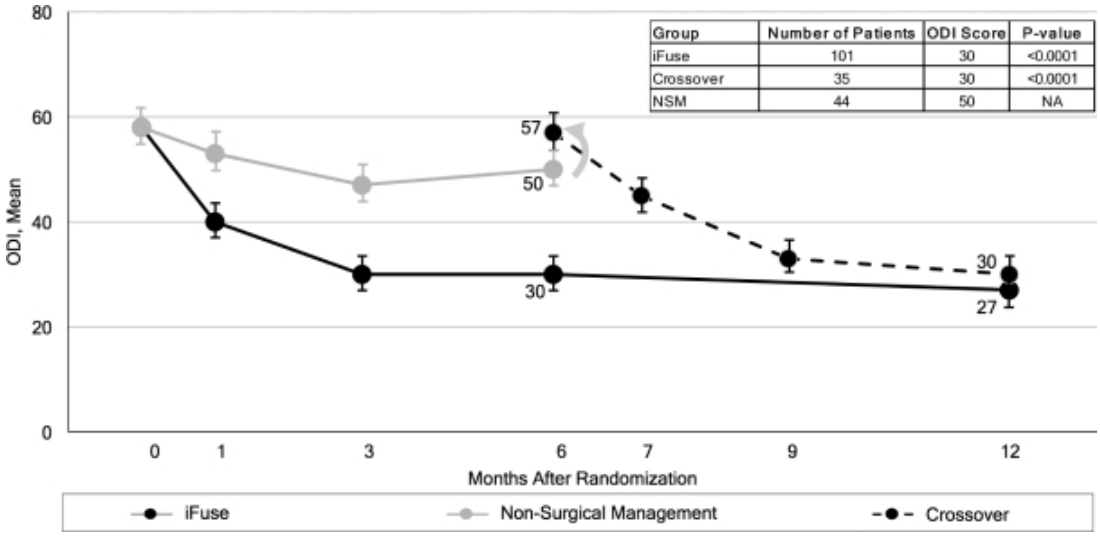
The INSITE clinical trial included 148 subjects treated at 19 centers with subjects randomized in a two to one ratio to either immediate sacroiliac joint fusion with iFuse or non-surgical management. The study design allowed subjects in the non-surgical management group to cross over and have surgery after six months, and 79.5% of the non-surgical management group had elected to have the iFuse procedure as of June 30, 2015. The results can be summarized as follows:

- **Reduction in Pain**. There is a much greater chance of pain reduction with iFuse as compared to non-surgical management. As shown in the graph below, subjects surgically treated with iFuse had a mean 52.0-point reduction in sacroiliac joint pain at six months, on the 0-100 Visual Analog Scale, or VAS. By contrast, subjects in the non-surgical management group had only a mean 12.2-point decrease ($p<.0001$). Pain relief was sustained at 12 months, with a mean 54.2-point reduction from the baseline VAS measurement in the surgical group. The six-month success rates were 81.4% and 26.1% in the iFuse and non-surgical management groups, respectively, where success was defined as reduction in VAS sacroiliac joint pain of at least 20 points in the absence of serious device-related or neurologic adverse events and absence of surgical revision. In addition, the non-surgical management group subjects who elected after six months to cross over to have the iFuse procedure had pain reduction similar to that seen in subjects originally assigned to sacroiliac joint fusion with iFuse. Twelve-month success rates were 81.5% and 12.5% in the iFuse and non-surgical management groups, respectively.



Group	Number of Patients	VAS Score	P-value
iFuse	101	30	<0.0001
Crossover	35	35	<0.0001
NSM	44	70	NA

- **Reduction in Disability**. There is a much greater chance of reduction in disability with iFuse as compared to non-surgical management. As shown in the graph below, subjects surgically treated with iFuse had a mean 27.4-point reduction in disability at six months, on the 0-100 Oswestry Disability Index, or ODI, while subjects in the non-surgical management group had only a mean 4.6-point decrease (p<.0001). At 12 months, the iFuse group had a mean 29.4-point reduction in ODI. At six months, the proportion of subjects with ODI improvements of at least 15 points was 72.5% and 13.0% in the iFuse and non-surgical management groups, respectively (p<.0001). In addition, the subjects who elected after six months to cross over to have the iFuse procedure had similar disability reduction as the subjects originally assigned to sacroiliac joint fusion with iFuse. At 12 months, the proportion with an ODI improvement of at least 15 points was 72.4% and 10.0% in the iFuse and non-surgical management groups, respectively (p<.0001).



We have also demonstrated the long-term durability of pain relief resulting from treatment with iFuse in several other published studies. A study published in the *Open Orthopedics Journal* in 2014 showed that pain relief observed at 12 months was maintained for five years. Similar results with four and one-half year follow-up were published in the *Journal of Spine* in 2014. Moreover, the cumulative four-year revision rate with iFuse, an important clinical outcome, is approximately 3.5%, or one-third of the reported revision rate of lumbar (lower back) fusion.

Market

Over 30 million Americans experience lower back pain at any given time, according to *The New England Journal of Medicine*. Published clinical studies have shown that 15 to 30 percent of all lower back pain is associated with the sacroiliac joint. Based on our surveys of surgeons that have performed the iFuse procedure, we believe that up to 50 percent of patients who present with sacroiliac joint pain to a trained surgeon or pain doctor are candidates for a surgical procedure. Our experience in both clinical trials and the commercial setting indicates that iFuse could be beneficial to at least 30 percent of these patients who visit these trained healthcare providers and are screened for exclusion and inclusion criteria. Based on this analysis, we believe that the potential market for iFuse in the United States is up to 675,000 patients annually.

Studies have also stated that the disability from disease of the sacroiliac joint is comparable with a number of serious orthopedic conditions (for example, knee and hip osteoarthritis, spinal stenosis, and degenerative disc disease), all of which have surgical solutions where an implant is used and a significant market exists. For example, there are a large number of lumbar fusions to treat lower back pain in the United States.

Company History

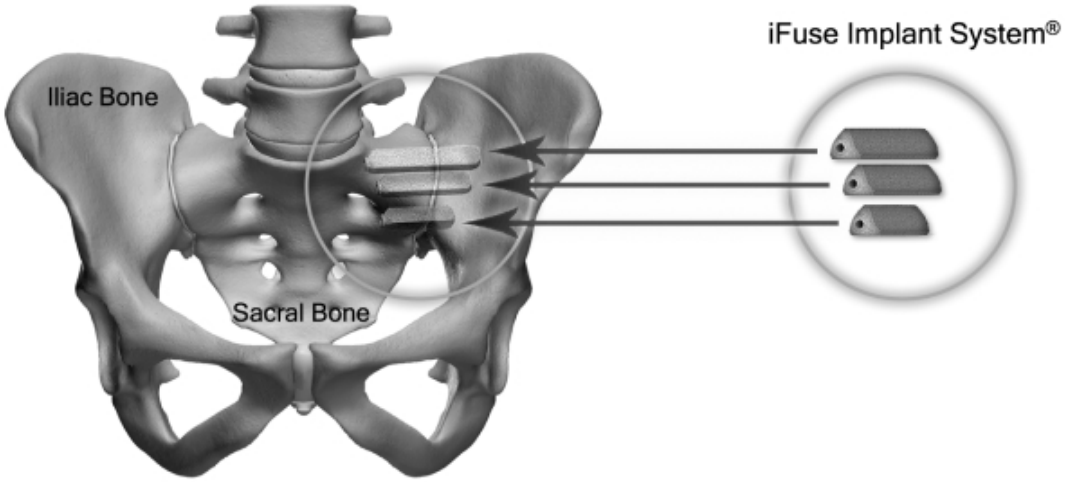
SI-BONE was founded in 2008 by our Chief Medical Officer, orthopedist Mark A. Reiley, M.D., our Chief Executive Officer, Jeffrey W. Dunn, and orthopedic surgeon Leonard Rudolf, M.D. Dr. Reiley previously invented balloon kyphoplasty and founded Kyphon Inc., which was sold to Medtronic plc in 2007. He also invented the INBONE total ankle replacement system, which was sold to Wright Medical Technology, Inc. in 2008.

As of June 30, 2015, we had 194 employees, including a direct field sales organization of 77 in the United States and six in Europe. In the United States, we sell primarily through our direct field organization, and we have a small number of third-party distributors. As of June 30, 2015, throughout the world we had 19 issued patents, of which 18 were in the United States, and 74 pending patents, of which 28 were in the United States. These patents and applications cover various aspects of the iFuse procedure, implants, and instruments. For the year ended December 31, 2014 and the three months ended March 31, 2015, we generated revenue of $40.1 million and $10.3 million, respectively, and our net loss was $27.8 million and $7.6 million, respectively.

Limitations of Prior Treatment and Our iFuse Solution

Patients with sacroiliac joint dysfunction frequently experience significant pain simply from sitting, standing or rolling over in bed. The pain can be exacerbated with activity. When a patient walks or runs, for example, the shock from each step is transmitted up the leg to the iliac bones of the pelvis. This results in small movements of the sacroiliac joints and pressure transferred across the joints. The initial goal in fusion of the sacroiliac joint is to immediately stabilize the joint because the movement of the damaged or arthritic joint is believed to cause the pain. After the joint has been stabilized, the goal is to have permanent fusion of the joint occur over time through biological fixation.

Surgical fusion of the sacroiliac joint was first reported in the 1920s using open surgical technique. The open procedure uses plates and screws, is extremely invasive, and involves long recovery time, when compared to the iFuse minimally invasive procedure. As shown in the graphic below, our iFuse implants are triangular, and three implants are typically used in each procedure. Our implants are made of titanium and are coated with a porous surface using a titanium plasma spray process. Each iFuse implant is at least three times the strength of an eight millimeter cannulated screw and the large porous surface area allows fixation of the bone to the implants.



Open surgery for elective sacroiliac joint fusion has become less common in the United States since we introduced iFuse. The table below highlights some of the key differences between iFuse and open surgery.

	Fusion with Open Surgery	iFuse Minimally Invasive Surgery
Size of incision	6 to 12 inches	1 to 2 inches
Average hospital stay	5.1 nights	1.3 nights
Average blood loss	800 ml	33 ml
Surgeries performed annually in the United States	Fewer than 400 in 2008	Approximately 4,000 in 2014

Due to its morbidity and infrequent use, the open fusion procedure was rarely taught in medical school or residency programs. Prior to our launch of iFuse, most spine surgeons had never performed a sacroiliac joint fusion. As a result, when patients presented with lower back pain, spine surgeons often did not include a sacroiliac joint evaluation in their diagnostic work-up.

It is often difficult to identify the source of lower back pain. As a result, some surgical procedures performed on the spine have a sub-optimal success rate. For example, published studies of lumbar spine fusion have shown success rates of only approximately 60%. Unsuccessful spine surgery may result in failed back surgery syndrome, which has been shown to result in high healthcare costs with poor overall relief of pain. We believe low success rates of lumbar fusion are likely related to failure, in some cases, to diagnose the sacroiliac joint as the correct cause of pain.

In addition to training surgeons to perform the iFuse procedure, we have made considerable investments in teaching healthcare professionals to accurately diagnose sacroiliac joint disorders. We provide instruction and

training on how to perform provocative maneuvers in a physician's office that can reveal the sacroiliac joint as the source of pain. If provocative tests are positive, surgeons can then confirm that the pain derives from the sacroiliac joint by injecting a small amount of local anesthetic into the joint under fluoroscopic guidance. If the local anesthetic produces immediate pain reduction, it confirms that the sacroiliac joint is the source of the pain. In addition to the differentiated characteristics of our iFuse procedure and implants, we believe that more accurate diagnosis is part of the reason for the high success rate of iFuse. As is customary in the orthopedic implant industry, a member of our team is typically present in the operating suite during surgery to provide technical assistance for the use of iFuse.

In the iFuse procedure, which is performed under general anesthesia, the surgeon makes an incision approximately one to two inches in length. Using a custom instrument set we provide, the surgeon prepares a triangular channel across the sacroiliac joint for each implant. An iFuse implant is then pressed into a triangular channel. The channel in the bone is slightly smaller than the implant, creating what is known as an interference fit. The triangular shape of our implants prevents them from rotating. The iFuse implants have more than 30 times the rotation resistance of screws. We have been issued patents on rectilinear implants, which include all shapes with cross-sections that are not round, including the triangular shape we use for iFuse. We also have been issued patents for, among other things, the method of placing those implants for applications across the sacroiliac joint as well as other parts of the spine and pelvis.

By contrast, open fusion of the sacroiliac joint as well as the minimally invasive solutions offered by other companies typically use screws and/or plates for fixation. When placed across the sacroiliac joint, standard orthopedic screws, with no features to allow biologic fixation, have demonstrated a high percentage of loosening over time. We are unaware of any data to show that our competitors' sacroiliac joint screws, with features allowing biologic fixation, have a lower rate of loosening than standard orthopedic screws. In addition, placement of plates for open fusion procedures typically requires larger incisions and more invasive dissection, which results in longer recovery times and increased morbidity. Because of the triangular shape, porous coating, strength, and other differentiating factors, we believe that our published clinical data does not apply to other minimally invasive solutions, for which no evidence of safety, clinical effectiveness, durability, and economic utility has been published.

Our implants cross the sacroiliac joint and provide stability, which is why we believe pain diminishes soon after the iFuse procedure. Follow-up studies have shown bony bridging across the sacroiliac joint five years after the iFuse procedure.

Finally, although a number of non-surgical treatments exist for sacroiliac joint pain, they did not provide the level of pain or disability relief seen with the iFuse procedure for the patients participating in the INSITE study.

Reimbursement in the United States

Prior to our launch of iFuse, Medicare and most private insurance companies reimbursed surgeons for sacroiliac joint fusions using either an established Category I Current Procedure Terminology, or CPT, code or an unlisted code. A Category I CPT code is typically assigned to procedures that are consistent with contemporary medical practice and are widely performed. Procedures with a longstanding Category I CPT code are usually reimbursed.

However, effective July 1, 2013, the American Medical Association's, or AMA's, CPT Editorial Panel created a new Category III CPT code for fusion of the sacroiliac joint using a minimally invasive or percutaneous approach. Category III CPT codes are used for new and emerging technologies and are reimbursed sporadically. This new code functionally redefined coding for sacroiliac joint fusions because it meant that minimally invasive or percutaneous fusion procedures should not be billed using the general Category I CPT code for sacroiliac

fusion surgery. Due to this coding change, which was accompanied by the establishment of a Medicare hospital outpatient rate for the new code, the number of minimally invasive sacroiliac joint fusions, including those performed with iFuse, decreased significantly.

Following the creation of the new Category III code, a number of papers demonstrating the clinical success of the iFuse procedure were published. These studies, along with the support of several professional societies and surgeons, resulted in the AMA CPT Editorial Panel establishing a new Category I CPT code specifically for sacroiliac joint fusion surgery using a minimally invasive or percutaneous approach. This new Category I CPT code became effective on January 1, 2015.

Subsequently, in March 2015, our INSITE prospective randomized controlled clinical trial was published. In June 2015, the largest spine society in the world, the North American Spine Society, or NASS, published a positive coverage recommendation document, based on the clinical evidence, advocating to insurance companies and Medicare Administrative Contractors, or MACs, that sacroiliac joint fusion using a minimally invasive surgical approach should be routinely reimbursed. ISASS has also recently published a similar positive advocacy document intended to encourage insurance companies in the United States to reimburse for the procedure.

However, the establishment of the new Category I CPT code does not automatically prompt Medicare or other payors to cover the iFuse procedure. Coverage decisions for this code are made independently by each of the private insurance companies and the eight MACs, and the process of obtaining coverage is not immediate. We believe that the combination of the new Category I CPT code, the data from the INSITE clinical trial, and the support from leading professional societies will begin to convince additional MACs and private payors to cover the iFuse procedure and allow us to begin increasing the number of procedures and growing revenue in 2016.

Some MACs and third-party payors, including Aetna, Cigna, and some Blue Cross Blue Shield plans, still consider iFuse to be experimental or investigational. However, many of these coverage policies predate the establishment of the Category I CPT code in January of 2015 and the publication of INSITE in March of 2015, as well as the positive coverage recommendations to all Medicare contractors and private insurance companies in the United States issued by the NASS and ISASS. As of June 30, 2015, four of the eight MACs had announced that they were covering the iFuse procedure. The other four MACs were in the decision making process. As of June 30, 2015, five private payors, including two of the ten largest, were covering the iFuse procedure regularly on a case-by-case basis, while the vast majority of private payors were evaluating, or re-evaluating, their coverage policies.

Our Strategy

Our objective is to maintain and enhance our leadership position in providing clinically-proven products and training for minimally invasive sacroiliac joint fusion and provide relief for as many patients as possible. To accomplish this objective, we intend to:

- Continue to educate physicians, payors, and patients globally about the growing body of compelling evidence supporting the safety and clinical effectiveness of our iFuse procedure;
- Increase reimbursement coverage based on our evidence of safety and clinical effectiveness;
- Continue to invest in iFuse awareness, surgeon training, new products, and additional clinical and economic studies;
- Educate and train the healthcare community on the prevalence, anatomy, diagnosis, and treatment options including minimally invasive surgical fusion of the sacroiliac joint;
- Expand our direct field organization in the United States and select European countries to drive adoption of our iFuse products;

- Maintain our technological leadership by investing in the creation of new or improved products for sacroiliac joint surgery, and obtain domestic and international regulatory clearance or approvals to market them in the United States and additional countries; and
- Continue to grow and defend our existing intellectual property portfolio.

Risks Associated With Our Business

Our business is subject to numerous risks, as more fully described in "Risk Factors," which immediately follow this prospectus summary. These risks include, among others:

- We have incurred significant operating losses since inception, we expect to continue to incur operating losses in the future, and we may not be able to achieve or sustain future profitability.
- If hospitals, surgeons, and other healthcare providers are unable to obtain adequate coverage and reimbursement from third-party payors for procedures performed using our products, adoption of our products may be delayed, and it is unlikely that they will gain widespread acceptance.
- We may not be able to convince physicians that iFuse is an attractive alternative to our competitors' products and that our procedure is an attractive alternative to existing surgical and non-surgical treatments of the sacroiliac joint.
- Surgeons and payors may not find our clinical evidence to be compelling, which could limit our sales and revenue, and on-going and future research may prove our products to be less safe and effective than initially anticipated.
- Pricing pressure from our competitors, changes in third-party coverage and reimbursement, healthcare provider consolidation, payor consolidation and the proliferation of "physician owned distributorships" may impact our ability to sell our product at prices necessary to support our current business strategies.
- We operate in a very competitive business environment and if we are unable to compete successfully against our existing or potential competitors, our sales and operating results may be negatively affected and we may not grow.
- We currently manufacture and sell only one product, which could negatively affect our operations and financial condition.
- If we are unable to maintain and expand our network of direct sales representatives and third-party distributors, we may not be able to generate anticipated sales.
- We have a limited operating history and may face difficulties encountered by early stage companies in new and rapidly evolving markets.
- Our sales volumes and our operating results may fluctuate over the course of the year.
- If our business strategy proves to be flawed or if we do not successfully implement our business strategy, our business and results of operations will be adversely affected.
- We will need to generate significant sales to become profitable.
- Our future capital needs are uncertain and we may need to raise additional funds in the future, and such funds may not be available on acceptable terms or at all.
- We, our suppliers, and our third-party manufacturers are subject to extensive governmental regulation both in the United States and abroad and failure to comply with applicable requirements could cause our business to suffer.

- We and our distributor sales representatives must comply with U.S. federal and state fraud and abuse laws, including anti-kickback and false claims and equivalent foreign rules.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of relief from certain reporting requirements and other burdens that are otherwise applicable generally to public companies. These provisions include:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data;
- an exception from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- reduced disclosure about our executive compensation arrangements in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions for up to five years or such earlier time that we no longer qualify as an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenue, have more than $700 million in market value of our capital stock held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced reporting burdens.

We elected not to avail ourselves of the reduced obligation with respect to financial data.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Corporate Information

We were incorporated in March 2008 in Delaware. Our principal executive offices are located at 3055 Olin Avenue, Suite 2200, San Jose, California 95128, and our telephone number is (408) 207-0700. Our website address is www.SI-BONE.com. The information on, or that can be accessed through, our website is not part of this prospectus. We have included our website address as an inactive textual reference only.

THE OFFERING

Issuer	SI-BONE, Inc.
Shares of common stock offered by us	shares.
Shares of common stock outstanding after this offering	shares (shares if the underwriters exercise their over-allotment option in full).
Over-allotment option	We have granted to the underwriters the option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of our common stock.
Use of proceeds	We estimate that the net proceeds from this offering of shares of common stock will be approximately $ million, or $ million if the underwriters exercise their option to purchase additional shares in full after deducting underwriting discounts and commissions and estimated offering expenses payable by us, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. We expect to use approximately $ million of the net proceeds for sales and marketing activities to support ongoing commercialization of the iFuse Implant System and the remainder, if any, for working capital and general corporate purposes, including research and development and clinical studies. We may also use a portion of our net proceeds to acquire or invest in complementary products, technologies, or businesses; however, we currently have no agreements or commitments to complete any such transactions. See "Use of Proceeds" on page 59.
Risk factors	See "Risk Factors" beginning on page 14 and the other information included in this prospectus for a discussion of factors you should consider carefully before deciding to invest in our common stock.
Proposed Nasdaq symbol	"SIBN"

The number of shares of common stock to be outstanding after this offering is based on shares of common stock outstanding as of March 31, 2015, and excludes the following:

- 31,880,496 shares of common stock issuable upon the exercise of options outstanding as of March 31, 2015, with a weighted average exercise price of $0.16 per share;
- 2,212,918 shares of common stock, which are issuable upon the exercise of warrants outstanding as of March 31, 2015, with a weighted average exercise price of $0.21 per share;
- 509,391 shares of common stock issuable upon the deemed conversion of 509,391 shares of our preferred stock, which are issuable upon the exercise of warrants outstanding as of March 31, 2015, with a weighted average exercise price of $0.60 per share;

- 9,307,891 shares of common stock issuable upon the exercise of outstanding options granted after March 31, 2015, with an exercise price of $0.44 per share; and
- shares of our common stock reserved for future issuance under our equity compensation plans, consisting of 1,265,005 shares of our common stock that were reserved for issuance under our 2008 Stock Plan as of March 31, 2015, and shares of our common stock reserved for issuance under the equity plan in effect following the completion of this offering. On the date immediately prior to the date of this prospectus, any remaining shares available for issuance under our 2008 Stock Plan will be added to the shares reserved under the equity plan in effect following the completion of this offering and we will cease granting awards under the 2008 Stock Plan.

Unless otherwise indicated, all information in this prospectus assumes:

- The automatic conversion of 143,556,724 shares of our preferred stock outstanding as of March 31, 2015, into an aggregate of 143,556,724 shares of our common stock immediately prior to the closing of this offering;
- The issuance of shares of common stock upon the net exercise of warrants to purchase 988,522 shares of preferred stock, with a price of $0.51 per share, and the conversion into approximately shares of common stock immediately prior to the closing of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus;
- The automatic conversion of warrants to purchase 509,391 shares of preferred stock outstanding as of March 31, 2015 into warrants to purchase 509,391 shares of our common stock immediately prior to the closing of this offering;
- The filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws immediately prior to the closing of this offering;
- The reclassification, immediately prior to the closing of this offering, of all outstanding shares of our Series 1 common stock and Series 2 common stock into a single class of common stock named “common stock,” which shall have the same voting powers, preferences, rights and qualifications, limitations, and restrictions as the current Series 2 common stock; and
- No exercise of the underwriters’ option to purchase additional shares.

SUMMARY FINANCIAL DATA

The following tables set forth a summary of our historical financial data as of, and for the periods ended on, the dates indicated. The statements of operations data for the years ended December 31, 2012, 2013, and 2014 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The statements of operations data for the three months ended March 31, 2014 and 2015, and the balance sheet data as of March 31, 2015, are derived from unaudited interim consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim consolidated financial statements on the same basis as the audited consolidated financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for fair statement of the financial information set forth in those statements. You should read this data together with our audited consolidated financial statements and related notes appearing elsewhere in this prospectus and the information in "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical results are not necessarily indicative of our future results and our interim results are not necessarily indicative of results to be expected for the full year ending December 31, 2015, or any other period.

	Year Ended December 31,			Three Months Ended March 31,	
Statements of Operations:	**2012**	**2013**	**2014**	**2014**	**2015**
	(in thousands, except share and per share amounts)				
Revenue	$ 37,016	$ 48,999	$ 40,054	$ 10,500	$ 10,323
Cost of goods sold	3,041	4,332	6,500	1,202	1,771
Gross profit	33,975	44,667	33,554	9,298	8,552
Operating expenses					
Sales and marketing	35,691	34,744	40,625	8,586	10,346
Research and development	3,770	8,374	9,172	2,141	2,128
General and administrative	5,233	6,846	10,058	2,055	2,934
Total operating expenses	44,694	49,964	59,855	12,782	15,408
Loss from operations	(10,719)	(5,297)	(26,301)	(3,484)	(6,856)
Interest and other income (expense), net					
Interest income	5	3	15	1	5
Interest expense	(231)	(912)	(1,536)	(274)	(349)
Other income (expense), net	42	62	18	(5)	(393)
Loss before income taxes	(10,903)	(6,144)	(27,804)	(3,762)	(7,593)
Provision for income taxes	—	10	2	—	—
Net loss	(10,903)	(6,154)	(27,806)	(3,762)	(7,593)
Other comprehensive income (loss)					
Changes in foreign currency translation	(22)	(3)	183	51	281
Comprehensive loss	$ (10,925)	$ (6,157)	$ (27,623)	$ (3,711)	$ (7,312)
Net loss attributable to common stockholder per share, basic and diluted (1)	$ (0.32)	$ (0.15)	$ (0.58)	$ (0.08)	$ (0.14)
Weighted-average number of common shares used to compute basic and diluted net loss per share (1)	34,076,263	41,201,966	48,035,918	45,190,957	52,592,709
Pro forma net loss per share, basic and diluted (unaudited) (1)			$		$
Pro forma weighted-average number of common shares used to compute basic and diluted net loss per share (unaudited) (1)					

(1) See Note 14 to our consolidated financial statements included elsewhere in this prospectus for the method used to calculate net loss per share, basic and diluted, and pro forma net loss per share, basic and diluted.

	As of March 31, 2015		
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2) (3)
		(unaudited) (in thousands)	
Balance Sheet Data:			
Cash and cash equivalents	$ 10,929		
Working capital	12,393		
Total assets	22,250		
Warrant liability	469		
Total borrowings	15,185		
Total liabilities	22,289		
Convertible preferred stock	71,200		
Accumulated deficit	(75,535)		
Total stockholders' equity (deficit)	(71,239)		

(1) Reflects (i) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 143,556,724 shares of common stock; (ii) the issuance of shares of common stock upon the net exercise of warrants to purchase 988,522 shares of preferred stock, with a price of $0.51 per share, and the conversion into approximately shares of common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and (iii) the automatic conversion of warrants to purchase 509,391 shares of our preferred stock into warrants to purchase 509,391 shares of our common stock immediately prior to the closing of this offering.

(2) Reflects the pro forma adjustments described in footnote (1) above and the sale by us of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and the application of net proceeds of this offering as described in "Use of Proceeds."

(3) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of pro forma as adjusted cash and cash equivalents, working capital, total assets, and stockholders' equity by $ million, assuming the number of shares we are offering, as set forth on the cover page of this prospectus, remains the same, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) each of pro forma as adjusted cash and cash equivalents, working capital, total assets, and total stockholders' equity by approximately $ million, assuming the initial public offering price per share remains the same. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price, number of shares offered, and other terms of this offering determined at pricing.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Business and Our Industry

We have incurred significant operating losses since inception, we expect to continue to incur operating losses in the future, and we may not be able to achieve or sustain future profitability.

We have incurred net losses since our inception in 2008. For the years ended December 31, 2012, 2013, and 2014, and for the three months ended March 31, 2015, we had net losses of $10.9 million, $6.2 million, $27.8 million, and $7.6 million, respectively. As of March 31, 2015, we had an accumulated deficit of $75.5 million. To date, we have financed operations primarily through private placements of equity securities, certain debt-related financing arrangements and from sales of our products. We have devoted substantially all of our resources to research and development of our products, sales, and marketing activities and clinical and regulatory matters for our products. There can be no assurances that we will be able to generate sufficient revenue from our existing products or from any of our product candidates in development, and to transition to profitability and generate consistent positive cash flows. Following this offering, we expect that our operating expenses will continue to increase as we continue to build our commercial infrastructure, develop, enhance, and commercialize our existing and new products and incur additional operational and reporting costs associated with being a public company. As a result, we expect to continue to incur operating losses for the foreseeable future and may never achieve profitability. Furthermore, even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis. If we do not achieve profitability, it will be more difficult for us to finance our business and accomplish our strategic objectives.

If hospitals, surgeons, and other healthcare providers are unable to obtain adequate coverage and reimbursement from third-party payors for procedures performed using our products, adoption of our products may be delayed, and it is unlikely that they will gain widespread acceptance.

Maintaining and growing sales of our products depends on the availability of adequate coverage and reimbursement from third-party payors, including government programs such as Medicare and Medicaid, private insurance plans, and managed care programs. Hospitals, surgeons, and other healthcare providers that purchase or use medical devices generally rely on third-party payors to pay for all or part of the costs and fees associated with the procedures performed with these devices.

Adequate coverage and reimbursement for procedures performed with our products is central to the acceptance of our current and future products. We may be unable to sell our products on a profitable basis if third-party payors deny coverage, continue to deny coverage or reduce their current levels of payment, or if our costs of production increase faster than increases in reimbursement levels. For example, our sales decreased significantly after minimally invasive sacroiliac joint fusion was assigned to a Category III Current Procedure Terminology, or CPT, code effective July 1, 2013. Many private payors refer to coverage decisions and payment amounts determined by the Centers for Medicare and Medicaid Services, or CMS, which administers the Medicare program, as guidelines for setting their coverage and reimbursement policies. Future action by CMS or third-party payors may further diminish payments to physicians, outpatient centers, and/or hospitals. As of June 30, 2015, the Hospital Outpatient Prospective Payment System's CMS outpatient payment to facilities was

not adequate for the procedure. If there is a shift to more outpatient procedures, there could be a negative effect on our revenue and gross margins. In addition, prior to July 1, 2013, the CPT payment to surgeons was approximately $1,000. On January 1, 2015, the CPT payment decreased to $574 and the proposed payment for 2016 is $725. It is unclear whether this reimbursement amount will negatively affect procedure volumes. For some governmental programs, such as Medicaid, coverage and reimbursement differ from state to state, and some state Medicaid programs may not pay an adequate amount for the procedures performed with our products, if any payment is made at all. As the portion of the U.S. population over the age of 65 and eligible for Medicare continues to grow, we may be more vulnerable to coverage and reimbursement limitations. Private payors that do not follow the Medicare guidelines may adopt different coverage and reimbursement policies for procedures performed with our products. Furthermore, the healthcare industry in the United States has experienced a trend toward cost containment as government and private insurers seek to control healthcare costs by imposing lower payment rates and negotiating reduced contract rates with service providers. Therefore, we cannot be certain that the procedures performed with our products will be reimbursed at an appropriate level or at all. As of June 30, 2015, four of the eight Medicare Administrative Contractors, or MACs, had announced that they were covering the iFuse Implant System, or iFuse, procedure. The other four MACs were not covering and are in the decision making process. In addition, as of June 30, 2015, only five private payors, including two of the ten largest, were covering the procedure regularly on a case-by-case basis, while the vast majority of the others were not covering and were evaluating, or re-evaluating, their coverage policies.

To the extent we sell our products internationally, market acceptance may depend, in part, upon the availability of coverage and reimbursement within prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government-sponsored healthcare and private insurance. We may not obtain international coverage and reimbursement approvals in a timely manner, if at all. Our failure to receive such approvals would negatively impact market acceptance of our products in the international markets in which those approvals are sought.

We may not be able to convince physicians that iFuse is an attractive alternative to our competitors' products and that our procedure is an attractive alternative to existing surgical and non-surgical treatments of the sacroiliac joint.

Surgeons play the primary role in determining the course of treatment in consultation with their patients and, ultimately, the product that will be used to treat a patient. In order for us to sell our iFuse solution successfully, we must convince surgeons through education and training that treatment with our iFuse implant is beneficial, safe, and cost effective for patients as compared to our competitors' products. If we are not successful in convincing surgeons of the merits of iFuse, they may not use our product, and we will be unable to increase our sales and achieve or grow profitability.

Historically, most spine surgeons did not include sacroiliac joint pain in their diagnostic work-up because they did not have an adequate surgical procedure to perform for patients diagnosed with the condition. As a result, some patients with lower back pain resulting from sacroiliac joint dysfunction are misdiagnosed. We believe that educating surgeons and other healthcare professionals about the clinical merits and patient benefits of iFuse implants is an important element of our growth. If we fail to effectively educate surgeons and other medical professionals, they may not include a sacroiliac joint evaluation as part of their diagnosis and, as a result, those patients may continue to receive unnecessary or only non-surgical treatment.

Surgeons may also hesitate to change their medical treatment practices for other reasons, including the following:

- lack of experience with minimally invasive procedures;
- perceived liability risks generally associated with the use of new products and procedures;
- costs associated with the purchase of new products; and
- time commitment that may be required for training.

Furthermore, we believe surgeons will not widely use iFuse unless they determine, based on experience, clinical data, and published peer-reviewed publications, that minimally invasive surgical techniques provide benefits or are an attractive alternative to conventional treatments of sacroiliac joint disorders. In addition, we believe support of our products relies heavily on long-term data showing the benefits of using our products. If we are unable to provide that data, surgeons may not use our products. In such circumstances, we may not achieve expected sales and may be unable to achieve profitability.

Surgeons and payors may not find our clinical evidence to be compelling, which could limit our sales and revenue, and on-going and future research may prove our products to be less safe and effective than initially anticipated.

The products we currently market in the United States have either received premarket clearance under Section 510(k) of the U.S. Federal Food, Drug, and Cosmetic Act, or FDCA, or are exempt from premarket review. Those marketed in the EU have been the subject of a CE Certificate of Conformity. The 510(k) clearance process of the U.S. Food and Drug Administration, or FDA, requires us to document that our product is "substantially equivalent" to another 510(k)-cleared product. The 510(k) process is shorter and typically requires the submission of less supporting documentation than other FDA approval processes, such as a premarket approval, or PMA, and does not usually require pre-clinical or clinical studies. Additionally, to date, we have not been required to complete clinical studies in connection with the sale of our products outside the United States. As a result, while there are a number of published studies relating to iFuse and minimally invasive sacroiliac joint surgery that support the safety and effectiveness of our product and the benefits it offers, our clinical studies may lack the size and scope of randomized controlled clinical trials required to support approval of a PMA. For these reasons, surgeons may be slow to adopt our products, third-party payors may be slow to provide coverage, and we may be subject to greater regulatory and product liability risks. Further, future patient studies or clinical experience may indicate that treatment with our products does not improve patient outcomes. Such results would slow the adoption of our products by surgeons, significantly reduce our ability to achieve expected sales, and could prevent us from achieving profitability. Moreover, if future results and experience indicate that our products cause unexpected or serious complications or other unforeseen negative effects, we could be subject to mandatory product recalls, suspension, or withdrawal of FDA clearance, and suspension, variation, or withdrawal of our CE Certificates of Conformity, significant legal liability or harm to our business reputation, which could have a material adverse effect on our results or operations and financial condition.

Pricing pressure from our competitors, changes in third-party coverage and reimbursement, healthcare provider consolidation, payor consolidation and the proliferation of "physician owned distributorships" may impact our ability to sell our product at prices necessary to support our current business strategies.

If competitive forces drive down the prices we are able to charge for our product, our profit margins will shrink, which will adversely affect our ability to invest in and grow our business. The sacroiliac joint fusion market has attracted numerous new companies and technologies. As a result of this increased competition, we believe there will be continuing increased pricing pressure with respect to our products.

Even to the extent our product and procedures using our product are currently covered and reimbursed by third-party private and public payors, adverse changes in coverage and reimbursement policies that affect our products, discounts, and number of implants used may also drive our prices down and harm our ability to market and sell our products.

We are unable to predict what changes will be made to the reimbursement methodologies used by third-party payors. We cannot be certain that under current and future payment systems, in which healthcare providers may be reimbursed a set amount based on the type of procedure performed, such as those utilized by Medicare and in many privately managed care systems, the cost of our products will be justified and incorporated into the overall cost of the procedure. In addition, to the extent there is a shift from inpatient setting to outpatient settings, we may experience pricing pressure and a reduction in the number of iFuse procedures performed.

Consolidation in the healthcare industry, including both third-party payors and healthcare providers, could lead to demands for price concessions or to the exclusion of some suppliers from certain of our markets, which could have an adverse effect on our business, results of operations, or financial condition. Because healthcare costs have risen significantly over the past several years, numerous initiatives and reforms initiated by legislators, regulators, and third-party payors to curb these costs have resulted in a consolidation trend in the healthcare industry to aggregate purchasing power. As the healthcare industry consolidates, competition to provide products and services to industry participants has become and will continue to become more intense. This in turn has resulted and will likely continue to result in greater pricing pressures and the exclusion of certain suppliers from important market segments as group purchasing organizations, independent delivery networks, and large single accounts continue to use their market power to consolidate purchasing decisions for hospitals. We expect that market demand, government regulation, third-party coverage, and reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances among our customers, which may reduce competition, exert further downward pressure on the prices of our products, and adversely impact our business, results of operations, or financial condition.

Physician-owned distributorships, or PODs, are medical device distributors that are owned, directly or indirectly, by physicians. We currently do not engage with PODs. These physicians profit from selling or arranging the sale of medical devices for use in procedures they perform on their own patients at hospitals that purchase the devices from the POD. The proliferation of physician-owned distributorships could result in increased pricing pressure on our products or harm our ability to sell our products to physicians who own or are affiliated with those distributorships.

As we expand into international markets, we will face similar risks relating to adverse changes in coverage and reimbursement procedures and policies in those markets.

We operate in a very competitive business environment and if we are unable to compete successfully against our existing or potential competitors, our sales and operating results may be negatively affected and we may not grow.

Our currently marketed products are, and any future products we commercialize will be, subject to intense competition. The number of competitors that we are aware of marketing sacroiliac joint fusion products in the United States has grown from zero to seven since 2008. Many of our current and potential competitors are major medical device companies that have substantially greater financial, technical, and marketing resources than we do, and they may succeed in developing products that would render our products obsolete or noncompetitive. In addition, many of these competitors have significantly longer operating history and more established reputations than we do. Our field is intensely competitive, subject to rapid change and highly sensitive to the introduction of new products or other market activities of industry participants. Our ability to compete successfully will depend on our ability to develop proprietary products that reach the market in a timely manner, receive adequate coverage and reimbursement from third-party payors, and are safer, less invasive, and more effective than alternatives available for similar purposes. Because of the size of the potential market, we anticipate that other companies will dedicate significant resources to developing competing products.

We believe that our primary competitors currently are Globus Medical, Inc., Medtronic plc, X-Spine Systems, Inc. (which is also distributed by Zimmer under a different trade name), and Zyga Technology, Inc. At any time, these or other industry participants may develop alternative treatments, products or procedures for the treatment of the sacroiliac joint that compete directly or indirectly with our products. They may also develop and patent processes or products earlier than we can or obtain domestic and international regulatory clearances or approvals and CE Certificates of Conformity for competing products in the European Economic Area, or EEA, more rapidly than we can, which could impair our ability to develop and commercialize similar processes or products. If alternative treatments are, or are perceived to be, superior to our products, sales of our products and our results of operations could be negatively affected.

Some of our larger competitors are either publicly traded or divisions or subsidiaries of publicly traded companies. These competitors may enjoy several competitive advantages over us, including:

- greater financial, human, and other resources for product research and development, sales and marketing and legal matters;
- significantly greater name recognition;
- established relationships with surgeons, hospitals, and other healthcare providers;
- large and established sales and marketing and distribution networks;
- greater experience in obtaining and maintaining domestic and international regulatory clearances or approvals, or CE Certificates of Conformity for products and product enhancements;
- more expansive portfolios of intellectual property rights; and
- greater ability to cross-sell their products or to incentivize hospitals or surgeons to use their products.

New participants have increasingly entered the medical device industry. Many of these new competitors specialize in a specific product or focus on a particular market segment, making it more difficult for us to increase our overall market position. The frequent introduction by competitors of products that are or claim to be superior to our products or that are alternatives to our existing or planned products may also create market confusion that may make it difficult to differentiate the benefits of our products over competing products. In addition, the entry of multiple new products and competitors may lead some of our competitors to employ pricing strategies that could adversely affect the pricing of our products and pricing in the market generally.

As a result, without the timely introduction of new products and enhancements, our products may become obsolete over time. If we are unable to develop innovative new products, maintain competitive pricing, and offer products that surgeons perceive to be as reliable as those of our competitors, our sales or margins could decrease, thereby harming our business.

We currently manufacture and sell only one product, which could negatively affect our operations and financial condition.

We do not sell any product other than our iFuse system. Therefore, we are solely dependent on widespread market adoption of the iFuse system and we will continue to be dependent on the success of this single product for the foreseeable future. There can be no assurance that the iFuse system will gain a substantial degree of market acceptance among surgeons, patients or healthcare providers. Our failure to successfully increase sales of the iFuse system or if the iFuse system can no longer be commercialized, would result in a material adverse effect on our results of operations and financial condition.

If we are unable to maintain and expand our network of direct sales representatives and third-party distributors, we may not be able to generate anticipated sales.

As of June 30, 2015, our U.S. sales force consisted of 58 sales representatives directly employed by us and six third-party distributors. As of June 30, 2015, our international sales force consisted of six sales representatives and exclusive third-party distributors, which together have had sales in 20 countries in 2015. Our operating results are directly dependent upon the sales and marketing efforts of both our direct sales force and of our third-party distributors.

As we launch new products and increase our marketing efforts with respect to existing products, we will need to expand the reach of our marketing and sales networks. Our future success will depend largely on our ability to continue to hire, train, retain and motivate skilled direct sales representatives and third-party distributors with significant technical knowledge in various areas, such as spine health and treatment. New hires

require training and take time to achieve full productivity. If we fail to train new hires adequately, or if we experience high turnover in our sales force in the future, we cannot be certain that new hires will become as productive as may be necessary to maintain or increase our sales. Our intention is for our direct sales representatives and third-party distributors to develop long-lasting relationships with the surgeons they serve. If our direct sales representatives or third-party distributors fail to adequately promote, market and sell our products or decide to leave or cease to do business with us, our sales could significantly decrease.

We face significant challenges and risks in managing our geographically dispersed distribution network and retaining the individuals who make up that network. Some of our international third-party distributors account for a significant portion of our international sales volume, and if any such third-party distributor were to cease to distribute our products, our sales could be adversely affected. In such a situation, we may need to seek alternative third-party distributors or increase our reliance on our direct sales representatives, which may not prevent our sales from being adversely affected. If a direct sales representative or third-party distributor were to depart and be retained by one of our competitors, we may be unable to prevent them from helping competitors solicit business from our existing customers, which could further adversely affect our sales. Because of the intense competition for their services, we may be unable to recruit or retain additional qualified third-party distributors or to hire additional direct sales representatives to work with us. Furthermore, we may not be able to enter into agreements with them on favorable or commercially reasonable terms, if at all. Failure to hire or retain qualified direct sales representatives or third-party distributors would prevent us from expanding our business and generating sales.

In addition, distribution arrangements are complex and time-consuming to negotiate and document, especially outside the United States. We may not be able to negotiate distribution arrangements on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of our products, delay their potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our products or bring them to market and generate revenue.

If we are unable to expand our sales and marketing capabilities domestically and internationally, we may not be able to effectively commercialize our products, which would adversely affect our business, results of operations, and financial condition.

We have a limited operating history and may face difficulties encountered by early stage companies in new and rapidly evolving markets.

We were formed in 2008. Accordingly, we have a limited operating history upon which to base an evaluation of our business and prospects. In assessing our prospects, you must consider the risks and difficulties frequently encountered by early stage companies in new and rapidly evolving markets, particularly companies engaged in the development and sales of medical devices. These risks include our inability to:

- increase coverage by third-party, private, and government payors;
- establish and increase awareness of our brand and strengthen customer loyalty;
- obtain domestic and international regulatory clearances or approvals, and CE Certificates of Conformity to commercialize new products and enhance our existing products;
- manage rapidly changing and expanding operations;
- grow our direct sales force and increase the number of our third-party distributors to expand sales of our products in the United States and in targeted international markets;
- implement and successfully execute our business and marketing strategy;

- respond effectively to competitive pressures and developments;
- continue to develop and enhance our products and product candidates;
- expand our presence and commence operations in international markets;
- perform clinical research and trials on our existing products and current and future product candidates; and
- attract and retain qualified personnel.

We can also be negatively affected by general economic conditions. Because of our limited operating history, we may not have insight into trends that could emerge and negatively affect our business. As a result of these or other risks, our business strategy might not be successful.

Our sales volumes and our operating results may fluctuate over the course of the year.

We have experienced and continue to experience meaningful variability in our sales and gross profit from quarter to quarter, as well as within each quarter, as a result of a number of factors, including, among other things:

- payor coverage and reimbursement;
- the number of products sold in the quarter;
- the demand for, and pricing of, our products and the products of our competitors;
- the timing of or failure to obtain domestic and international regulatory clearances, approvals, or CE Certificates of Conformity to commercialize new products and enhance our existing products;
- costs, benefits, and timing of new product introductions;
- increased competition;
- the availability and cost of components and materials;
- the number of selling days in the quarter;
- fluctuation in foreign currency exchange rates; and
- impairment and other special charges.

If our business strategy proves to be flawed or if we do not successfully implement our business strategy, our business and results of operations will be adversely affected.

Our business strategy was based on assumptions about the market that might prove wrong. We believe that various demographics and industry-specific trends will help drive growth in the market and our business, but these demographics and trends have been and will continue to be uncertain. Actual demand for our products could differ materially from projected demand if our assumptions regarding these factors prove to be incorrect or do not materialize, or if alternative treatments to those offered by our products gain widespread acceptance.

To implement our business strategy we need to, among other things, develop and introduce new products, find new applications for and improve our existing products, obtain new domestic and international regulatory clearances or approvals and CE Certificates of Conformity and domestic and international regulatory clearance or approval for new products and applications, and educate surgeons or payors about the clinical benefits and cost effectiveness of our products. We may not be able to successfully implement our business strategy. Also, our strategy of focusing exclusively on the sacroiliac joint market may limit our ability to grow. In addition, in order to increase our sales, we will need to commercialize additional products and expand our direct and third-party distributor sales forces in existing and new regions, all of which could result in our becoming subject to

additional or different foreign and domestic regulatory requirements, with which we may not be able to comply. Moreover, we may decide to alter or discontinue aspects of our business strategy and may adopt different strategies due to business or competitive factors not currently foreseen, such as new medical technologies that would make our products obsolete. Any failure to implement our business strategy may adversely affect our business, results of operations and financial condition.

Our business could suffer if we lose the services of key members of our senior management, key advisors or personnel.

We are dependent upon the continued services of key members of our senior management and a limited number of key advisors and personnel. In particular, we are highly dependent on the skills and leadership of our Chief Executive Officer, Jeffrey W. Dunn. The loss of members of our senior management team, key advisors or personnel, or our inability to attract or retain other qualified personnel or advisors, could have a material adverse effect on our business, results of operations, and financial condition. In addition, several of the members of our executive management team are not subject to non-competition agreements that restrict their ability to compete with us. Accordingly, the adverse effect resulting from the loss of certain executives could be compounded by our inability to prevent them from competing with us.

Although it will be subject to lock-up agreements and other restrictions on trading, a portion of the equity of our management team will not contain other contractual transfer restrictions at the time of this offering and may become tradable after the expiration of the 180-day lock-up agreement with the underwriters. This liquidity may represent material wealth to such individuals and impact retention and focus of existing key members of management.

Our products and product candidates may have undesirable side effects which may require them to be taken off the market, require them to include safety warnings or otherwise limit their sales.

Unforeseen adverse events related to our products or product candidates could arise either during clinical development or, if cleared, approved, or subject to CE Certificate of Conformity, after the product has been marketed. In clinical research, the most common adverse event related to our implant was leg pain resulting from misplacement. The most common adverse event for our implant procedure has been minor wound infections. Additional adverse effects from iFuse or any of our other product candidates could arise either during clinical development or, if approved, cleared, or subject to CE Certificate of Conformity, after the product has been marketed.

If we or others later identify adverse events caused by our products:

- sales of the product may decrease significantly and we may not achieve the anticipated market share;
- regulatory authorities or our Notified Body may require changes to the labeling of our product. This may include the addition of labeling statements, specific warnings, and contraindications and issuing field alerts to physicians and patients;
- we may be required to change instructions regarding the way the product is implanted or conduct additional clinical trials;
- we may be subject to limitations on how we may promote the product;
- regulatory authorities may require us to take our approved product off the market (temporarily or permanently) or to conduct other field safety corrective actions;
- we may be required to modify our product;
- we may be subject to litigation fines or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenue from the sale of our products.

Various factors outside our direct control may adversely affect manufacturing, sterilization, and distribution of our products.

The manufacture, sterilization, and distribution of our products is challenging. Changes that our suppliers may make outside the purview of our direct control can have an impact on our processes, quality of our products, and the successful delivery of products to our customers. Mistakes and mishandling are not uncommon and can affect supply and delivery. Some of these risks include:

- failure to complete sterilization on time or in compliance with the required regulatory standards;
- transportation and import and export risk;
- delays in analytical results or failure of analytical techniques that we will depend on for quality control and release of products;
- natural disasters, labor disputes, financial distress, raw material availability, issues with facilities and equipment, or other forms of disruption to business operations affecting our manufacturers or suppliers; and
- latent defects that may become apparent after products have been released and that may result in a recall of such products.

If any of these risks were to materialize, our ability to provide our products to customers on a timely basis would be adversely impacted.

We are dependent on a limited number of third-party suppliers, some of them single-source and some of them in single locations, for most of our products and components, and the loss of any of these suppliers, or their inability to provide us with an adequate supply of materials in a timely and cost effective manner, could materially adversely affect our business.

We rely on third-party suppliers to supply substantially all of our products. For us to be successful, our suppliers must be able to provide us with products and components in substantial quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable prices, and on a timely basis. We currently do not have any long term contracts with our suppliers. As a result, our suppliers can terminate their arrangements without liability. Therefore, we cannot assure you that we will be able to obtain sufficient quantities of product in the future. In addition, our anticipated growth could strain the ability of our suppliers to deliver an increasingly large supply of products, materials, and components. Suppliers often experience difficulties in scaling up production, including financial issues, or problems with production yields and quality control and assurance. For example, from time to time, we have experienced certain delays and may experience delays from our suppliers in the future. If we are unable to obtain sufficient quantities of high quality components to meet demand on a timely basis, we could lose customers, our reputation may be harmed and our business could suffer.

We generally use a small number of suppliers for our instruments and rely on one supplier for our iFuse implants. Our dependence on such a limited number of suppliers exposes us to risks, including, among other things:

- third-party contract manufacturers or suppliers may fail to comply with regulatory requirements or make errors in manufacturing that could negatively affect the safety or effectiveness of our products or cause delays in shipments of our products;
- we or our third-party manufacturers and suppliers may not be able to respond to unanticipated changes in customer orders, and if orders do not match forecasts, we or our suppliers may have excess or inadequate inventory of materials and components;

- we or our third-party manufacturers and suppliers may be subject to price fluctuations due to a lack of long-term supply arrangements for key components;
- we or our third-party manufacturers and suppliers may lose access to critical services and components, resulting in an interruption in the manufacture, assembly and shipment of our systems;
- we may experience delays in delivery by our third-party manufacturers and suppliers due to changes in demand from us or their other customers;
- fluctuations in demand for products that our third-party manufacturers and suppliers manufacture for others may affect their ability or willingness to deliver components to us in a timely manner;
- our suppliers or those of our third-party manufacturer may wish to discontinue supplying components or services to us for risk management reasons;
- we may not be able to find new or alternative components or reconfigure our system and manufacturing processes in a timely manner if the necessary components become unavailable; and
- our third-party manufacturers and suppliers may encounter financial hardships unrelated to our demand, which could inhibit their ability to fulfill our orders and meet our requirements.

If any one or more of these risks materialize, it could significantly increase our costs and impact our ability to meet demand for our products. If we are unable to satisfy commercial demand for our system in a timely manner, our ability to generate revenue would be impaired, market acceptance of our products could be adversely affected, and customers may instead purchase or use our competitors' products. Additionally, we could be forced to seek alternative sources of supply. In addition, most of our supply and manufacturing agreements do not have minimum manufacturing or purchase obligations. As such, we have no obligation to buy any given quantity of products, and our suppliers have no obligation to sell us or to manufacture for us any given quantity of components or products. As a result, our ability to purchase adequate quantities of components or our products may be limited and we may not be able to convince suppliers to make components and products available to us. Our suppliers may also encounter problems that limit their ability to supply components or manufacture products for us, including financial difficulties, damage to their manufacturing equipment or facilities, or product discontinuations. As a result, there is a risk that certain components could be discontinued and no longer available to us. We may be required to make significant "last time" purchases of component inventory that is being discontinued by the supplier to ensure supply continuity. If we fail to obtain sufficient quantities of high quality components to meet demand for our products in a timely manner or on terms acceptable to us, we would have to seek alternative sources of supply. Securing a replacement third-party manufacturer or supplier could be difficult. The introduction of new or alternative manufacturers or suppliers also may require design changes to our iFuse that are subject to domestic and international regulatory clearances or approvals and the review of our Notified Body.

Because of the nature of our internal quality control requirements, regulatory requirements, and the custom and proprietary nature of the parts, we may not be able to quickly engage additional or replacement suppliers for many of our critical components. We may also be required to assess any potential new manufacturer's compliance with all applicable regulations and guidelines, which could further impede our ability to manufacture our products in a timely manner. As a result, we could incur increased production costs, experience delays in deliveries of our products, suffer damage to our reputation, and experience an adverse effect on our business and financial results. Failure of any of our third-party suppliers to meet our product demand level would limit our ability to meet our sales commitments to our customers and could have a material adverse effect on our business.

We may also have difficulty obtaining similar components from other suppliers that are acceptable to the FDA our Notified Body the competent authorities or countries of the countries of the EEA, or other foreign regulatory authorities, and the failure of our suppliers to comply with strictly enforced regulatory requirements could expose us to delays in obtaining clearances or approvals, regulatory action including warning letters, product recalls, termination of distribution, product seizures, civil, administrative, or criminal penalties and the

suspension, variation, or withdrawal of our CE Certificates of Conformity. We could incur delays while we locate and engage qualified alternative suppliers, and we may be unable to engage alternative suppliers on favorable terms or at all. Any such disruption or increased expenses could harm our commercialization efforts and adversely affect our ability to generate sales.

In addition, each of our third-party suppliers operates at a facility in a single location and substantially all of our inventory of component supplies and finished goods is held at these locations. We, and our suppliers, take precautions to safeguard facilities, including acquiring insurance, employing back-up generators, adopting health and safety protocols, and utilizing off-site storage of computer data. However, vandalism, terrorism, or a natural or other disaster, such as an earthquake, fire, or flood, could damage or destroy equipment or our inventory of component supplies or finished products, cause substantial delays in our operations, result in the loss of key information, and cause us to incur additional expenses. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our or our suppliers' facilities could harm our business, financial condition, and operating results.

As our sales grow, we may encounter problems or delays in the assembly of our products or fail to meet certain regulatory requirements which could result in an adverse effect on our business and financial results.

To become profitable, we must assemble our products in adequate quantities in compliance with regulatory requirements and at an acceptable cost. Increasing our capacity to assemble and test our products will require us to improve internal efficiencies. We may encounter a number of difficulties in increasing our assembly and testing capacity, including:

- managing production yields;
- maintaining quality control and assurance;
- providing component and service availability;
- maintaining adequate control policies and procedures;
- hiring and retaining qualified personnel; and
- complying with state, federal, and foreign regulations.

If we are unable to satisfy commercial demand for our iFuse solution due to our inability to assemble and test, our ability to generate revenue would be impaired, market acceptance of our products could be adversely affected and customers may instead purchase or use, our competitors' products.

If we do not enhance our product offerings through our research and development efforts, we may be unable to compete effectively.

In order to increase our market share in the sacroiliac joint fusion market, we must enhance and broaden our product offerings in response to changing customer demands and competitive pressures and technologies. We might not be able to successfully develop, obtain domestic and international regulatory clearances or approvals, or CE Certificates of Conformity for, or market new products, and our future products might not be accepted by the surgeons or the third-party payors who reimburse for many of the procedures performed with our products. The success of any new product offering or enhancement to an existing product will depend on numerous factors, including our ability to:

- properly identify and anticipate surgeon and patient needs;
- develop and introduce new products or product enhancements in a timely manner;
- adequately protect our intellectual property and avoid infringing upon the intellectual property rights of third parties;
- demonstrate the safety and effectiveness of new products; and

- obtain the necessary domestic and international regulatory clearances or approvals and CE Certificates of Conformity for new products or product enhancements.

If we do not develop and obtain domestic and international regulatory clearances or approvals and CE Certificates of Conformity for new products or product enhancements in time to meet market demand, or if there is insufficient demand for these products or enhancements, our results of operations will suffer. Our research and development efforts may require a substantial investment of time and resources before we are adequately able to determine the commercial viability of a new product, technology, material, or other innovation. In addition, even if we are able to successfully develop enhancements or new generations of our products, these enhancements or new generations of products may not produce sales in excess of the costs of development and they may be quickly rendered obsolete by changing customer preferences or the introduction by our competitors of products embodying new technologies or features.

We are required to maintain adequate levels of inventory, the failure of which could consume our resources and reduce our cash flows.

As a result of the need to maintain adequate levels of inventory, we are subject to the risk of inventory obsolescence. Many of our products come in sets, which feature components in a variety of sizes so that the implant or device may be customized to the patient's needs. In order to market our products effectively, we often maintain and provide surgeons and hospitals with back-up products and products of different sizes. For each surgery, fewer than all of the components of the set are used, and therefore certain portions of the set may become obsolete before they can be used. In the event that a substantial portion of our inventory becomes obsolete, it could have a material adverse effect on our earnings and cash flows due to the resulting costs associated with the inventory impairment charges and costs required to replace such inventory.

The size and future growth in the market for iFuse implants has not been established with precision and may be smaller than we estimate, possibly materially. If our estimates and projections overestimate the size of this market, our sales growth may be adversely affected.

We are not aware of an independent third-party study that reliably reports the potential market size for our iFuse procedure. Therefore, our estimates of the size and future growth in the market for our iFuse products, including the number of people currently suffering from lower back pain who may benefit from and be amenable to our iFuse procedure, is based on a number of internal and third-party studies, surveys, reports, and estimates. While we believe these factors have historically provided and may continue to provide us with effective tools in estimating the total market for our iFuse products and procedures, these estimates may not be correct and the conditions supporting our estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. For example, the surveys we have conducted are based on a small number of respondents and are not statistically significant and may have other limitations. The actual incidence of lower back pain, and the actual demand for our products or competitive products, could differ materially from our projections if our assumptions and estimates are incorrect. As a result, our estimates of the size and future growth in the market for our iFuse products may prove to be incorrect. If the actual number of people with lower back pain who would benefit from our iFuse products and the size and future growth in the market for iFuse products is smaller than we have estimated, it may impair our projected sales growth and have an adverse impact on our business.

Our results of operations could suffer if we are unable to manage our planned international expansion effectively.

Expansion into international markets is an element of our business strategy and involves risk. The sale and shipment of our products across international borders, as well as the purchase of components and products from international sources, subject us to extensive U.S. and foreign governmental trade, import, and export and customs regulations and laws. Compliance with these regulations and laws is costly and exposes us to penalties for non-compliance. Other laws and regulations that can significantly affect us include various anti-bribery laws,

including the U.S. Foreign Corrupt Practices Act, or FCPA and the United Kingdom Bribery Act, or UKBA, anti-boycott laws, anti-money laundering laws, and regulations relating to economic sanctions imposed by the United States, including the Office of Foreign Asset Control of the U.S. Treasury. Any failure to comply with applicable legal and regulatory obligations in the United States or abroad could adversely affect us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments and restrictions on certain business activities. Also, the failure to comply with applicable legal and regulatory obligations could result in the disruption of our distribution and sales activities.

In addition, some of the countries in which we sell or plan to sell our products are, to some degree, subject to various risks, including:

- exposure to different legal and regulatory standards;
- lack of stringent protection of intellectual property;
- obstacles to obtaining domestic and foreign export, import, and other governmental approvals, permits, and licenses and compliance with foreign laws;
- potentially adverse tax consequences and the complexities of foreign value-added tax systems;
- adverse changes in tariffs and trade restrictions;
- limitations on the repatriation of earnings;
- difficulties in staffing and managing foreign operations;
- transportation delays and difficulties of managing international distribution channels;
- longer collection periods and difficulties in collecting receivables from foreign entities;
- increased financing costs;
- currency risks; and
- political, social, and economic instability and increased security concerns.

These risks may limit or disrupt our expansion, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

Our goal of a successful international expansion depends, in part, on our ability to develop and implement policies and strategies that are effective in anticipating and managing these and other risks in the countries in which we plan to do business. Failure to manage these and other risks may have a material adverse effect on our operations in any particular country and on our business as a whole.

In the future our products may become obsolete, which would negatively affect operations and financial condition.

The medical device industry is characterized by rapid and significant change. There can be no assurance that other companies will not succeed in developing or marketing devices, and products that are more effective that our iFuse system or that would render the iFuse system obsolete or noncompetitive. Additionally, new surgical procedures, medications and other therapies could be developed that replace or reduce the importance of our product. Accordingly, our success will depend in part on our ability to respond quickly to medical and changes through the development and introduction of new products. Product development involves a high degree of risk and there can be no assurance that our new product development efforts will result in any commercially successful products.

If we experience significant disruptions in our information technology systems, our business, results of operations, and financial condition could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage:

- sales and marketing, accounting, and financial functions;
- inventory management;
- engineering and product development tasks; and
- our research and development data.

Our information technology systems are vulnerable to damage or interruption from:

- earthquakes, fires, floods, and other natural disasters;
- terrorist attacks and attacks by computer viruses or hackers;
- power losses; and
- computer systems, or Internet, telecommunications, or data network failures.

The failure of our information technology systems to perform as we anticipate or our failure to effectively implement new systems could disrupt our entire operation and could result in decreased sales, increased overhead costs, excess inventory and product shortages, and legal liability issues, all of which could have a material adverse effect on our reputation, business, results of operations, and financial condition.

In addition, we accept payments for many of our sales through credit card transactions, which are handled through a third-party payment processor. As a result, we are subject to a number of risks related to credit card payments. As a result of these transactions, we pay interchange and other fees, which may increase over time and could require us to either increase the prices we charge for our products or experience an increase in our costs and expenses. In addition, as part of the payment processing process, we transmit our customers' credit card information to our third-party payment processor. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our customers' credit card information if the security of our third-party credit card payment processor is breached. We and our third-party credit card payment processor are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we or our third-party credit card payment processor fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit card payments from our customers, and there may be an adverse impact on our business.

We may seek to grow our business through acquisitions of or investments in new or complementary businesses, products or technologies, and the failure to manage acquisitions or investments, or the failure to integrate them with our existing business, could have a material adverse effect on us.

From time to time we expect to consider opportunities to acquire or make investments in other technologies, products, and businesses that may enhance our capabilities, complement our current products, or expand the breadth of our markets or customer base. Potential and completed acquisitions and strategic investments involve numerous risks, including:

- problems assimilating the purchased technologies, products, or business operations;
- issues maintaining uniform standards, procedures, controls, and policies;
- unanticipated costs and liabilities associated with acquisitions;

- diversion of management's attention from our core business;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering new markets in which we have limited or no experience;
- potential loss of key employees of acquired businesses; and
- increased legal and accounting compliance costs.

We have no current commitments with respect to any acquisition or investment. We do not know if we will be able to identify acquisitions we deem suitable, whether we will be able to successfully complete any such acquisitions on favorable terms or at all, or whether we will be able to successfully integrate any acquired business, product, or technology into our business or retain any key personnel, suppliers, or distributors. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete, and integrate suitable target businesses and to obtain any necessary financing. These efforts could be expensive and time-consuming, and may disrupt our ongoing business and prevent management from focusing on our operations. If we are unable to successfully integrate any acquired businesses, products, or technologies effectively, our business, results of operations, and financial condition will be materially adversely affected.

We may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances, or partnerships with third-parties that may not result in the development of commercially viable products or the generation of significant future revenue.

In the ordinary course of our business, we may enter into collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships, or other arrangements to develop products and to pursue new markets. We have not entered into any collaboration arrangements to date. Proposing, negotiating, and implementing collaborations, in-licensing arrangements, joint ventures, strategic alliances, or partnerships may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms or at all. We have limited institutional knowledge and experience with respect to these business development activities, and we may also not realize the anticipated benefits of any such transaction or arrangement. In particular, these collaborations may not result in the development of products that achieve commercial success or result in significant revenue and could be terminated prior to developing any products.

Additionally, we may not be in a position to exercise sole decision making authority regarding the transaction or arrangement, which could create the potential risk of creating impasses on decisions, and our future collaborators may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals. It is possible that conflicts may arise with our collaborators, such as conflicts concerning the achievement of performance milestones, or the interpretation of significant terms under any agreement, such as those related to financial obligations or the ownership or control of intellectual property developed during the collaboration. If any conflicts arise with any future collaborators, they may act in their self-interest, which may be adverse to our best interest, and they may breach their obligations to us. In addition, we may have limited control over the amount and timing of resources that any future collaborators devote to our or their future products.

Disputes between us and our collaborators may result in litigation or arbitration which would increase our expenses and divert the attention of our management. Further, these transactions and arrangements will be contractual in nature and will generally be terminable under the terms of the applicable agreements and, in such event, we may not continue to have rights to the products relating to such transaction or arrangement or may need to purchase such rights at a premium. If we enter into in-bound intellectual property license agreements, we may not be able to fully protect the licensed intellectual property rights or maintain those licenses. Future licensors could retain the right to prosecute and defend the intellectual property rights licensed to us, in which case we

would depend on the ability of our licensors to obtain, maintain and enforce intellectual property protection for the licensed intellectual property. These licensors may determine not to pursue litigation against other companies or may pursue such litigation less aggressively than we would. Further, entering into such license agreements could impose various diligence, commercialization, royalty, or other obligations on us. Future licensors may allege that we have breached our license agreement with them, and accordingly seek to terminate our license, which could adversely affect our competitive business position and harm our business prospects.

Risks Related to our Financial Results and Need for Financing

We will need to generate significant sales to become profitable.

We will need to generate significant sales to achieve profitability and we might not be able to do so. We intend to increase our operating expenses substantially as we add sales representatives and third-party distributors to increase our geographic sales coverage, submit additional investigational device exemption applications to the FDA, increase our marketing capabilities, conduct clinical trials, and increase our general and administrative functions to support our growing operations. Even if we do generate significant sales to achieve profitability, we might not be able to sustain or increase profitability on a quarterly or annual basis in the future. If our sales grow more slowly than we anticipate or if our operating expenses exceed our expectations, our financial performance will likely be adversely affected.

Our future capital needs are uncertain and we may need to raise additional funds in the future, and such funds may not be available on acceptable terms or at all.

We believe that our current cash and cash equivalents, including the proceeds from this offering together with the cash to be generated from expected product sales, will be sufficient to meet our projected operating requirements for the next 12 months. However, continued expansion of our business will be expensive and we may seek additional funds from public and private stock offerings, borrowings under our existing or future credit facilities or other sources. Our capital requirements will depend on many factors, including:

- the revenues generated by sales of our products;
- the costs associated with expanding our sales and marketing efforts;
- the expenses we incur in manufacturing and selling our products;
- the costs of developing and commercializing new products or technologies;
- the cost of obtaining and maintaining domestic and international regulatory clearances or approvals, or CE Certificates of Conformity of our products and products in development;
- the number and timing of acquisitions and other strategic transactions;
- the costs associated with our planned international expansion;
- the costs associated with increased capital expenditures, including instrument sets to support surgeries; and
- unanticipated general and administrative expenses.

As a result of these factors, we may seek to raise additional capital, and such capital may not be available on favorable terms, or at all. Furthermore, if we issue equity or convertible debt securities to raise additional capital, our existing stockholders may experience dilution, and the holders of new equity or convertible debt securities may have rights, preferences and privileges senior to those of our existing stockholders. In addition, if we raise additional capital through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to our products, potential products or proprietary technologies, or grant licenses on terms that are not favorable to us. If we cannot raise capital on acceptable terms, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to

competitive pressures, changes in our supplier relationships, or unanticipated customer requirements. Any of these events could adversely affect our ability to achieve our development and commercialization goals, which could have a material adverse effect on our business, results of operations and financial condition.

Our quarterly operating results may fluctuate significantly.

Our operating results are difficult to predict and may be subject to quarterly fluctuations. Our sales and results of operations will be affected by numerous factors, including those set forth in "Risk Factors" as well as:

- our ability to drive increased sales of our products;
- our ability to establish and maintain an effective and dedicated sales force;
- pricing pressure applicable to our products, including adverse third-party coverage and reimbursement outcomes;
- results of clinical research and trials on our existing products and products in development;
- the mix of our products sold because profit margins differ amongst our products;
- timing of new product offerings, acquisitions, licenses or other significant events by us or our competitors;
- the ability of our suppliers to timely provide us with an adequate supply of materials and components;
- the evolving product offerings of our competitors;
- factors that may affect the sale of our products, including seasonality and budgets of our customers;
- domestic and international regulatory clearances or approvals, or CE Certificates of Conformity, and legislative changes affecting the products we may offer or those of our competitors;
- interruption in the manufacturing or distribution of our products;
- the effect of competing technological, industry and market developments;
- changes in our ability to obtain domestic and international regulatory clearances or approvals, or CE Certificates of Conformity for our products;
- our ability to expand the geographic reach of our sales and marketing efforts; and
- the costs of maintaining adequate insurance coverage, including product liability insurance.

Some of the products we may seek to develop and introduce in the future will require FDA clearance or approval before commercialization in the United States, and commercialization of such products outside of the United States would likely require additional regulatory approvals, or Certificates of Conformity and import licenses. As a result, it will be difficult for us to forecast demand for these products with any degree of certainty. In addition, we will be increasing our operating expenses as we expand our commercial capabilities. Accordingly, we may experience significant, unanticipated quarterly losses. If our quarterly or annual operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly or annual fluctuations in our operating results may, in turn, cause the price of our common stock to fluctuate substantially. Quarterly comparisons of our financial results may not always be meaningful and should not be relied upon as an indication of our future performance.

We have a significant amount of debt, and we may not be able to access the capital we need under our current credit facilities on a timely basis or at all.

We have a significant amount of debt. As of June 30, 2015, we had long-term borrowings of $15.2 million. In addition, we may not be able to access the capital we need under our credit facilities with Silicon Valley Bank, or SVB, which contain specific conditions that we are required to satisfy in order to access additional capital. For

example, under our line of credit with SVB we are only able to borrow up to the lesser of $7.5 million or 80% of the amount of certain customer account receivables. As of June 30, 2015, $3.4 million of funds were available under our line of credit. Under our mezzanine loan agreement with SVB, we have an additional $5.0 million of credit available until December 31, 2015. In addition, under our growth loan agreement with SVB, we have $5.0 million of credit available until December 31, 2015 if we achieve a trailing three-month revenue of $16.0 million. We currently have not satisfied this financial condition and there can be no assurance that we will be able to satisfy this revenue condition prior to December 31, 2015. We may not be able to access all the capital we need under the SVB facilities or any future facilities and our inability to access such funds could result in a material adverse effect on business, results of operations and financial condition.

Prolonged negative economic conditions in domestic and global markets may adversely affect us, our suppliers, counterparties, and consumers, which could harm our financial position.

Global credit and financial markets have been experiencing extreme disruptions over the past several years, including severely diminished liquidity and availability of credit, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. Credit and financial markets and confidence in economic conditions might deteriorate further. Our general business strategy may be adversely affected by the recent economic downturn and volatile business environment and continued unpredictable and unstable market conditions. In addition, there is a risk that one or more of our current service providers, suppliers and other partners may not continue to operate, which could directly affect our ability to attain our operating goals on schedule and on budget. Any lender that is obligated to provide funding to us under any existing or future credit agreement with us may not be able to provide funding in a timely manner, or at all, when we require it. The cost of, or lack of, available credit or equity financing could impact our ability to develop sufficient liquidity to maintain or grow our company, which in turn may adversely affect our business, results of operations, or financial condition. We also manage cash and cash equivalents through a single financial institution in the United States. There may be a risk of loss on investments based on the volatility of the underlying instruments that will prevent us from recovering the full principal of our investments. These negative changes in domestic and global economic conditions or additional disruptions of either or both of the financial and credit markets may also affect third-party payors and may have a material adverse effect on our stock price, business, results of operations, financial condition, and liquidity.

Our existing credit facility contains restrictive covenants that may limit our operating flexibility.

Our existing credit facility with SVB contains certain restrictive covenants that limit our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of control, acquire other companies, pay dividends, incur additional indebtedness and liens, experience changes in management, and enter into new businesses. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the credit facility. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest on any such debt. Furthermore, there is no guarantee that future working capital, borrowings, or equity financing will be available to repay or refinance any such debt.

Risks Related to our Legal and Regulatory Environment

We, our suppliers, and our third-party manufacturers are subject to extensive governmental regulation both in the United States and abroad and failure to comply with applicable requirements could cause our business to suffer.

The medical device industry is regulated extensively by governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies. The FDA and other U.S. and foreign governmental agencies regulate, among other things, with respect to medical devices:

- design, development, and manufacturing;

- testing, labeling, content, and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales, and distribution;
- premarket clearance and approval;
- conformity assessment procedures;
- record keeping procedures;
- advertising and promotion;
- compliance with good manufacturing practices requirements;
- recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market approval studies; and
- product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

Before we can market or sell a new regulated product or make a significant modification to an existing product in the United States, with very limited exception, we must obtain either clearance under Section 510(k) of the FDCA for Class II devices or approval of a premarket approval, or PMA, application from the FDA for a Class III device. In the 510(k) clearance process, the FDA must determine that a proposed device is "substantially equivalent" to a device legally on the market, known as a "predicate" device, with respect to intended use, technology, and safety and effectiveness, in order to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. The PMA pathway requires an applicant to demonstrate the safety and effectiveness of the device based, in part, on extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing, and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting, or implantable devices. Products that are approved through a PMA application generally need FDA approval before they can be modified. Similarly, some modifications made to products cleared through a 510(k) may require a new 510(k). Both the 510(k) and PMA processes can be expensive and lengthy and require the payment of significant fees, unless exempt. The FDA's 510(k) clearance process usually takes from three to 12 months, but may last longer. The process of obtaining a PMA is much more costly and uncertain than the 510(k) clearance process and generally takes from one to three years, or even longer, from the time the application is submitted to the FDA until an approval is obtained. The process of obtaining domestic and international regulatory clearances or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances or approvals on a timely basis, if at all.

In the United States, our currently commercialized products have either received premarket clearance under Section 510(k) of the FDCA or are exempt from premarket review. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our sales to decline. In addition, the FDA may determine that future products will require the more costly, lengthy, and uncertain PMA process. Although we do not currently market any devices under PMA, the FDA may demand that we obtain a PMA prior to marketing certain of our future products. In addition, if the FDA disagrees with

our determination that a product we currently market is subject to an exemption from premarket review, the FDA may require us to submit a 510(k) or PMA in order to continue marketing the product. Further, even with respect to those future products where a PMA is not required, we cannot assure you that we will be able to obtain the 510(k) clearances with respect to those products.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- we may not be able to demonstrate to the FDA's satisfaction that our products are safe and effective for their intended users;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required; and
- the manufacturing process or facilities we use may not meet applicable requirements.

In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay clearance or approval of our products under development or impact our ability to modify our currently approved or cleared products on a timely basis.

Any delay in, or failure to receive or maintain, clearance or approval for our products under development could prevent us from generating revenue from these products or achieving profitability.

In addition, even after we have obtained the proper regulatory clearance or approval to market a product, the FDA has the power to require us to conduct postmarketing studies. These studies can be very expensive and time-consuming to conduct. Failure to comply with those studies in a timely manner could result in the revocation of the 510(k) clearance for the product that is subject to such a 522 Order and the recall or withdrawal of the product, which could prevent us from generating sales from that product in the United States.

In the EEA, our medical devices must comply with the Essential Requirements laid down in Annex I to the EU Medical Devices Directive (Council Directive 93/42/EEC), or Essential Requirements. Compliance with these requirements is a prerequisite to be able to affix the CE mark to our medical devices, without which they cannot be marketed or sold in the EEA. To demonstrate compliance with the Essential Requirements we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements, a conformity assessment procedure requires the intervention of a third party organization designated by the competent authorities of a EEA country to conduct conformity assessments, known as a Notified Body. The Notified Body would typically audit and examine the medical device's Technical File, the quality system for the manufacture, design and conduct a final inspection of our medical devices before issuing a CE Certificate of Conformity demonstrating compliance with the Essential Requirements or the QSR of the Medical Devices Directive.

Additionally, as part of the conformity assessment process, medical device manufacturers must carry out a clinical evaluation of their medical devices to verify that they comply with the relevant Essential Requirements covering safety and performance. A clinical evaluation includes an assessment of whether a medical device's performance is in accordance with its intended use and that the known and foreseeable risks linked to the use of the device under normal conditions are minimized and acceptable when weighed against the benefits of its intended purpose. The clinical evaluation conducted by the manufacturer must also address any clinical claims, the adequacy of the device labeling and information (particularly claims, contraindications, precautions/warnings) and the suitability of related Instructions for Use. This assessment must be based on clinical data, which can be obtained from (i) clinical studies conducted on the devices being assessed; (ii) scientific literature from similar devices whose equivalence with the assessed device can be demonstrated; or (iii) both clinical studies and scientific literature. With respect to implantable devices, or devices classified as Class III in the EU,

the manufacturer must conduct clinical studies to obtain the required clinical data, unless the relying on existing clinical data from similar devices can be justified. As part of the conformity assessment procedure, depending on the type of devices, the Notified Body will review the manufacturer's clinical evaluation for the medical device. The conduct of clinical studies to obtain clinical data that might be required as part of the described clinical evaluation process can be expensive and time-consuming.

The FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could dissuade some surgeons from using our products and adversely affect our reputation and the perceived safety and effectiveness of our products.

Failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as:

- warning letters;
- fines;
- injunctions;
- civil penalties;
- termination of distribution;
- recalls or seizures of products;
- delays in the introduction of products into the market;
- total or partial suspension of production;
- facility closures;
- refusal of the FDA or our Notified Body or other regulator to grant future clearances or approvals or to issue CE Certificates of Conformity;
- withdrawals or suspensions of current clearances or approvals and CE Certificates of Conformity, resulting in prohibitions on sales of our products; and/or
- in the most serious cases, criminal penalties.

Adverse action by an applicable regulatory agency, our Notified Body or the FDA could result in inability to produce our products in a cost-effective and timely manner, or at all, decreased sales, higher prices, lower margins, additional unplanned costs or actions, damage to our reputation, and could have material adverse effect on our reputation, business, results of operations, and financial condition.

We and our distributor sales representatives must comply with U.S. federal and state fraud and abuse laws, including anti-kickback and false claims and equivalent foreign rules.

We are exposed to the risk that our employees, independent contractors, principal investigators, consultants, vendors, or third-party distributors may engage in fraudulent or other illegal activity. Misconduct by these parties could include, among other infractions or violations, intentional, reckless and/or negligent conduct or unauthorized activity that violates FDA regulations, manufacturing standards, federal and state healthcare fraud and abuse laws and regulations, laws that require the true, complete, and accurate reporting of financial information or data, other commercial or regulatory laws or requirements, and equivalent foreign rules. We have a Compliance program, Code of Conduct, and associated policies and procedures, but it is not always possible to identify and deter misconduct by our employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

There are numerous U.S. federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback and false claims laws. Our relationships and our distributors' relationships with surgeons, other healthcare professionals, and hospitals are subject to scrutiny under these laws.

Healthcare fraud and abuse laws and related regulations are complex, and even minor irregularities can potentially give rise to claims that a statute or prohibition has been violated. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, items or services for which payment may be made, in whole or in part, under federal healthcare programs, such as the Medicare and Medicaid programs;
- the federal civil False Claims Act, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false or fraudulent claims for payment of government funds or knowingly making, using, or causing to be made or used, a false record or statement to get a false claim paid. There are also criminal penalties for making or presenting a false or fictitious or fraudulent claim to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, which created federal criminal laws that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program including private third-party payors;
- the federal Physician Payment Sunshine Act, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program to report annually with certain exceptions to the Centers for Medicare & Medicaid Services, or CMS, information related to payments or other "transfers of value" made to physicians and teaching hospitals, and requires applicable manufacturers and group purchasing organizations to report annually to CMS ownership and investment interests held by physicians and their immediate family members and payments or other "transfers of value" to such physician owners;
- the federal Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions, which generally prohibit companies and their intermediaries from making improper payments to government officials and/or other persons for the purpose of obtaining or retaining business; and
- analogous state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require device companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Violations of these laws can subject us to administrative, civil and criminal penalties, including imprisonment, fines, damages, and exclusion from participation in federal healthcare programs, including Medicare and Medicaid. Additional information about these laws is provided in "Business—Regulation."

In November 2014, we learned that a surgeon, consultant, and stockholder received a Civil Investigative Demand, or CID, from the United States Department of Justice issued pursuant to the False Claims Act requesting documents, interrogatories and oral testimony related to a False Claims Act investigation concerning the billing of iFuse Implant System procedures and our financial relationship with the surgeon. CIDs are served most often to investigate allegations made in a whistleblower action (i.e., *qui tam* action) filed under the federal civil False Claims Act, which permits any individual who purports to have knowledge that false or fraudulent claims have been submitted for government funds to bring suit on behalf of the United States. Such actions are required to be filed under seal and must be investigated by the Department of Justice to assess the merits of the allegations and to determine the whether it will intervene in the case on behalf of the government. See 31 U.S.C. §§ 3730, 3733. The Department of Justice has not contacted us in connection with this matter.

We have entered into consulting agreements and royalty agreements with surgeons, including some who are customers. We also engage in co-marketing arrangements with certain surgeons who use our products. In addition, a small number of our current customer surgeons own less than 1.0% of our stock, which they either purchased in an arm's length transaction on terms identical to those offered to others, or received from us as fair market value consideration for consulting services performed. While all of these transactions were structured with the intention of complying with all applicable laws, including the federal Anti-Kickback Statute, state anti-kickback laws and other applicable laws, to the extent applicable, it is possible that regulatory agencies may view these transactions as prohibited arrangements that must be restructured, or discontinued, or for which we could be subject to significant penalties. We would be materially and adversely affected if regulatory agencies interpret our financial relationships with surgeons who order our products to be in violation of applicable laws and we were unable to comply with such laws, which could subject us to, among other things, monetary penalties for non-compliance, the cost of which could be substantial.

In certain cases, federal and state authorities pursue actions for false claims on the basis that manufacturers and distributors are promoting unapproved, or "off-label" uses of their products. Pursuant to FDA regulations, we can only market our products for cleared or approved uses. Although surgeons are permitted to use medical devices for indications other than those cleared or approved by the FDA, we are prohibited from promoting products for "off-label" uses. We market our products and provide promotional materials and training programs to surgeons regarding the use of our products. If it is determined that our marketing, promotional materials or training programs constitute promotion of unapproved uses, we could be subject to significant fines in addition to regulatory enforcement actions, including the issuance of a warning letter, injunction, seizure, criminal penalty, and damage to our reputation.

Federal and state authorities also pursue actions for false claims based upon improper billing and coding advice or recommendations, as well as decisions related to the medical necessity of procedures, including the site-of-service where procedures are performed. If it is determined that we or our employees engaged in prohibited behavior, we could be subject to significant fines, damage to our reputation, and possible exclusion from participation in government reimbursement programs.

To enforce compliance with the federal laws, the U.S. Department of Justice, has increased its scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Dealing with investigations can be time- and resource-consuming and can divert management's attention from the business. Additionally, if a healthcare company settles an investigation with the Department of Justice or other law enforcement agencies, it may need to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

The scope and enforcement of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that we may run afoul of one or more of the requirements or that federal or state regulatory authorities might challenge our current or future activities under these laws. Additionally, we cannot predict the impact of any changes in these laws, whether or not retroactive.

We are subject to risks associated with our non-U.S. operations.

The FCPA prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Other anti-corruption or anti-bribery laws, such as the United Kingdom Anti-Bribery Act, or UKBA, prohibit companies and their intermediaries from making improper payments to anyone for the purpose of obtaining or retaining business. The FCPA also imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are

intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of slush funds from which such improper payments can be made. Because of the predominance of government-sponsored healthcare systems around the world, many of our customer relationships outside of the United States are with governmental entities and are therefore subject to such anti-bribery laws. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and result in a material adverse effect on our business, results of operations and financial condition. We also could suffer severe penalties, including criminal and civil penalties, disgorgement and other remedial measures, including further changes or enhancements to our procedures, policies and controls, as well as potential personnel changes and disciplinary actions.

Furthermore, we are subject to anti-boycott laws, anti-money laundering laws, and the export controls and economic embargo rules and regulations of the United States, including, but not limited to, the Export Administration Regulations and trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control within the Department of the Treasury, as well as the laws and regulations administered by the Department of Commerce. These regulations limit our ability to market, sell, distribute or otherwise transfer our products or technology to prohibited countries or persons. A determination that we have failed to comply, whether knowingly or inadvertently, may result in substantial penalties, including fines and enforcement actions and civil and/or criminal sanctions, the disgorgement of profits and the imposition of a court-appointed monitor, as well as the denial of export privileges, and may have an adverse effect on our reputation.

Even if our products are approved by regulatory authorities or CE marked, if we, our contractors, or our suppliers fail to comply with ongoing FDA or other foreign regulatory requirements, or if we experience unanticipated problems with our products, these products could be subject to restrictions or withdrawal from the market.

Any product for which we obtain regulatory clearance or approval, or a CE Certificate of Conformity, and the manufacturing processes, reporting requirements, post-approval clinical data, and promotional activities for such product, will be subject to continued regulatory review, oversight and periodic inspections by the FDA, our Notified Body and other domestic and foreign regulatory bodies. In particular, we and our suppliers are required to comply with FDA's Quality System Regulations, or QSR, and International Standards Organization, regulations for the manufacture of our products and other regulations which cover the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, storage, and shipping of any product for which we obtain regulatory clearance or approval, or a CE Certificate of Conformity.

The failure by us or one of our suppliers to comply with applicable statutes and regulations, or the failure to timely and adequately respond to any adverse inspectional observations or product safety issues, could result in, among other things, any of the following enforcement actions:

- untitled letters, warning letters, fines, injunctions, consent, and civil penalties;
- unanticipated expenditures to address or defend such actions;
- customer notifications for repair, replacement, refunds;
- recall, detention, or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying our requests for 510(k) clearance or premarket approval and conformity assessments of new products or modified products;
- limitations on the intended uses for which the product may be marketed;

- operating restrictions;
- withdrawing 510(k) clearances on PMA approvals that have already been granted;
- suspension or withdrawal of CE Certificates of Conformity;
- refusal to grant export approval for our products; or
- criminal prosecution.

In addition, we may be required to conduct costly post-market testing and surveillance to monitor the safety or effectiveness of our products, and we must comply with medical device reporting requirements, including the reporting of adverse events and malfunctions related to our products. Later discovery of previously unknown problems with our products, including unanticipated adverse events or adverse events of unanticipated severity or frequency, manufacturing problems, or failure to comply with regulatory requirements such as QSR, may result in changes to labeling, restrictions on such products or manufacturing processes, withdrawal of the products from the market, voluntary or mandatory recalls, a requirement to repair, replace, or refund the cost of any medical device we manufacture or distribute, fines, suspension, variation, or withdrawal of regulatory approvals or CE Certificates of Conformity, product seizures, injunctions, or the imposition of civil, administrative, or criminal penalties which would adversely affect our business, operating results, and prospects.

If the FDA determines that our promotional materials, labeling, training or other marketing or educational activities constitute promotion of an unapproved use, it could request that we cease or modify our training or promotional materials or subject us to regulatory enforcement actions. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our training or other promotional materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement.

If any of these actions were to occur it would harm our reputation and cause our product sales and profitability to suffer and may prevent us from generating revenue. Furthermore, our key component suppliers may not currently be or may not continue to be in compliance with all applicable regulatory requirements, which could result in our failure to produce our products on a timely basis and in the required quantities, if at all.

The FDA inspected our facilities in May 2014. As a result, we received a Notice of Inspectional Observations, or Form 483, with three observations that have since been addressed with a corrective and preventative action, or CAPA, plan. We responded to the Agency in writing and the matter was closed as of October 2014 through the issuance of an Establishment Inspection Report. To date, the FDA has not taken any further action with respect to the May 2014 inspection or its findings.

Our employees, independent contractors, consultants, manufacturers, and third-party distributors may engage in misconduct or other improper activities, relating to regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, consultants, manufacturers, and third-party distributors may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates FDA regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA, manufacturing standards, federal and state healthcare laws and regulations, and laws that require the true, complete and accurate reporting of financial information or data. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Misconduct by these parties could also involve the improper use of individually identifiable information, including, without limitation, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have a Compliance program, Code of Conduct and associated policies and procedures, but it is not always possible to identify and deter misconduct, and the precautions we take to detect and prevent this activity may not be effective in

controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, including, without limitation, damages, fines, disgorgement of profits, imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations.

We may be subject to enforcement action, including fines, penalties or injunctions, if we are determined to be engaging in the off-label promotion of our products.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of off-label use. Physicians may use our products off-label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. In the United States, iFuse is intended for sacroiliac joint fusion for conditions, including sacroiliac joint dysfunction that is a direct result of sacroiliac joint disruption and degenerative sacroiliitis. This includes conditions whose symptoms began during pregnancy or in the peripartum period and have persisted postpartum for more than six months. We believe that the specific surgical procedures for which our products are marketed fall within the scope of the surgical applications that have been cleared by the FDA. However, if the FDA determines that our promotional materials or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials, require us to stop promoting our products for those specific procedures until we obtain FDA clearance or approval for them, or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fines, and criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged and adoption of the products would be impaired. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. In addition, the off-label use of our products may increase the risk of injury to patients, and, in turn, the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention, result in substantial damage awards against us and harm our reputation.

A recall of our products, either voluntarily or at the direction of the FDA or another governmental authority, including foreign governmental authorities, or the discovery of serious safety issues or malfunctions with our products, can result in voluntary corrective actions or agency enforcement actions, which could have a significant adverse impact on us.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found.

In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is a reasonable probability that the device would cause serious injury or death. In addition, foreign governmental bodies have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government-mandated or voluntary recall by us or one of our third-party distributors could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects, or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our reputation, results of operations, and financial condition, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We may also be required to bear other costs or take other actions that may have a negative impact on our future sales and our ability to generate profits.

The FDA requires that certain classifications of recalls be reported to FDA within 10 working days after the recall is initiated. Companies are required to maintain certain records of recalls, even if they are not reportable to the FDA. We may initiate voluntary recalls involving our products in the future that we determine do not require notification of the FDA. If the FDA disagrees with our determinations, they could require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our sales. In addition, the FDA could take enforcement action for failing to report the recalls when they were conducted.

Further, under the FDA's medical device reporting, regulations, we are required to report to the FDA any information that our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. If we fail to report these events to the FDA within the required timeframes, or at all, FDA could take enforcement action against us. Any such adverse event involving our products or repeated product malfunctions may result in a voluntary or involuntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection or enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit could divert managerial and financial resources, impair our ability to manufacture our products in a cost-effective and timely manner, and have an adverse effect on our reputation, results of operations and financial condition.

In the EEA we must comply with the EU Medical Device Vigilance System. Under this system, incidents must be reported to the relevant authorities of the Member States of the EEA, and manufacturers are required to take Field Safety Corrective Actions, or FSCAs, to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. An incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labeling or the instructions for use which, directly or indirectly, might lead to or might have led to the death of a patient or user or of other persons or to a serious deterioration in their state of health. An FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices.

Any adverse event involving our products, whether in the United States or abroad, could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

Modifications to our products may require new 510(k) clearances or premarket approvals and new conformity assessment by our Notified Body, or may require us to cease marketing or recall the modified products until clearances, approvals, or CE Certificates of Conformity are obtained.

Any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, requires a new 510(k) clearance or, possibly, a PMA. The FDA requires every manufacturer make and document this determination in the first instance. A manufacturer may determine that a modification could not significantly affect safety or effectiveness and does not represent a major change in its intended use, so that no new 510(k) clearance is necessary. FDA may review any manufacturer's decision and may not agree with our decisions regarding whether new clearances or approvals are necessary. The FDA may also on its own initiative determine that a new clearance or approval is required. We have made modifications to our products in the past and may make additional modifications in the future that we believe do not or will not require additional clearances or approvals. If the FDA disagrees and requires new clearances or approvals for the modifications, we may be required to recall and to stop marketing our products as modified until clearance or approvals can be obtained, which could require us to redesign our products and harm our operating results. In these circumstances, we may be subject to significant enforcement actions.

We have modified some of our 510(k) cleared products, and have determined based on our review of the applicable FDA guidance that in certain instances new 510(k) clearances or PMAs are not required. If the FDA disagrees with our determination and requires us to submit new 510(k) clearances or PMAs for modifications to our previously cleared products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant enforcement action, regulatory fines, or penalties.

If a manufacturer determines that a modification to an FDA-cleared device could significantly affect its safety or effectiveness, or would constitute a major change in its intended use, then the manufacturer must file for a new 510(k) clearance or possibly a premarket approval application. Where we determine that modifications to our products require a new 510(k) clearance or premarket approval application, we may not be able to obtain those additional clearances or approvals for the modifications or additional indications in a timely manner, or at all. FDA's ongoing review of the 510(k) program may make it more difficult for us to make modifications to our previously cleared products, either by imposing more strict requirements on when a new 510(k) for a modification to a previously cleared product must be submitted, or applying more onerous review criteria to such submissions.

In the EEA, we must inform the Notified Body that carried out the conformity assessment of the medical devices we market or sell in the EEA of any planned substantial changes to our quality system or changes to our devices which could affect compliance with the essential requirements or the devices' intended use. The Notified Body will then assess the changes and verify whether they affect the products' conformity. There can be no assurances that the assessment will be favorable and that the Notified Body will attest our compliance with the essential requirements, which will prevent us from selling our products in the EEA.

Obtaining regulatory clearances or approvals and CE Certificates of Conformity can be a time consuming process, and delays in obtaining required future regulatory clearances or approvals, and CE Certificates of Conformity would adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn would harm our future growth.

There is no guarantee that the FDA will grant 510(k) clearance or premarket approval of our future products or that our Notified Body will issue the required CE Certificate of Conformity, and failure to obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

We are in the process of developing our regulatory strategies for obtaining clearance or approval for future products. Some of them may require 510(k) clearance by the FDA or a new CE Certificate of Conformity. Other future products may require premarket approval. In addition some of our new products may require clinical trials to support regulatory approval and we may not successfully complete these clinical trials. The FDA may not approve or clear these products or our Notified Body issue CE Certificate of Conformity for the indications that are necessary or desirable for successful commercialization. Indeed, the FDA may refuse our requests for 510(k) clearance or premarket approval of new products, new intended uses, or modifications to existing products. Failure to receive clearance or approval for our new products would have an adverse effect on our ability to expand our business.

If the third parties on which we rely to conduct our clinical trials and to assist us with pre-clinical development do not perform as contractually required or expected, we may not be able to obtain regulatory approval for or commercialize our products.

We do not have the ability to independently conduct our pre-clinical and clinical trials for our products and we must rely on third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct such trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if these third parties need to be replaced, or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical

protocols or regulatory requirements or for other reasons, our pre-clinical development activities or clinical trials may be extended, delayed, suspended, or terminated, and we may not be able to obtain regulatory approval or CE Certificates of Conformity for, or successfully commercialize, our products on a timely basis, if at all, and our business, operating results, and prospects may be adversely affected. Furthermore, our third-party clinical trial investigators may be delayed in conducting our clinical trials for reasons outside of their control.

We may fail to obtain or maintain foreign regulatory approvals to market our products in other countries.

We currently market our products internationally and intend to expand our international marketing. International jurisdictions require separate regulatory approvals and compliance with numerous and varying regulatory requirements. For example, we intend to continue to seek domestic and international regulatory clearance to market our primary products Asia, Latin America, and the Middle East and other key markets. The approval procedures vary among countries and may involve requirements for substantial additional testing, and the time required to obtain approval may differ from country to country and from that required to obtain FDA clearance or approval or to obtain CE Certificates of Conformity.

Clearance or approval by the FDA or obtaining a CE Certificate of Conformity does not ensure approval or certification by regulatory authorities in other countries or jurisdictions, and approval or certification by one foreign regulatory authority does not ensure approval or certification by regulatory authorities in other foreign countries or by the FDA, and the CE marking of our products in the EEA. The foreign regulatory approval or certification process may include all of the risks associated with obtaining FDA clearance or approval, or a CE Certificate of Conformity for a medical device in the EEA in addition to other risks. In addition, the time required to obtain foreign approval may differ from that required to obtain FDA clearance or approval, or a CE Certificate of Conformity in the EEA and we may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals or certifications and may not receive necessary approvals to commercialize our products in any market. If we fail to receive necessary approvals or certifications to commercialize our products in foreign jurisdictions on a timely basis, or at all, our business, results of operations, and financial condition could be adversely affected.

Clinical trials necessary to support a 510(k) or PMA application or a conformity assessment procedure will be expensive and may require the enrollment of large numbers of patients, and suitable patients may be difficult to identify and recruit. Delays or failures in our clinical trials will prevent us from commercializing any modified or new products and will adversely affect our business, operating results and prospects.

Initiating and completing clinical trials necessary to support a PMA application for our future products and additional safety and effectiveness data beyond that typically required for a 510(k) clearance for iFuse, as well as other possible future product candidates, and to support a conformity assessment procedure will be time consuming and expensive and the outcome uncertain. Moreover, the results of early clinical trials are not necessarily predictive of future results, and any product we advance into clinical trials may not have favorable results in later clinical trials.

Conducting successful clinical studies may require the enrollment of large numbers of patients, and suitable patients may be difficult to identify and recruit. Patient enrollment in clinical trials and completion of patient participation and follow-up depends on many factors, including the size of the patient population, the nature of the trial protocol, the attractiveness of, or the discomforts and risks associated with, the treatments received by enrolled subjects, the availability of appropriate clinical trial investigators, support staff, and proximity of patients to clinical sites and able to comply with the inclusion and exclusion criteria for participation in the clinical trial and patient compliance. Development of sufficient and appropriate clinical protocols to demonstrate safety and effectiveness are required and we may not adequately develop such protocols to support clearance and approval. Further, the FDA or our Notified Body may require us to submit data on a greater number of patients than we originally anticipated and/or for a longer follow-up period or change the data collection requirements or data analysis applicable to our clinical trials. Delays in patient enrollment or failure of patients to continue to

participate in a clinical trial may cause an increase in costs and delays in the approval and attempted commercialization of our products or result in the failure of the clinical trial. In addition, despite considerable time and expense invested in our clinical trials, the FDA or our Notified Body may not consider our data adequate to demonstrate safety and effectiveness. Such increased costs and delays or failures could adversely affect our business, operating results and prospects.

Our facility and our clinical investigational sites operate under procedures that govern the conduct and management of FDA-regulated clinical studies under 21 CFR Parts 50 and 812, and Good Clinical Practices. The FDA may conduct Bioresearch Monitoring inspections of us and/or our clinical sites to assess compliance with 21 CFR Parts 50 and 812, our procedures, and the clinical protocol. If the FDA were to find that we or our clinical investigators are not operating in compliance with applicable regulations, we could be subject to the above FDA enforcement action as well as refusal to accept all or part of our data in support of our 510(k) or PMA, or we may need to conduct additional studies.

The results of our clinical trials may not support our product candidate claims or may result in the discovery of adverse side effects.

Even if our clinical trials are completed as planned, we cannot be certain that their results will support our product candidate claims or that the FDA, foreign authorities, or our Notified Body will agree with our conclusions regarding them. Success in pre-clinical studies and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the later trials will replicate the results of prior trials and pre-clinical studies. The clinical trial process may fail to demonstrate that our product candidates are safe and effective for the proposed indicated uses, which could cause us to abandon a product candidate and may delay development of others. Any delay or termination of our clinical trials will delay the filing of our product submissions and, ultimately, our ability to commercialize our product candidates and generate revenue. It is also possible that patients enrolled in clinical trials will experience adverse side effects that are not currently part of the product candidate's profile.

U.S. legislative or FDA or foreign regulatory reforms may make it more difficult and costly for us to obtain regulatory clearances or approvals, or CE Certificates of Conformity for our product candidates and to manufacture, market, and distribute our products after approval is obtained.

From time to time, Congress introduces legislation that could significantly change the statutory provisions governing the regulatory approval, manufacture, and marketing of regulated products or the reimbursement thereof. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of future products. In addition, FDA regulations and guidance are often revised or reinterpreted by the agency in ways that may significantly affect our business and our products. It is impossible to predict whether legislative changes will be enacted or FDA regulations, guidance, or interpretations changed, and what the impact of such changes, if any, may be.

For example, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. For example, in 2011, the FDA initiated a review of the premarket clearance process in response to internal and external concerns regarding the 510(k) program, announcing 25 action items designed to make the process more rigorous and transparent. In addition, as part of the Food and Drug Administration Safety and Innovation Act of 2012, Congress enacted several reforms entitled the Medical Device Regulatory Improvements and additional miscellaneous provisions that will further affect medical device regulation both pre- and post-approval. The FDA has implemented, and continues to implement, these reforms, which could impose additional regulatory requirements upon us and delay our ability to obtain new 510(k) clearances, increase the costs of compliance or restrict our ability to maintain our current clearances. Any change in the laws or regulations that govern the clearance and approval processes relating to our current and future products could make it more difficult and costly to obtain clearance or approval for new products, or

to produce, market, and distribute existing products. Significant delays in receiving clearance or approval, or the failure to receive clearance or approval for our new products would have an adverse effect on our ability to expand our business.

Another example can be found in the EEA. On September 26, 2012, the European Commission adopted a package of legislative proposals designed to replace the existing regulatory framework for medical devices in the EEA. These proposals are intended to strengthen the medical devices rules in the EEA. On October 22, 2013, the European Parliament voted in favor of an amended draft of the regulations. On June 19, 2015, the Council proposed another amended text. Trialogue discussions between the European Commission, the Parliament and the Council are expected to begin in Autumn 2015. Final adoption of the regulations is anticipated in early 2016.

The sales of our products depend in part on the availability of coverage and reimbursement from third-party payors such as government health administration authorities, private health insurers, health maintenance organizations and other healthcare-related organizations. Recent political, economic and regulatory influences are subjecting the healthcare industry to fundamental changes that can impact coverage and reimbursement from third-party payors. For example, Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2011, among other things, reduced and/or limited Medicare reimbursement to certain providers. Other federal laws established sequestration (i.e., automatic spending reductions), which further reduces Medicare's payments to providers by two percent through 2024. These reductions reduce reimbursement for our products, which could potentially negatively impact our revenue, and may reduce providers' revenues or profits, which could affect their ability to purchase new technologies. Both the federal and state governments in the United States and foreign governments continue to propose and pass new legislation and regulations designed to contain or reduce the cost of healthcare. Such legislation and regulations may result in decreased reimbursement for medical devices, which may further exacerbate industry-wide pressure to reduce the prices charged for medical devices. This could harm our ability to market our products and generate sales.

Our financial performance may be adversely affected by medical device tax provisions in the healthcare reform laws.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2011, imposes, among other things, an annual excise tax on any entity that manufactures or imports medical devices offered for sale in the United States. Under these provisions, the Congressional Research Service predicts that the total cost to the medical device industry may be up to $20 billion over the next decade. We are subject to this excise tax on our sales of iFuse.

We may incur product liability losses, and insurance coverage may be inadequate or unavailable to cover these losses.

Our business exposes us to potential product liability claims that are inherent in the testing, design, manufacture and sale of medical devices for sacroiliac joint surgery procedures. Sacroiliac joint surgery involves significant risk of serious complications, including bleeding, nerve injury, paralysis and even death. In addition, if longer-term patient results and experience indicates that our products or any component of a product cause tissue damage, motor impairment or other adverse effects, we could be subject to significant liability. Surgeons may misuse or ineffectively use our products, which may result in unsatisfactory patient outcomes or patient injury. We could become the subject of product liability lawsuits alleging that component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information resulted in an unsafe condition or injury to patients. Product liability lawsuits and claims, safety alerts, or product recalls, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation, our ability to attract and retain customers and our results of operations or financial condition. We are aware of two patient deaths taking place following an iFuse procedure and a medical device report was filed for each case with the FDA. The first patient death occurred in 2012 when a patient suffered a ruptured inferior vena cava approximately one week after a procedure. The timing and the location of the rupture did not suggest that the

injury resulted from the procedure. We recently learned of a second death that occurred in 2013 approximately six hours after the procedure. According to a report on the case, an autopsy revealed a perforated iliac artery close to the implant, possibly caused by a drill wire guide, but the exact source of the bleeding could not be identified. Furthermore, the patient's blood was found to contain toxic levels of an unprescribed pain killer (tramadol), which was found to be co-responsible for the death. To date, neither of these deaths has resulted in a claim or investigation that our iFuse implant malfunctioned or had a defect.

Although we maintain third-party product liability insurance coverage, it is possible that claims against us may exceed the coverage limits of our insurance policies or cause us to record a self-insured loss. Even if any product liability loss is covered by an insurance policy, these policies typically have substantial retentions or deductibles that we are responsible for. Product liability claims in excess of applicable insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

In addition, any product liability claim brought against us, with or without merit, could result in an increase of our product liability insurance rates. Insurance coverage varies in cost and can be difficult to obtain, and we cannot guarantee that we will be able to obtain insurance coverage in the future on terms acceptable to us or at all.

We are subject to environmental laws and regulations that can impose significant costs and expose us to potential financial liabilities.

The manufacture of certain of our products, including our implants and products, and the handling of materials used in the product testing process, including in our cadaveric laboratory, involve the use of biological, hazardous and/or radioactive materials and wastes. Our business and facilities and those of our suppliers are subject to foreign, federal, state, and local laws and regulations relating to the protection of human health and the environment, including those governing the use, manufacture, storage, handling, and disposal of, and exposure to, such materials and wastes. In addition, under some environmental laws and regulations, we could be held responsible for costs relating to any contamination at our past or present facilities and at third-party waste disposal sites even if such contamination was not caused by us. A failure to comply with current or future environmental laws and regulations could result in severe fines or penalties. Any such expenses or liability could have a significant negative impact on our business, results of operations and financial condition.

Risks Related to our Intellectual Property and Potential Litigation

Our ability to protect our intellectual property and proprietary technology is uncertain.

We rely primarily on patent, copyright, trademark and trade secret laws, as well as confidentiality and non-disclosure agreements and other methods, to protect our proprietary technologies and know-how. As of June 30, 2015, we owned 18 issued U.S. patents and had 28 pending U.S. patent applications, and we owned one issued foreign patent and had 46 pending foreign patent applications. We also have eight pending U.S. trademark applications and 53 pending foreign trademark applications, as well as 43 trademark registrations, including eight U.S. trademark registrations and 35 foreign trademark registrations.

We have applied for patent protection relating to certain existing and proposed products and processes. While we generally apply for patents in those countries where we intend to make, have made, use, or sell patented products, we may not accurately predict all of the countries where patent protection will ultimately be desirable. If we fail to timely file a patent application in any such country, we may be precluded from doing so at a later date. Furthermore, we cannot assure you that any of our patent applications will be approved. The rights granted to us under our patents, including prospective rights sought in our pending patent applications, may not be meaningful or provide us with any commercial advantage. In addition, those rights could be opposed, contested, or circumvented by our competitors or be declared invalid or unenforceable in judicial or administrative proceedings. The failure of our patents to adequately protect our technology might make it easier for our competitors to offer the same or similar products or technologies. Competitors may be able to design

around our patents or develop products that provide outcomes which are comparable to ours without infringing on our intellectual property rights. Due to differences between foreign and U.S. patent laws, our patented intellectual property rights may not receive the same degree of protection in foreign countries as they would in the United States. Even if patents are granted outside the United States, effective enforcement in those countries may not be available. Since most of our issued patents are for the United States only, we lack a corresponding scope of patent protection in other countries. In countries where we do not have significant patent protection, we may not be able to stop a competitor from marketing products in such countries that are the same as or similar to our products.

We rely on our trademarks, trade names and brand names to distinguish our products from the products of our competitors, and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe upon our trademarks, or that we will have adequate resources to enforce our trademarks.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements intellectual property assignment agreements with parties that have access to it, such as our officers, employees, consultants and advisors. However, in the event of unauthorized use or disclosure or other breaches of such agreements, we may not be provided with meaningful protection for our trade secrets or other proprietary information. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our commercial partners, collaborators, employees and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. If any of our trade secrets, know-how or other technologies not protected by a patent were to be disclosed to or independently developed by a competitor, our business, financial condition, and results of operations could be materially adversely affected.

In the future, we may enter into licensing agreements to maintain our competitive position. If we enter into in-bound intellectual property license agreements, we may not be able to fully protect the licensed intellectual property rights or maintain those licenses. Future licensors could retain the right to prosecute and defend the intellectual property rights licensed to us, in which case we would depend on the ability of our licensors to obtain, maintain and enforce intellectual property protection for the licensed intellectual property. These licensors may determine not to pursue litigation against other companies or may pursue such litigation less aggressively than we would. Further, entering into such license agreements could impose various diligence, commercialization, royalty, or other obligations on us. Future licensors may allege that we have breached our license agreement with them, and accordingly seek damages or to terminate our license, which could adversely affect our competitive business position and harm our business prospects.

If a competitor infringes upon one of our patents, trademarks, or other intellectual property rights, enforcing those patents, trademarks and other rights may be difficult and time consuming. Even if successful, litigation to defend our patents and trademarks against challenges or to enforce our intellectual property rights could be expensive and time consuming and could divert management’s attention from managing our business. Moreover, we may not have sufficient resources to defend our patents or trademarks against challenges or to enforce our intellectual property rights. In addition, if third parties infringe any intellectual property that is not material to the products that we make, have made, use or sell, it may be impractical for us to enforce this intellectual property against those third parties.

We may be subject to damages resulting from claims that we, our employees, or our third-party distributors have wrongfully used or disclosed alleged trade secrets of our competitors or are in breach of non-competition or non-solicitation agreements with our competitors.

Many of our employees were previously employed at other medical device companies, including our competitors or potential competitors, in some cases until recently. Some of our third-party distributors sell, or in the past have sold, products of our competitors. We may be subject to claims that we, our employees, or our third-party distributors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these former employers or competitors. In addition, we have been and may in the future be subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement. Even if we are successful in defending against these claims, litigation could result in substantial costs, divert the attention of management from our core business and harm our reputation. If our defense to those claims fails, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. There can be no assurance that this type of litigation will not continue, and any future litigation or the threat thereof may adversely affect our ability to hire additional direct sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize product candidates, which could have an adverse effect on our business, results of operations and financial condition.

The medical device industry is characterized by patent litigation and we could become subject to litigation that could be costly, result in the diversion of management's time and efforts, require us to pay damages, and/or prevent us from developing or marketing our existing or future products.

Our commercial success will depend in part on not infringing the patents or violating the other proprietary rights of third parties. Significant litigation regarding patent rights exists in our industry. Our competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make and sell our products. We have not conducted an independent review of patents issued to third parties. The large number of patents, the rapid rate of new patent issuances, the complexities of the technology involved, and the uncertainty of litigation increase the risk of business assets and management's attention being diverted to patent litigation. Any litigation or claim against us, even those without merit, may cause us to incur substantial costs, and could place a significant strain on our financial resources, divert the attention of management from our core business, and harm our reputation. Further, as the number of participants in the medical device industry grows, the possibility of intellectual property infringement claims against us increases. If we are found to infringe the intellectual property rights of third parties, we could be required to pay substantial damages, including treble, or triple, damages if an infringement is found to be willful, and/or royalties and could be prevented from selling our products unless we obtain a license or are able to redesign our products to avoid infringement. Any such license may not be available on reasonable terms, if at all, and there can be no assurance that we would be able to redesign our products in a way that would not infringe the intellectual property rights of others. If we fail to obtain any required licenses or make any necessary changes to our products or technologies, we may have to withdraw existing products from the market or may be unable to commercialize one or more of our products, all of which could have a material adverse effect on our business, results of operations and financial condition. If passed into law, patent reform legislation currently pending in the U.S. Congress could significantly change the risks associated with bringing or defending a patent infringement lawsuit. For example, fee shifting legislation could require a non-prevailing party to pay the attorney fees of the prevailing party in some circumstances.

In addition, we generally indemnify our customers and third-party distributors with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers or third-party distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or third-party distributors, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or third-party distributors or may be required to obtain licenses to intellectual property owned by such third parties. If we cannot obtain all

necessary licenses on commercially reasonable terms, our customers and third-party distributors may be forced to stop using or selling our products.

Risks Related to this Offering and Ownership of Our Common Stock

The price of our common stock may be volatile and the value of your investment could decline.

Prior to this offering, there has been no public market for our common stock, and medical device stocks have historically experienced volatility. The trading price of our common stock following this offering may fluctuate substantially. Following the completion of this offering, the market price of our common stock may be higher or lower than the price you pay in the offering, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following:

- our ability to drive increased sales of our product;
- our ability to establish and maintain an effective and dedicated sales force;
- pricing pressure applicable to our products, including adverse third-party coverage and reimbursement outcomes;
- the ability of our suppliers to timely provide us with an adequate supply of materials and components;
- results of our clinical trials and that of our competitors' products;
- regulatory actions with respect to our products or our competitor's products;
- announcements of new offerings, products, services or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of healthcare companies in general and of companies in the medical device industry in particular;
- fluctuations in the trading volume of our shares or the size of our public float;
- negative publicity;
- actual or anticipated changes or fluctuations in our results of operations;
- whether our results of operations meet the expectations of securities analysts or investors or those expectations change;
- litigation involving us, our industry, or both;
- regulatory developments in the United States, foreign countries, or both;
- general economic conditions and trends;
- major catastrophic events;
- lock-up releases and sales of large blocks of our common stock;
- additions or departures of key employees or scientific personnel;
- factors that may affect the sale of our products, including seasonality and budgets of our customers;
- the costs of maintaining adequate insurance coverage, including product liability insurance; or
- an adverse impact on the company from any of the other risks cited in this prospectus.

In addition, if the market for healthcare stocks or the stock market, in general, experience a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations, or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, results of operations and financial condition.

Sales of substantial amounts of our common stock in the public markets, including when the "lock-up" or "market standoff" period ends, or the perception that sales might occur, could reduce the price of our common stock and may dilute your voting power and your ownership interest in us.

Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that these sales could occur, could adversely affect the market price of our common stock, and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Based on the total number of outstanding shares of our common stock as of , upon completion of this offering, we will have shares of common stock outstanding. All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our "affiliates" as defined in Rule 144 under the Securities Act.

Subject to certain exceptions, we and all of our directors and officers and substantially all of our stockholders have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of common stock without the permission of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days from the date of this prospectus. When the lock-up period expires, we and our security holders will be able to sell shares in the public market subject to any restrictions under the securities laws. In addition, Morgan Stanley and Merrill Lynch may, in their discretion, release all or some portion of the shares subject to lock-up agreements prior to the expiration of the lock-up period. See "Shares Eligible for Future Sale" for more information. Sales of a substantial number of such shares upon expiration, or the perception that such sales may occur, or early release of the lock-up, could cause our share price to fall, or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

Based on shares outstanding as of , holders of up to shares, or approximately %, of our common stock after this offering, will have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also intend to register the offer and sale of all shares of common stock that we may issue under our equity compensation plans.

We may issue our shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

Insiders will continue to have substantial control over us after this offering, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, executive officers, and each of our stockholders that own greater than 5% of our outstanding common stock, in the aggregate, will beneficially own approximately % of the outstanding shares of our common stock after this offering, based on the number of shares outstanding as of June 30, 2015. As a result, these stockholders will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a manner that is adverse to your interests. This concentration of ownership may have the effect of deterring, delaying, or preventing a change of control of our

company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

There is no existing market for our common stock, and we cannot assure you that a market will develop for our common stock or what the market price of our common stock will be.

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the Nasdaq Global Market or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any shares of our common stock that you purchase, and the value of such shares might be materially impaired.

In addition, we cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price you paid in this offering.

We have broad discretion in the use of net proceeds that we receive in this offering, and if we do not use those proceeds effectively, your investment could be harmed.

The principal purposes of this offering are to create a public market for our common stock, obtain additional working capital and facilitate our future access to the public equity markets. We intend to use the net proceeds from this offering for general corporate purposes, including working capital, sales and marketing activities, research initiatives including enhancement of our solution, investment in technology and development and capital expenditures. We also may use a portion of the net proceeds from this offering to acquire or invest in technologies, solutions or businesses that complement our business, although we have no present commitments, and we have not allocated specific amounts of net proceeds, to complete any such transactions or plans. Accordingly, our management will have broad discretion in the application of the net proceeds to us from this offering. Investors in this offering will need to rely upon the judgment of our management regarding the application of the proceeds. If we do not use the net proceeds that we receive in this offering effectively, our business, results of operations, and financial condition could be harmed.

We may be unable to utilize our federal net operating loss carryforwards to reduce our income taxes.

As of December 31, 2014, we had net operating loss, or NOL, carryforwards of approximately $58.3 million and $48.6 million available to reduce future taxable income, if any, for U.S. federal income tax and state income tax purposes, respectively. If not utilized, our federal and state NOL carryforwards begin to expire in 2029 and 2016, respectively. These NOL carryforwards could expire unused and be unavailable to offset future income tax liabilities. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which generally occurs if the percentage of the corporation’s stock owned by 5% stockholders increases by more than 50% over a three-year period, the corporation’s ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We have determined that we have experienced Section 382 ownership changes in the past and $1.4 million of our NOL and tax credit carryforwards are subject to limitation. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, including this offering, some of which may be outside of our control. If an ownership change occurs and our ability to use our historical NOL and tax credit carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

The requirements of being a public company may strain our resources, divert our management's attention, and affect our ability to attract and retain qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and will be required to comply with the applicable requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the Nasdaq Global Market and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly and increase demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

Failure to establish and maintain an effective system of internal controls could result in material misstatements of our financial statements or cause us to fail to meet our reporting obligations or fail to prevent fraud in which case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

After the completion of this offering, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of Nasdaq Global Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2016, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Annual Report on Form 10-K for that year, as required by Section 404 of the Sarbanes-Oxley Act, or Section 404. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. Prior to this offering, we have never been required to test our internal controls within a specified period, and we are not currently in compliance with, and we cannot be certain when we will be able to implement the requirements of Section 404. As a result, we may experience difficulty in producing accurate financial statements in a timely manner.

We may discover weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. In addition, our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. If we

are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. In addition, in connection with the future attestation process by our independent registered public accounting firm, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, our stockholders could lose confidence in our reporting, and the market price of our stock could decline. In addition, we could be subject to sanctions or investigations by the Nasdaq Global Market, the Securities and Exchange Commission, or SEC, or other regulatory authorities.

We are an "emerging growth company," and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act and we intend to take advantage of some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data;
- an exception from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- reduced disclosure about our executive compensation arrangements in our periodic reports, proxy statements, and registration statements; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements.

We elected not to avail ourselves of the reduced obligation with respect to financial data.

We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the closing of this offering, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Because the initial public offering price of our common stock will be substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock following this offering, new investors will experience immediate and substantial dilution.

The initial public offering price of our common stock is substantially higher than the pro forma as adjusted net tangible book value per share of our common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate dilution of $ per share, the difference between the assumed public offering price of $ per share, which is the midpoint of the range as set forth on the cover page of this prospectus, after deducting the underwriting discount and commissions and estimated offering expenses payable by us, and the pro forma as adjusted net tangible book value per share of our common stock as of , immediately after giving effect to the issuance of shares of our common stock in this offering. See "Dilution."

If securities or industry analysts do not publish research or reports about our business, or publish unfavorable research reports about our business, our share price and trading volume could decline.

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us publishes unfavorable commentary about us or changes their opinion of our business prospects, our share price would likely decline. If one or more of these analysts ceases coverage of or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. In addition, our loan and security agreements contain restrictions on our ability to pay dividends.

Our credit facility agreement contains covenants that may restrict our business and financing activities.

Borrowings under our credit facility agreement are secured by substantially all of our assets. Our credit facility agreements also restrict our ability to, among other things:

- dispose of or sell assets;
- make material changes in our business or management;
- consolidate or merge with or acquire other entities;
- incur additional indebtedness;
- incur liens on our assets;
- pay dividends or make distributions on our capital stock;
- make certain investments;
- enter into transactions with our affiliates; and
- make any payment in respect of any subordinated indebtedness.

These restrictions are subject to certain exceptions. In addition, our loan and security agreement requires us to maintain a minimum liquidity threshold, among other things.

The covenants in our credit facility agreements, as well as any future financing agreements that we may enter into, may restrict our ability to finance our operations, engage in, expand or otherwise pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control, and future breaches of any of these covenants could result in a default under our credit facility agreements. If not waived, future defaults could cause all of the outstanding indebtedness under our credit facility agreements to become immediately due and payable and terminate all commitments to extend further credit.

If we do not have or are unable to generate sufficient cash available to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all, which may negatively impact our ability to operate our business.

Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon completion of this offering contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least % of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the management of our business or our amended and restated bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of, and do not currently intend to opt out of, this provision.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including delay or impede a merger, tender offer, or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction.

Our board of directors is authorized to issue and designate shares of our preferred stock in additional series without stockholder approval.

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue million shares of our preferred stock, subject to limitations prescribed by applicable law, rules, and regulations and the provisions of our amended and restated certificate of incorporation, as shares of preferred stock in series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof. The powers, preferences, and rights of these additional series of preferred stock may be senior to or on parity with our common stock, which may reduce its value.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, strategy and plans, industry environment, potential growth opportunities, and our expectations for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would," or the negative version of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short- and long-term business operations and objectives, and financial needs. The forward-looking statements are contained principally in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Result of Operations" and "Business." These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectation that, for the foreseeable future, a significant portion of our revenues will be derived from sales of iFuse Implant System, or iFuse;
- our ability to expand our sales and marketing capabilities to increase demand for iFuse, expand geographically, and obtain favorable coverage and reimbursement determinations from third-party payors;
- our estimates of our market opportunity;
- developments or disputes concerning our intellectual property or other proprietary rights;
- competition in the markets we serve;
- our expectations of the reliability and performance of iFuse;
- our expectations of the benefits to patients, providers, and payors of iFuse;
- our reliance on a limited number of suppliers, including sole source suppliers, which may impact the availability of replacement instruments and materials;
- the factors we believe drive demand for iFuse and our ability to sustain or increase such demand;
- our ability to develop additional revenue opportunities, including new devices;
- the scope of protection we establish and maintain for intellectual property rights covering iFuse and any other device we may develop;
- our estimates regarding our costs and risks associated with our international operations and international expansion;
- our ability to retain and recruit key personnel and expand our sales force;
- our expectations regarding acquisitions and strategic operations;
- our ability to fund our working capital requirements;
- our compliance with, and the cost of, federal, state, and foreign regulatory requirements;
- the factors that may impact our financial results; and
- anticipated trends and challenges in our business and the markets in which we operate.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of

factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

MARKET, INDUSTRY, AND OTHER DATA

This prospectus contains estimates, projections, and other information concerning our industry, our business, and the markets for our products and product candidates, including data regarding the estimated size of those markets for our products and product candidates, their projected growth rates, the perceptions and preferences of surgeons and patients regarding certain procedures, surgeon and patient data, as well as data regarding market research, estimates, and forecasts prepared by our management. We obtained the industry, market, and other data throughout this prospectus from our own internal estimates and research, as well as from industry publications and research, surveys, and studies conducted by third parties.

Information is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. In some cases, we do not expressly refer to the sources from which this data is derived.

USE OF PROCEEDS

We estimate that the net proceeds from this offering of shares of common stock will be approximately $ million, or $ million if the underwriters exercise their option to purchase additional shares in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, assuming an initial offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus.

We expect to use the net proceeds from this offering, as follows:

- Approximately $ million for sales and marketing activities to support ongoing commercialization of the iFuse Implant System, including, but not limited to, expansion of our sales force, additional medical affairs and educational efforts, and expanding our international sales presence; and
- The remainder, if any, for working capital and general corporate purposes, including research and development and clinical studies to bring new enhancements to the existing product offering.

We may also use a portion of our net proceeds to acquire or invest in complementary products, technologies, or businesses; however, we currently have no agreements or commitments to complete any such transactions.

As of the date of this prospectus, since we cannot specify with certainty all of the particular uses of the net proceeds, our management will have broad discretion over the use of the net proceeds from this offering. Pending the use of the proceeds from this offering, we intend to invest the net proceeds in short-term interest-bearing investment-grade securities, certificates of deposit or government securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock, and we do not currently intend to pay any cash dividends on our capital stock in the foreseeable future. In addition, our credit facility with Silicon Valley Bank restricts our ability to pay dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends will be made at the discretion of our board of directors subject to applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on our capital stock may also be limited by the terms of any future debt or preferred securities or future credit facility.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, warrant liability, long-term borrowings, preferred stock, and capitalization as of March 31, 2015:

- on an actual basis;
- on a pro forma basis to reflect: (i) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 143,556,724 shares of common stock; (ii) the issuance of shares of common stock upon the net exercise of warrants to purchase 988,522 shares of preferred stock, with a price of $0.51 per share, and the conversion into approximately shares of common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; (iii) the automatic conversion of warrants to purchase 509,391 shares of preferred stock into warrants to purchase 509,391 shares of common stock; and (iv) the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the closing of this offering; and
- on a pro forma as adjusted basis to give further effect to the receipt by us of the estimated net proceeds from the sale of shares of common stock in this offering at the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us and the application of the net proceeds from this offering as described in "Use of Proceeds."

You should read this information together with our consolidated financial statements and related notes appearing elsewhere in this prospectus and the information set forth in "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of March 31, 2015		
	Actual	Pro Forma (unaudited)	Pro Forma as Adjusted(1)
	(in thousands, except for share and per share amounts)		
Cash and cash equivalents	$ 10,929		
Warrant liability	469		
Long term borrowings	15,185		
Preferred stock, $0.0001 par value, 145,828,941 shares authorized, 143,556,724 shares issued and outstanding, actual; no shares issued and outstanding pro forma and pro forma as adjusted	71,200		
Stockholders' equity (deficit):			
Preferred stock, $0.0001 par value, no shares authorized, issued or outstanding, actual, pro forma and pro forma as adjusted			
Common stock, $0.0001 par value, 255,000,000 shares authorized, 56,968,503 shares issued and outstanding, actual; shares shares issued and outstanding pro forma and pro forma as adjusted	5		
Additional paid-in capital	4,508		
Stockholders' notes receivable	(656)		
Accumulated other comprehensive income	439		
Accumulated deficit	(75,535)		
Total stockholders' equity (deficit)	(71,239)		
Total capitalization	$ 15,615		

(1) Each $1.00 increase (decrease) in the assumed initial offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of additional paid-in capital, total stockholders' equity and total capitalization by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) each of additional paid-in-capital, total stockholders' equity and total capitalization by approximately $, assuming that the assumed initial price to the public remains the same, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will adjust based on the actual initial price to the public and other terms of this offering determined at pricing.

The number of shares of common stock to be outstanding after this offering is based on shares of common stock outstanding as of March 31, 2015, and excludes the following:

- 31,880,496 shares of common stock issuable upon the exercise of options outstanding as of March 31, 2015, with a weighted average exercise price of $0.16 per share;
- 2,212,918 shares of common stock, which are issuable upon the exercise of warrants outstanding as of March 31, 2015, with a weighted average exercise price of $0.21 per share;
- 509,391 shares of common stock issuable upon the deemed conversion of 509,391 shares of our preferred stock, which are issuable upon the exercise of warrants outstanding as of March 31, 2015, with a weighted average exercise price of $0.60 per share;
- 9,307,891 shares of common stock issuable upon the exercise of outstanding options granted after March 31, 2015, with an exercise price of $0.44 per share; and
- shares of our common stock reserved for future issuance under our equity compensation plans, consisting of 1,265,005 shares of our common stock that were reserved for issuance under our 2008 Stock Plan as of March 31, 2015, and shares of our common stock reserved for issuance under the equity plan in effect following the completion of this offering. On the date immediately prior to the date of this prospectus, any remaining shares available for issuance under our 2008 Stock Plan will be added to the shares reserved under the equity plan in effect following the completion of this offering and we will cease granting awards under the 2008 Stock Plan.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the assumed initial public offering price per share and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Historical net tangible book value (deficit) per share represents our total tangible assets less our liabilities and preferred stock that is not included in equity divided by the total number of shares outstanding. As of March 31, 2015, our historical net tangible book value (deficit) was approximately $(71.3) million, or $(1.25) per share. Our pro forma net tangible book value as of March 31, 2015, was approximately $ million, or $ per share after giving effect to (i) the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 143,556,724 shares of common stock; (ii) the issuance of shares of common stock upon the net exercise of warrants to purchase 988,522 shares of preferred stock, with a price of $0.51 per share, and the conversion into approximately shares of common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and (iii) the automatic conversion of warrants to purchase 509,391 shares of preferred stock into warrants to purchase 509,391 shares of common stock immediately prior to the closing of this offering.

After giving further effect to receipt of the net proceeds of our sale of shares of common stock at an assumed initial offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses, our pro forma as adjusted net tangible book value as of March 31, 2015, would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to our existing stockholders and an immediately dilution of $ per share to investors purchasing common stock in this offering.

The following table illustrates this dilution to new investors on a per share basis:

Assumed initial public offering price per share	
Historical net tangible book value (deficit) per share as of March 31, 2015	($1.25)
Pro forma increase in net tangible book value (deficit) per share attributable to the conversion of our preferred stock and preferred stock warrants	
Pro forma net tangible book value per share as of March 31, 2015	
Increase in net tangible book value per share attributable to new investors purchasing shares in this offering	
Pro forma as adjusted net tangible book value per share after this offering	
Dilution per share to new investors participating in this offering	

If the underwriters' option to purchase additional shares in this offering is exercised in full, the pro forma as adjusted net tangible book value would be $ per share, the increase in the pro forma net tangible book value per share for existing stockholders would be $ per share and the dilution to new investors participating in this offering would be $ per share.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value, by $ per share and the dilution per share to new investors by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting underwriting discounts and commissions and estimated offering expenses.

We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 shares in the number of shares we are offering would increase (decrease) our pro forma as adjusted net tangible

book value by approximately $ million, or $ per share, and the pro forma dilution per share to investors in this offering by $ per share, assuming that the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses. The pro forma information discussed above is illustrative only and will change based on the actual initial public offering price, number of shares and other terms of this offering determined at pricing.

The table below summarizes, as of March 31, 2015, on the pro forma basis described above, the number of shares of our common stock, the total consideration, and the average price per share (1) paid to us by our existing stockholders and (2) to be paid by new investors participating in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(in thousands, except share, per share and percentages)				
Existing stockholders		%	$	%	$
New investors					
Total		100%		100%	

In addition, if the underwriters' option to purchase additional shares is exercised in full, the number of shares held by existing stockholders will be reduced to % of the total number of shares of common stock to be outstanding upon completion of this offering, and the number of shares of common stock held by new investors participating in this offering will be further increased to % of the total number of shares of common stock to be outstanding upon completion of the offering.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) total consideration paid by new investors by $ and increase (decrease) the percent of total consideration paid by new investors by %, assuming the number of shares we are offering, as set forth on the cover page of this prospectus, remains the same, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares offered by us would increase (decrease) total consideration paid by new investors by $, assuming that the assumed initial price to the public remains the same, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

See "Prospectus Summary—The Offering" for a description of those shares that are or are not reflected in the foregoing tables or discussion.

To the extent that any outstanding options or warrants are exercised, new investors will experience further dilution.

SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included within this prospectus. The consolidated statements of operations data for the years ended December 31, 2012, 2013, and 2014, and the consolidated balance sheet data at December 31, 2013 and 2014, are derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. We derived the consolidated statements of operations data for the three months ended March 31, 2014 and 2015 and the consolidated balance sheet data as of March 31, 2015 from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements include, in the opinion of management, all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the financial data set forth in the those statements. Our historical results are not necessarily indicative of the results to be expected in the future, and our unaudited interim results are not necessarily indicative of the results for the full year or any other period.

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands, except share and per share amounts)				
Statements of Operations:					
Revenue	$ 37,016	$ 48,999	$ 40,054	$ 10,500	$ 10,323
Cost of goods sold	3,041	4,332	6,500	1,202	1,771
Gross profit	33,975	44,667	33,554	9,298	8,552
Operating expenses					
Sales and marketing	35,691	34,744	40,625	8,586	10,346
Research and development	3,770	8,374	9,172	2,141	2,128
General and administrative	5,233	6,846	10,058	2,055	2,934
Total operating expenses	44,694	49,964	59,855	12,782	15,408
Loss from operations	(10,719)	(5,297)	(26,301)	(3,484)	(6,856)
Interest and other income (expense), net					
Interest income	5	3	15	1	5
Interest expense	(231)	(912)	(1,536)	(274)	(349)
Other income (expense), net	42	62	18	(5)	(393)
Loss before income taxes	(10,903)	(6,144)	(27,804)	(3,762)	(7,593)
Provision for income taxes	—	10	2	—	—
Net loss	(10,903)	(6,154)	(27,806)	(3,762)	(7,593)
Other comprehensive income (loss)					
Changes in foreign currency translation	(22)	(3)	183	51	281
Comprehensive loss	$ (10,925)	$ (6,157)	$ (27,623)	$ (3,711)	$ (7,312)
Net loss attributable to common stockholders per share, basic and diluted (1)	$ (0.32)	$ (0.15)	$ (0.58)	$ (0.08)	$ (0.14)
Weighted-average number of common shares used to compute basic and diluted net loss per share (1)	34,076,263	41,201,966	48,035,918	45,190,957	52,592,709
Pro forma net loss per share, basic and diluted (unaudited)(1)			$		$
Pro forma weighted-average number of common shares used to compute basic and diluted net loss per share (unaudited) (1)					

(1) See Note 14 to our consolidated financial statements included elsewhere in this prospectus for the method used to calculate net loss per share, basic and diluted, and pro forma net loss per share, basic and diluted.

	As of December 31,		As of March 31,
	2013	2014	2015
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 8,519	$ 17,598	$ 10,929
Working capital	6,264	19,054	12,393
Total assets	18,014	28,985	22,250
Warrant liability	357	325	469
Total borrowings	11,684	15,150	15,185
Total liabilities	20,024	22,418	22,289
Convertible preferred stock	36,014	71,200	71,200
Accumulated deficit	(40,136)	(67,942)	(75,535)
Total stockholders' deficit	(38,024)	(64,633)	(71,239)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Financial Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and other parts of this prospectus contain forward-looking statements that involve risks, uncertainties, and assumptions, such as our plans, objectives, expectations, intentions and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Some of the numbers included herein have been rounded for convenience of presentation. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in "Risk Factors" included elsewhere in this prospectus.

Overview

We are a medical device company that has pioneered a proprietary minimally invasive surgical implant system to fuse the sacroiliac joint for treatment of common types of sacroiliac joint disorders that cause lower back pain. We introduced our iFuse Implant System, or iFuse, in 2009 in the United States and in 2010 in certain countries in the European Union. Since 2009, more than 16,500 iFuse procedures have been performed by over 1,000 surgeons, primarily in the United States. Based on our commercial experience and market research, we believe iFuse is currently used in nearly 85% of minimally invasive surgical fusions of the sacroiliac joint in the United States.

We have incurred net losses since our inception in 2008. For the years ended December 31, 2012, 2013, and 2014, and for the three months ended March 31, 2015, we had net losses of $10.9 million, $6.2 million, $27.8 million, and $7.6 million, respectively. As of March 31, 2015, we had an accumulated deficit of $75.5 million. To date, we have financed operations primarily through private placements of equity securities, certain debt-related financing arrangements and from sales of our products. We have devoted substantially all of our resources to research and development of our products, sales and marketing activities and clinical and regulatory matters for our products. There can be no assurances that we will be able to generate sufficient revenue from our existing products or from any of our product candidates in development, and to transition to profitability and generate positive cash flows. Following this offering, we expect that our operating expenses will increase as we continue to build our commercial infrastructure, develop, enhance and commercialize our existing and new products and incur additional operational and reporting costs associated with being a public company. As a result, we expect to continue to incur operating losses for the foreseeable future and may never achieve profitability. Furthermore, even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis. If we do not achieve profitability, it will be more difficult for us to finance our business and accomplish our strategic objectives.

Factors Affecting Results of Operations

Reimbursement

Prior to our launch of iFuse, Medicare and most private insurance companies reimbursed surgeons for sacroiliac joint fusions using either an established Category I Current Procedure Terminology, or CPT, code or an unlisted code. A Category I CPT code is typically assigned to procedures that are consistent with contemporary medical practice and are widely performed. Procedures with a longstanding Category I CPT code are usually reimbursed.

However, effective July 1, 2013, the CPT Editorial Panel of the American Medical Association, or AMA, created a new Category III CPT code for fusion of the sacroiliac joint using a minimally invasive or percutaneous approach. Category III CPT codes are used for new and emerging technologies and are reimbursed sporadically. This new code functionally redefined coding for sacroiliac joint fusions because it meant that minimally invasive

or percutaneous fusion procedures should not be billed using the general Category I CPT code for sacroiliac fusion surgery. Due to this coding change, which was accompanied by the establishment of a Medicare hospital outpatient rate for the new code, the number of minimally invasive sacroiliac joint fusions, including those performed with iFuse, decreased significantly.

Following the creation of the new Category III code, a number of papers demonstrating the clinical success of the iFuse procedure were published. These studies, along with the support of several professional societies and surgeons resulted in the AMA CPT Editorial Panel establishing a new Category I CPT code specifically for sacroiliac joint fusion surgery using a minimally invasive or percutaneous approach. This new Category I CPT code became effective on January 1, 2015.

Subsequently, in March 2015, our INSITE prospective randomized controlled clinical trial was published. In June 2015, the largest spine society in the world, the North American Spine Society published a positive coverage recommendation document, based on the clinical evidence, advocating to insurance companies and Medicare Administrative Contractors, or MACs, that sacroiliac joint fusion using a minimally invasive surgical approach should be routinely reimbursed. The International Society for Advancement of Spine Surgery has also recently published a similar positive advocacy document intended to encourage insurance companies in the United States to reimburse for the procedure. The MACs and private insurance companies covering the procedure, on a case-by-case basis, represent approximately 100 million covered lives, while MACs and private insurance companies representing approximately 200 million covered lives are not covering and are in the decision making process.

The establishment of the new Category I CPT code does not automatically prompt Medicare or other payors to cover the iFuse procedure. Coverage decisions for this code are made independently by each of the private insurance companies and the eight MACs, and the process of obtaining coverage is not immediate. We believe that the combination of the new Category I CPT code, the data from the INSITE clinical trial and the support from leading professional societies will begin to convince additional MACs and private payors to cover minimally invasive fusion of the sacroiliac joint, including the iFuse procedure, and allow us to begin increasing the number of procedures and growing revenue in 2016. As of June 30, 2015, four of the eight MACs had announced that they were covering the iFuse procedure. The other four MACs are in the decision making process.

Our Sales Force

We market and sell iFuse primarily through a direct sales force and a small number of third-party distributors. Our target customer base includes approximately 7,500 surgeons who perform spine and/or pelvic surgery, including orthopedic spine surgeons, neurosurgeons, general orthopedic surgeons, and orthopedic trauma surgeons.

Our direct sales organization in the United States is comprised of eight sales regions. Each region is comprised of a number of territory sales managers who act as the primary customer contact. Our territory sales managers have extensive training and experience selling medical devices for spine problems and pain management, generally focusing on emerging technologies and markets. As of June 30, 2015, our territory sales managers were led by eight regional sales managers who reported to two area sales directors. The area sales directors report to our vice president of sales. As of June 30, 2015, our U.S. sales force consisted of 58 sales representatives directly employed by us and six third-party distributors.

In addition to general sales and marketing training, we provide our sales organization with comprehensive, hands-on cadaveric and dry-lab training sessions focusing on the clinical benefits of our products and how to use them. We believe our robust training and professional development programs have been an important component of our success to date and will help support our anticipated future growth. We expect to continue to increase the size of our sales organization in order to increase sales and market penetration and to provide the significant, ongoing level of customer support required by our sales and marketing strategy.

As of June 30, 2015, we had 20 employees working in our European operations, and have established operations in Italy (2010) and Germany (2014). As of June 30, 2015, our international sales force consisted of six employees and

29 exclusive third-party distributors, which together have had sales in 20 countries in 2015. We anticipate continuing to build our operations in the major European countries while establishing distributor arrangements in smaller ones. We intend to follow a similar model in Europe to the one established in the United States, working with internationally recognized healthcare professional experts as we expand our training and reimbursement activities. As of June 30, 2015, surgeons had performed the first iFuse procedures in New Zealand and Hong Kong.

We have in the past and expect in the future to enter into different compensation arrangements with our sales professionals which include minimum guaranteed commissions. This has impacted our compensation expenses in the past and we expect it will in the future.

Share Based Compensation Expense

Prior to this offering, we have granted employee compensation in the form of equity awards. In connection with this offering, we expect to implement equity compensation incentive plans which provide for future grants of equity compensation awards to our employees and directors. We will measure the share compensation cost in the period in which we grant such awards and recognize the share compensation expense over the requisite service period of the award.

Public Company Costs

The activities associated with the initial public offering process, as well as any future public offerings, may have a significant impact on our results of operations and cash flows. We expect to incur a material increase in incremental general and administrative expenses as a result of becoming a publicly traded company. These costs include expenses associated with our financial and operational reporting, investor relations, registrar and transfer agent fees, incremental insurance costs, and accounting and legal services, among others.

Components of Results of Operations

Revenue

We derive substantially all our revenue from sales of iFuse. Revenue from sales of iFuse fluctuate based on volume of cases, discounts, mix of international and U.S. sales, and the number of implants used for a particular patient. Similar to other orthopedic companies, our revenue can also fluctuate from quarter to quarter due to a variety of factors, including reimbursement, sales force, physician awareness, and seasonality. Historically, we have undertaken a significant number of clinical trials, which has significantly impacted our results of operations as we provided our iFuse system on a pro bono basis. To the extent we continue to conduct clinical trials, we may experience a similar impact on our results of operations in the future. Our revenue from international sales may also be significantly impacted by fluctuations in foreign currency exchange rates between the U.S. dollar (our reporting currency) and the local currency.

Cost of Goods Sold, Gross Profit, and Gross Margin

We utilize third-party manufacturers for production of the iFuse implants and instrument sets. Cost of goods sold consists primarily of costs of the components of iFuse implants and instruments, scrap and inventory obsolescence, as well as distribution-related expenses such as logistics and shipping costs. Beginning in 2013, our cost of goods sold includes the effect of the excise tax on the sale of medical devices sold in the United States. We anticipate that our cost of goods sold will increase as reimbursement increases and as we develop and sell new products, including a second generation implant and new instruments.

Our gross margins have been and will continue to be affected by a variety of factors, including the cost to have our products manufactured for us, pricing pressure, and the factors described above impacting our revenue.

Our gross margins are typically higher on products we sell directly as compared to products we sell through third-party distributors.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development, and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, sales commissions and other cash and stock-based compensation related expenses. We expect operating expenses to increase in absolute dollars, as we continue to invest and grow our business, but decrease as a percentage of revenue.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of salaries, stock-based compensation expense, and other compensation related costs, for personnel employed in sales, marketing, medical affairs and education departments. In addition, our sales and marketing expenses include commissions and bonuses, generally based on a percentage of sales, to our sales managers and directors, direct sales representatives and third-party distributors. We expect our sales and marketing expenses to continue to increase in absolute dollars with the continued commercialization of our current and future products and continued investment in our global sales organization, including broadening our relationships with third-party distributors, expanding exclusivity commitments among them and increasing the number of our direct sales representatives, especially with increased reimbursement and adoption in the United States. Our sales and marketing expenses may fluctuate from period to period due to the seasonality of our business and as we continue to add direct sales representatives in new territories.

Research and Development Expenses

Our research and development expenses primarily consist of engineering, product development, clinical and regulatory expenses (including clinical study expenses), consulting services, outside prototyping services, outside research activities, materials, depreciation and other costs associated with development of our products. Research and development expenses also include related personnel and consultants' compensation and stock-based compensation expense. We expense research and development costs as they are incurred. We expect research and development expense to continue to increase in absolute dollars as we develop new products, add research and development personnel and undergo clinical activities, including additional clinical studies to gain additional regulatory clearances and wider surgeon adoption.

General and Administrative Expenses

General and administrative expenses primarily consist of compensation, stock-based compensation expense, and other costs for finance, accounting, legal, compliance, reimbursement, and administrative matters. We expect our general and administrative expenses to continue to increase to support the growth of our business. We also expect to incur additional general and administrative expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission and those of the Nasdaq Global Market on which our securities will be traded, additional insurance expenses, investor relations activities, and other administrative and professional services.

Interest Expense

Interest expense is related to borrowings and includes the amortization of debt discounts derived from the issuance of warrants.

Other Income (Expense), Net

Other income (expense), net consists primarily of the changes in fair value of our preferred stock warrant liability and net gain (loss) on foreign currency transactions. In connection with this offering, we expect that our preferred stock warrant liability will be eliminated.

Consolidated Results of Operations

Comparison of the three months ended March 31, 2014 and 2015

Revenue, Cost of Goods Sold, Gross Profit, and Gross Margin

	Three Months Ended March 31,		
	2014	2015	Change
	(in thousands, except for percentages)		
Revenue	$ 10,500	$ 10,323	$ (177)
Cost of goods sold	1,202	1,771	569
Gross profit	9,298	8,552	(746)
Gross margin	89%	83%	

Revenue. In the three months ended March 31, 2015, revenue decreased to $10.3 million from $10.5 million in the three months ended March 31, 2014, a decrease of $0.2 million, or 2%, due to a slight decrease in U.S. prices as a result of increased competition and pricing pressure, as well as continued effects of the classification of iFuse procedures under Category III CPT code, resulting in a slight decrease in the number of iFuse procedures performed in the United States. The new Category I CPT code effective as of January 1, 2015, did not have a significant impact on our revenue for the three months ended March 31, 2015, since the new code did not automatically prompt Medicare or other payors to cover the iFuse procedure. The decrease in the United States was partially offset by increased sales in Europe.

Cost of Goods Sold, Gross Profit, and Gross Margin. Total cost of goods sold increased $0.6 million, or 47%, during the three months ended March 31, 2015 compared to the same period of the prior year primarily due to increased facility costs of $0.2 million related to a warehouse expansion and $0.3 million related to increased personnel and support costs in anticipation of future growth and a larger international presence. Gross profit decreased $0.7 million, or 8%, to $8.6 million, during the three months ended March 31, 2015 as compared to the same period of the prior year due to higher costs of goods sold coupled with a slight decrease in revenue.

Operating Expenses

	Three Months Ended March 31,				
	2014		2015		Change
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount
	(in thousands, except for percentages)				
Sales and marketing	$ 8,586	82%	$10,346	100%	$1,760
Research and development	2,141	20%	2,128	21%	(13)
General and administrative	2,055	20%	2,934	28%	879
Total operating expenses	$12,782	122%	$15,408	149%	$2,626

Sales and Marketing Expenses. Sales and marketing expenses increased $1.8 million, or 20%, during the three months ended March 30, 2015 compared to the same period of the prior year. The increase is primarily due to an increase in salary and commission expense of $1.6 million due to an increase in the number of sales representatives and support personnel hired in late 2014 in anticipation of the Category I CPT code becoming effective January 2015. This expense includes the payment of guaranteed minimum commissions to all of our sales representatives. Also in anticipation of the Category I CPT code, we trained a significantly larger number of surgeons on the iFuse procedure during the three months ended March 31, 2015 compared to the same period of the prior year, resulting in increased medical affairs expenses of $ 0.1 million.

Research and Development Expenses. Research and development expenses were flat at $2.1 million during the three months ended March 30, 2014 and March 31, 2015. Increases from higher personnel costs of $0.4 million due to increased headcount and $0.3 million of development costs, both related to the second generation implant, new instruments and expanding our product portfolio, were largely offset by lower clinical trial costs of $0.7 million due to the completion of our INSITE and SIFI clinical trial enrollment as of June 2014.

General and Administrative Expenses. General and administrative expenses increased $0.9 million, or 43%, during the three months ended March 30, 2015 compared to the same period of the prior year, primarily due to $0.5 million in personnel costs as we hired more personnel to support the expected growth of the company and an increase in legal costs of $0.3 million to support compliance and regulatory efforts.

Interest and Other Income (Expense), Net

	Three Months Ended March 31,		
	2014	2015	Change
	(in thousands)		
Interest expense	$ (274)	$ (349)	$ (75)
Interest income and other income (expense), net	(4)	(388)	(384)

Interest Expense. Interest expense in the three months ended March 31, 2015 increased $0.1 million, or 27%, over the same period of the prior year due to an additional debt financing arrangement with Silicon Valley Bank, or SVB that we entered into in November 2014.

Interest Income and Other Income (Expense), Net. Interest income and other income (expense), net increased $0.4 million, during the three months ended March 30, 2015 compared to the same period of the prior year, primarily due to an increase in expenses related to foreign currency exchange fluctuations of $0.2 million and an increase of $0.2 million in expense related to the changes in the fair value of our preferred stock warrants outstanding, which are accounted for as a liability and marked-to-market in each reporting period.

Comparison of the Years Ended December 31, 2013 and 2014

Revenue, Cost of Goods Sold, Gross Profit, and Gross Margin

	Years Ended December 31,		
	2013	2014	Change
	(in thousands, except for percentages)		
Revenue	$48,999	$40,054	$ (8,945)
Cost of goods sold	4,332	6,500	2,168
Gross profit	44,667	33,554	(11,113)
Gross margin	91%	84%	

Revenue. During the year ended December 31, 2014, revenue decreased to $40.1 million from $49.0 million in the prior year, a decrease of $8.9 million, or 18%, due to a decrease in the number of iFuse procedures performed in the United States, after the assignment of the Category III CPT code in July 2013 and a slight decrease in prices due to increased competition. The decline continued through mid-2014 when the number of iFuse procedures began to stabilize. The decrease in the United States was partially offset by increased sales in Europe.

Cost of Goods Sold, Gross Profit, and Gross Margin. Cost of goods sold increased $2.2 million, or 50%, during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to higher than usual write offs and rework of $1.0 million related to our new instrument sets, offset by a decrease in costs of $0.7 million related to legacy instrument sets. Personnel and overhead costs also increased in 2014 by $0.4 million compared to 2013 due to anticipation of future growth and a larger international presence and

increased facility and allocable support costs of $1.5 million related to a warehouse expansion and continued investment in the quality of our manufacturing processes. Gross profit decreased $11.1 million, or 25%, to $33.6 million, in 2014 as compared to 2013 due to lower sales volume, pricing pressures and increases in costs as outlined above. The lower revenue and higher cost of goods sold also led to a reduction in our gross margin percentage from 91% of revenue in 2013 to 84% of revenue in 2014.

Operating Expenses

	Years Ended December 31,				
	2013		2014		Change
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount
	(in thousands, except for percentages)				
Sales and marketing	$34,744	71%	$40,625	101%	$5,881
Research and development	8,374	17%	9,172	23%	798
General and administrative	6,846	14%	10,058	25%	3,212
Total operating expenses	$49,964	102%	$59,855	149%	$9,891

Sales and Marketing Expenses. Sales and marketing expenses increased $5.9 million, or 17%, during the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to an increase in salary and related expenses of $3.6 million, travel costs of $1.0 million and allocable support costs of $0.9 million due to an increase in the number of U.S. and foreign sales representatives and sales support personnel hired in 2014 in anticipation of the Category I CPT code becoming effective January 2015. Notwithstanding the decrease in revenue from 2013 to 2014, we continued to support our U.S. sales force that we have invested in and trained them to be knowledgeable in sacroiliac joint disorders, with guaranteed minimum commissions since July 2013. As a result, though commission expense decreased by $0.6 million, commission costs as a percentage of revenue increased for the second half of 2013 and all of 2014. Primarily due to these commissions and the additional headcount added in 2014, sales and marketing expense as a percentage of revenue grew to 101% in 2014, compared to 71% in 2013. Also in anticipation of the Category I CPT code, we increased general marketing expenses of $0.4 million and increased medical affairs of $0.5 million in 2014.

Research and Development Expenses. Research and development expenses increased $0.8 million, or 10%, during the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to an increase in our clinical trial expenses related to the INSITE and SIFI studies of $0.6 million and $0.2 million in development costs related to new instrument sets and the expansion of our product portfolio.

General and Administrative Expenses. General and administrative expenses increased $3.2 million, or 47%, during the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to increased reimbursement personnel and support costs of $0.6 million to address the unfavorable reimbursement environment. In addition, we increased other administrative headcount which increased costs by $1.8 million to support the growing needs of the business. Legal costs increased during the year ended December 31, 2014 over the comparable period in 2013 by $0.8 million primarily due to compliance and regulatory requirements, patent expenses and general corporate legal spend.

Interest Expense and Other Income (Expense), Net

	Years Ended December 31,		
	2013	2014	Change
	(in thousands)		
Interest expense	$(912)	$(1,536)	$ (624)
Interest income and other income (expense), net	65	33	(32)

Interest Expense. Interest expense increased $0.6 million, or 68%, during the year ended December 31, 2014 compared to the year ended December 31, 2013, due to the debt financing arrangements we entered into with SVB in July 2013 and November 2014. At December 31, 2014, $15.5 million of principal debt was outstanding compared to $12.0 million at December 31, 2013.

Interest Income and Other Income (Expense), Net. Interest income and other income (expense), net was relatively constant in both years.

Comparison of the Years Ended December 31, 2012 and 2013

Revenue, Cost of Goods Sold, Gross Profit, and Gross Margin

	Years Ended December 31,		
	2012	2013	Change
	(in thousands, except for percentages)		
Revenue	$37,016	$48,999	$ 11,983
Cost of goods sold	3,041	4,332	1,291
Gross profit	33,975	44,667	10,692
Gross margin	92%	91%	

Revenue. During the year ended December 31, 2013, revenue increased to $49.0 million from $37.0 million in the prior year, an increase of $12.0 million, or 32%, primarily due to an increase in the number iFuse procedures performed as a result of an increased demand and surgeon awareness, a slight increase in U.S. prices and an increase in U.S. sales representatives in early 2013. During the second half of 2013, due to the Category III CPT code taking affect, we started to see a decrease in the number of iFuse procedures performed as a result of an increase in reimbursement denials for the procedure by Medicare and private payors.

Cost of Goods Sold, Gross Profit, and Gross Margin. Cost of goods sold increased $1.3 million, or 42%, in 2013 compared to 2012 primarily due to an increase in products sold, $0.7 million related to an excise tax applied to the sale of medical devices sold in the United States that was effective January 1, 2013 and increases in personnel and support costs of $0.4 million. The remaining increase of $0.3 million was due to higher volume of sales. Increases in the cost of goods sold were partially offset by lower costs per unit of iFuse implants based on higher volume purchase discounts from our suppliers during 2013. Gross profit increased $10.7 million, or 31%, to $44.7 million, in the year ended December 31, 2013 as compared to the prior year due to an increase in sales volume during 2013, partially offset by higher personnel and support costs and the impact of the medical device tax. This led to a decrease in our gross margin percentage to 91% of revenue in 2013 from 92% of revenue in 2012.

Operating Expenses

	Years Ended December 31,				
	2012		2013		Change
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount
	(in thousands, except for percentages)				
Sales and marketing	$35,691	96%	$34,744	71%	$ (947)
Research and development	3,770	10%	8,374	17%	4,604
General and administrative	5,233	14%	6,846	14%	1,613
Total operating expenses	$44,694	121%	$49,964	102%	$5,270

Sales and Marketing Expenses. Sales and marketing expense decreased $0.9 million, or 3%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to a decrease in salary

and travel expenses of $1.0 million due to a reduction in U.S. sales representatives in late 2012 in anticipation of the Category III CPT code becoming effective in July 2013, a decrease in commissions of $0.8 million due to a change in our commission rate structure paid to our direct sales force, offset by an increase of $0.6 million for market research studies and $0.4 million in allocable support costs during 2013 compared to 2012.

Research and Development Expenses. Research and development expense increased $4.6 million, or 122%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in our clinical trial expenses related to the INSITE and SIFI studies of $3.0 million. In addition, we had an increase in development costs of $0.2 million and an increase in our personnel costs of $1.3 million in 2013 in support of our continued investment in our products and our quality and regulatory processes.

General and Administrative Expenses. General and administrative expenses increased $1.6 million, or 31%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in reimbursement and administrative personnel costs of $1.0 million and support costs of $0.3 million. In addition, we experienced increases in other general corporate taxes of $0.2 million and an increase in bad debt charges of $0.1 million.

Interest Expense and Other Income (Expense), Net

	Years Ended December 31,		
	2012	2013	Change
	(in thousands)		
Interest expense	$ (231)	$ (912)	$ (681)
Interest income and other income (expense), net	47	65	18

Interest Expense. Interest expenses increased $0.7 million in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to a debt financing arrangement entered into in July 2013 with SVB. At December 31, 2013, $9.5 million of debt was outstanding under this arrangement compared to $2.0 million of debt outstanding at December 31, 2012.

Interest Income and Other Income (Expense), Net. Interest income and other income (expense), net was relatively constant in both of the years ended December 31, 2012 and 2013 and primarily consisted of gains due to foreign currency exchange fluctuations.

Liquidity, Capital Resources, and Borrowings

At March 31, 2015, our principal sources of liquidity were cash and cash equivalents totaling $10.9 million, $3.4 million of unused borrowing capacity under our $7.5 million line of credit, and $5.0 million of unused borrowing capacity under our $10.0 million Mezzanine Loan. Since inception, we have financed our operations through private placements of preferred stock, debt financing arrangements, and the sale of our products. At March 31, 2015, we had $5.0 million principal amount of outstanding debt under our Mezzanine Loan and $10.5 million principal amount of outstanding debt under our Growth Loan, in each case net of debt discounts. Our Mezzanine Loan, Growth Loan, and Line of Credit are described below under “Borrowings.”

We have incurred an accumulated deficit of $75.5 million from our operations through March 31, 2015, and expect to incur additional losses in the future. Based on our current operating plan, we expect that our cash and cash equivalents on hand, together with the proceeds from this offering, will be sufficient to fund our operations through at least the next 12 months. However, our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, and the timing and extent of our spending to support our technology and development efforts. To the extent that existing cash and cash equivalents, and cash from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

We expect to incur substantial expenditures in the foreseeable future in connection with the expansion of our worldwide commercial infrastructure and U.S. sales force in anticipation of a more positive reimbursement environment in the United States. In addition, we intend to make continued investment in the education of healthcare providers associated with the diagnosis and treatment of chronic sacroiliac pain conditions, including ongoing research and development programs and clinical trials. In order to build the sales, marketing and distribution infrastructure that we believe will be necessary to realize full commercial roll out of our product in the United States and the rest of the world, we expect to require substantial additional funding.

Until we can generate a sufficient amount of cash from operations, if ever, we expect to finance future cash needs through public or private equity or debt financings and borrowings. We anticipate that we will need to raise substantial additional capital in the future. Additional capital may not be available on reasonable terms, if at all. If we are unable to raise additional capital or generate sufficient cash from operations to adequately fund our operations, we will need to curtail planned activities to reduce costs. If we raise additional funds through the issuance of additional debt or equity securities, it could result in dilution to our existing stockholders and increased fixed payment obligations, and these securities may have rights senior to those of our common stock. If we incur additional indebtedness, we could become subject to additional covenants that would further restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Borrowings

In November 2014, we entered into borrowing agreements with SVB that provided a Line of Credit, Mezzanine Loan, and Growth Loan. We had the following aggregate credit, principal outstanding (not including debt discounts), funds available and funds unavailable as of March 31, 2015:

	Aggregate Credit	Principal Outstanding	Funds Available	Funds Unavailable
		(in thousands)		
Line of Credit	$ 7,500	$ —	$ 3,400	$ 4,100
Mezzanine Loan	10,000	5,000	5,000	—
Growth Loan	15,450	10,450	—	5,000
Total	$ 32,950	$ 15,450	$ 8,400	$ 9,100

The Line of Credit facility is available for the lesser of $7.5 million or 80% of certain customer receivable balances. The Line of Credit accrues interest on any outstanding balances at a rate of 0.75% above prime. The maturity date for the Line of Credit is November 2018.

The Mezzanine Loan accrues interest on any outstanding balances at 11.0% per annum, with a 3% prepayment fee from zero to 12 months or a 2% prepayment fee from 13 to 24 months from the closing date of November 2014, and final fees of 6% of the advanced amount. The $5.0 million available through December 31, 2015 under the Mezzanine Loan will be payable on January 2018, if drawn.

The Growth Loan accrues interest on any outstanding balances at 3.75% per annum, with a 3% prepayment fee from zero to 12 months or a 2% prepayment fee from 13 to 24 months from the closing date of November 2014, and final fees of 9% of the advanced amount. The maturity date for the Growth Loan is November 2018 with 18 months interest only and amortization of interest and principal for 30 months thereafter. We cannot draw the last tranche of the Growth Loan as the agreement requires us to achieve trailing three month revenue of $16.0 million. If we draw on the last tranche, we are required to meet quarterly revenue of $16.0 million.

SVB has a first priority security interest in all of our assets, excluding intellectual property. We agreed not to pledge a security interest in our intellectual property to any other party so long as SVB has debt outstanding to us.

As of June 30, 2015, we were in compliance with all of our debt obligations and covenants.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2014:

	Payments Due By Period				
	Total	Less than 1 year	1–3 years	4–5 years	More than 5 years
			(in thousands)		
Principal obligations on the debt arrangements	$15,450	$ —	$11,618	$ 3,832	$ —
Interest obligations on the debt arrangements	3,280	955	1,313	1,012	—
Operating leases(1)	2,591	968	1,585	38	—
Total	$21,321	$ 1,923	$14,516	$ 4,882	$ —

(1) Operating lease obligations consists primarily of lease payments for our San Jose facility and Europe facilities.

Cash Flows

The following table sets forth the primary sources and uses of cash for each of the periods presented below:

	Years Ended December, 31			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
			(in thousands)		
Net cash used in:					
Operating activities	$(14,759)	$ (566)	$(26,327)	$ (4,498)	$ (7,006)
Investing activities	(39)	(735)	(2,869)	(638)	(358)
Financing activities	4,047	8,060	38,092	50	414
Effects of exchange rate changes on cash and cash equivalents	(22)	(3)	183	(1)	281
Net increase (decrease) in cash and cash equivalents	$(10,773)	$6,756	$ 9,079	$ (5,087)	$ (6,669)
Cash and cash equivalents at beginning of year	$ 12,536	$1,763	$ 8,519	$ 8,519	$ 17,598
Cash and cash equivalents at end of year	$ 1,763	$8,519	$ 17,598	$ 3,432	$ 10,929

Cash Used in Operating Activities

Net cash used in operating activities for the three months ended March 31, 2014 was $4.5 million compared to $7.0 million for the three months ended March 31, 2015, primarily as a result of the net losses recorded in the periods of $3.8 million and $7.6 million for the three months ended March 31, 2014 and 2015, respectively. The increase in cash used in operating activities is primarily due to increased personnel costs in support of various research and development projects, anticipated increases in business volumes in connection with the issuance of the Category I CPT code effective January 1, 2015 and increased administrative personnel to meet our growing needs.

Net cash used in operating activities was $0.6 million and $26.3 million for the years ended December 31, 2013 and 2014, respectively. The increase in the net cash used in operating activities was primarily due to a decrease in revenue of $8.9 million resulting from reimbursement challenges in connection with the issuance of the Category III CPT code effective July 2013. In addition, net cash used in operating activities increased due to

higher than usual write offs and rework of $1.0 million related to our new instrument sets, offset by a decrease in costs of $0.7 million related to legacy instrument sets, higher costs of $0.8 million in support of various clinical and research and development projects, increased costs in sales and marketing of $5.9 million due to anticipated increases in business volumes in connection with the issuance of the Category I CPT code effective January 1, 2015 and increased administrative costs of $3.2 million to meet our growing needs.

Net cash used in operating activities was $14.8 million and $0.6 million for the years ended December 31, 2012 and 2013, respectively. The decrease in the net cash used in operating activities was primarily due to increased sales volumes of $12.0 million during the year ended December 31, 2012 and through the issuance date of the Category III CPT code effective July 2013. The increase in sales was partially offset by increased expenses in all areas to support the growth of the business. The increase in sales volume during the year ended December 31, 2012, led to growth of $4.1 million in accounts receivable balances at December 31, 2012 for which we received payment in 2013. Finally, accounts payable and accrued expenses grew by $4.0 million at December 31, 2013, resulting in lower cash usage for the period.

Cash Used in Investing Activities

Investing activities consisted primarily of changes in capital equipment, which are comprised mostly of instruments sets carried by our sales representatives and used during iFuse procedures.

During the three months ended March 31, 2014, we purchased a net $0.6 million in instrument sets, as compared to $0.4 million in three months ended March 31, 2015.

During the year ended December 31, 2013, we purchased a total of $0.7 million of instrument sets, as compared to the year ended December 31, 2014 when we purchased a total of $2.7 million in instrument sets and spent $0.2 million for facility expansions.

During the year ended December 31, 2012, cash was used for general capital expenditures.

Cash Provided by Financing Activities

Cash provided by financing activities was $0.1 million for the three months ended March 31, 2014 due to proceeds from stock option exercises, compared to $0.4 million received during the three months ended March 31, 2015.

Cash provided by financing activities was $38.1 million for 2014, $8.1 million for 2013, and $4.0 million for 2012. Cash provided by financing activities for 2012 consisted primarily of net proceeds from debt financing of $4.0 million. Cash provided by financing activities for 2013 consisted of net proceeds from debt financing of $8.0 million and $0.1 million from the exercise of common stock options. Cash provided by financing activities for 2014 consisted of net proceeds of $32.9 million from the issuance of Series 6 preferred stock in April 2014 and proceeds of $5.2 million from additional debt financing.

Critical Accounting Policies, Significant Judgments, and Use of Estimates

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We believe that the accounting policies discussed below are critical to understanding our

historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. For more detail on our critical accounting policies, see Note 2 to our consolidated financial statements appearing elsewhere in this prospectus.

Revenue Recognition

Our revenue is derived from the sale of our products to medical groups and hospitals through our direct sales force and distributors throughout the United States and Europe.

We recognize revenue when persuasive evidence of an arrangement exists, title and risk of loss has transferred to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. Accordingly, for the majority of product sales where our sales representative delivers the product at the point of implantation at hospitals or other medical facilities, we recognize revenue related to product sales upon delivery of the product and receipt of a purchase agreement or agreement on pricing terms with the customer. For the remaining sales to European distributors, where the product is ordered in advance of implantation and a valid purchase order has been received, we recognize revenue upon the delivery of product and when all other revenue recognition criteria are met.

Stock-based compensation

Stock-based compensation cost is measured at the date of grant based on the estimated fair value of the award, net of estimated forfeitures. We estimate the grant date fair value and the resulting stock-based compensation expense using the Black Scholes option pricing model. The grant date fair value of a stock-based award is recognized as an expense over the requisite service period of the award on a straight-line basis.

We account for stock-based compensation arrangements with non-employees using a fair value approach. The fair value of these options is measured using the Black-Scholes option pricing model reflecting an expected life that is assumed to be the remaining contractual life of the option. The compensation costs of these arrangements are subject to remeasurement over the vesting terms as earned.

We recorded total non-cash stock-based compensation expense of $0.5 million and $0.8 million for the years ended December 31, 2013 and 2014, respectively. At December 31, 2014, we had $1.8 million of total unrecognized employee stock-based compensation expense, net of estimated forfeitures, related to stock option grants. This amount will be recognized as expense over a weighted-average period of 2.95 years. We expect to continue to grant stock options in the future, and, to the extent that we do, our actual stock-based compensation expense recognized in future periods will likely increase. The stock-based compensation expense that we recognized in 2014 was increased, and the stock-based compensation expense that we recognized in the first quarter of 2015 and will recognize in each quarter thereafter through 2017 will be increased, as a result of our determination to calculate that expense based on deemed fair values of our common stock that are higher than the exercise prices of certain stock options granted prior to this offering.

The intrinsic value of all outstanding options as of March 31, 2015 was approximately million based on an assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus, of which approximately $ million related to vested options and approximately $ million related to unvested options.

Determining fair value of stock options

We determine the fair value of each grant of stock options using the estimated fair value of our common stock and the assumptions set forth below. Each of these inputs is subjective and generally requires significant judgment.

The fair value of employee stock options was estimated using the following assumptions:

	Year Ended December 31,	
	2013	2014
Expected volatility	48% - 53%	44% - 52%
Risk-free interest rate	0.76% -1.89%	1.79% - 2.46%
Dividend yield	—	—
Expected term (in years)	5.96	6.25

Our board of directors intends all options granted to be exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the date of grant. The estimated fair value of our common stock was determined at each valuation date in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. Our board of directors, with the assistance of management, developed these valuations using significant judgment and taking into account numerous factors, including developments at our company, market conditions and contemporaneous independent third-party valuations as of April 30, 2014, January 30, 2015, and April 30, 2015.

We used a Market Approach in the April 30, 2014 and January 31, 2015 valuations. We used the Option Pricing Model, or OPM backsolve method, in the April 30, 2014 valuation to calculate our implied enterprise value based on the issuance of the preferred stock financing that was completed near the time of the valuations. The enterprise values derived from the approaches discussed above were then allocated to each of our classes of stock using the Option Pricing Method, or OPM, the Probability Weighted Expected Return Method, or PWERM, or the Hybrid Method. The allocation of these enterprise values to each part of our capital structure, including our common stock, was done based on the OPM and the Common Stock Equivalent method for the initial public offering scenarios. OPM treats the rights of the holders of preferred and common shares as equivalent to call options on any value of the enterprise above certain break points of value based upon the liquidation preferences of the holders of preferred shares, as well as their rights to participation and conversion. Thus, the estimated value of the common stock can be determined by estimating the value of its portion of each of these call option rights. The OPM backsolve method derives the implied enterprise value of a company from a recent transaction involving the company's own securities issued on an arms-length basis. Under the PWERM the value is estimated based upon analysis of future values for the enterprise under varying scenarios, probabilities are ascribed to these scenarios based on expected future outcomes. Following the closing of this offering, the fair value of our common stock will be determined based on the closing price of our common stock on the Nasdaq Global Market.

Preferred Stock Warrant Liability

We have issued freestanding warrants to purchase shares of common and preferred stock in connection with the issuance of various debt facilities and debt instruments. We account for these warrants as a liability in our financial statements because the underlying instrument into which the warrants are exercisable contains deemed liquidation provisions that are outside our control.

The warrants were recorded at fair value using the Black-Scholes option pricing model. The warrants are re-measured at each financial reporting period with any changes in fair value being recognized as a component of other income (expense), net in the statements of operations. We will continue to adjust the liability for changes in fair value until the earlier of (i) exercise or expiration of the warrants, or (ii) the completion of an initial public offering, at which time certain preferred stock warrants will be converted into warrants to purchase common stock and the liability will be reclassified to additional paid-in capital, if they qualify for equity classification.

Common Stock Warrants

We account for warrants for shares of common stock as equity in accordance with the accounting guidance for derivatives. The accounting guidance provides a scope exception from classifying and measuring as a financial liability a contract that would otherwise meet the definition of a derivative if the contract is both (i) indexed to the entity's own stock and (ii) classified in the stockholders' deficit section of the balance sheet. We determined that the warrants for shares of common stock issued in connection with the debt arrangements are required to be classified in equity. We estimate the fair value of our warrants for shares of common stock by using the Black-Scholes option pricing model. Warrants classified as equity are recorded as additional paid-in capital on the consolidated balance sheet and no further adjustments to their valuation are made.

Income Taxes

We account for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to affect taxable income. We assess the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

As of December 31, 2014, we had net operating loss carryforwards of approximately $58.3 million and $48.6 million available to reduce future taxable income, if any, for federal and state income tax purposes, respectively. If not utilized, our federal and state net operating loss carryforwards begin to expire in 2029 and 2016, respectively, and valuation allowances have been established, where necessary. We also have research credit carryforwards of approximately $1.2 million and $0.9 million available to reduce future taxable income, if any, for both Federal and California state income tax purposes, respectively. The Federal credits begin to expire in 2031, and the California credits have no expiration date. Realization of these net operating loss and research credit carryforwards could expire unused and be unavailable to reduce future income tax liabilities, which could materially and adversely affect our results of operations.

We assess all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the positions sustainability and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and we will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit may change as new information becomes available.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. We have determined that we have experienced Section 382 ownership changes in fiscal year 2010 and $1.4 million of our NOL carryforwards are subject to limitation.

Off-Balance Sheet Arrangements

Through March 31, 2015 we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Seasonality

Our business is affected by seasonal variations. For instance, we have historically experienced lower sales in the summer months and higher sales in the last quarter of the fiscal year. However, taken as a whole, seasonality does not have a material impact on our financial results.

Inflation

We believe that inflation has not had a material impact on our consolidated statements of operations for the years ended December 31, 2012, 2013, or 2014 or for the three months ended March 31, 2014 and 2015. However, there can be no assurance that future inflation will not have an adverse impact on our consolidated results of operations or financial conditions.

JOBS Act Accounting Election

In April 2012, the Jumpstart Our Business Startups Act of 2012, or JOBS Act, was enacted. Section 107(b) of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period, and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) not being required to provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) not being required to comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (a) the last day of the fiscal year in which we have total annual gross revenue of $1.0 billion or more; (b) the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering; (c) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous six years; or (d) the date on which we are deemed to be a large accelerated filer under the rules of the U.S. Securities and Exchange Commission, or SEC.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to interest rate risks related to our cash, cash equivalents and borrowings. We had cash and cash equivalents of $17.6 million and $10.9 million as of December 31, 2014 and March 31, 2015, respectively, which consist of bank deposits and money market funds. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant.

We have outstanding debt of $15.5 million as of December 31, 2014 and March 31, 2015 with fixed interest rates ranging from 3.75% to 11%. We are exposed to interest rate risk in connection with any future borrowings under our SVB line of credit, which bears interest at a floating rate based on SVB's prime rate plus 0.75%. 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. In the ordinary course of business, we may enter into contractual arrangements to reduce our exposure to interest rate risks. We do not believe that a 10% change in interest rates would have a significant impact on our consolidated financial statements.

Foreign Currency Exchange Risk

We operate in countries other than the United States, and, therefore, we are exposed to foreign currency risks. Revenue from sales outside of the United States represents approximately 5% of our total revenue. We bill most direct sales outside of the United States in local currencies, which are mostly comprised of the Euro and the British Pound. Operating expenses related to these sales are largely denominated in the same respective currency, thereby limiting our transaction risk exposure. We therefore believe that the risk of a significant impact on our operating income from foreign currency fluctuations is not significant. We do not believe that a 10% change in foreign currency exchange rates would have a significant impact on our net income. We do not currently hedge our exposure to foreign currency exchange rate fluctuations; however, we may choose to hedge our exposure in the future.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU 2014-09 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. ASU 2014-09 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. ASU 2014-09's effective date will be January 1, 2018. We have not determined the potential effects of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, ASU 2014-15. ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, companies will have reduced diversity in the timing and content of footnote disclosures than under today's guidance. ASU 2014-15 is effective for the first quarter of 2016 with early adoption permitted. We are currently evaluating the impact of adopting ASU 2014-15 on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, Interest-Imputation of Interest, or ASU No. 2015-03. ASU No. 2015-03 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 that debt liability, consistent with debt discounts. The recognition and measurement guidance of debt issuance costs is not affected by the amendments in this update. The standard will be effective for us beginning in the first quarter of 2016 and requires we apply the new guidance on a retrospective basis on adoption. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, or ASU 2015-11. ASU 2015-11 simplifies the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, in scope inventory should be measured at the lower of cost and net realizable value. The new standard will become effective for us in fiscal year 2017, with early adoption permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

BUSINESS

Overview

We are a medical device company that has pioneered a proprietary minimally invasive surgical implant system to fuse the sacroiliac joint for treatment of common types of sacroiliac joint disorders that cause lower back pain. We introduced our iFuse Implant System, or iFuse, in 2009 in the United States and in 2010 in certain countries in the European Union. Since 2009, more than 16,500 iFuse procedures have been performed by over 1,000 surgeons, primarily in the United States. Based on our commercial experience and market research, we believe iFuse is currently used in nearly 85% of minimally invasive surgical fusions of the sacroiliac joint in the United States.

The two sacroiliac joints connect the sacral bone at the base of the spine with the two iliac bones of the pelvis, and absorb and transmit shock between the legs and the upper body. Patients with sacroiliac joint dysfunction may experience pain that can be debilitating. We believe that the sacroiliac joint is the last major joint to be addressed by the orthopedic implant industry.

iFuse is the only minimally invasive product for sacroiliac joint fusion commercially available in the United States that, to our knowledge, is supported by published evidence of safety, clinical effectiveness, durability, and economic utility. These benefits are supported by more than 25 published papers, including a prospective, randomized controlled multi-center clinical trial referred to as “INSITE.” Prospective, randomized controlled clinical trials that compare outcomes of surgical to non-surgical management for spine conditions are rare. INSITE six-month follow-up results were published in March 2015 in the *International Journal of Spine Surgery*, and 12-month follow-up results have been accepted for publication in *Neurosurgery*. The INSITE results demonstrate that iFuse procedures result in clinically important and statistically significant reduction in sacroiliac joint pain and related disability as well as improvement in quality of life.

Moreover, the improvement in all of these measures after the iFuse procedure was statistically superior to those after non-surgical management. In April 2015, INSITE was awarded the “best overall” paper out of approximately 450 submitted clinical study papers at the International Society for Advancement of Spine Surgery, or ISASS, conference.

The INSITE clinical trial included 148 subjects treated at 19 centers with subjects randomized in a two to one ratio to either immediate sacroiliac joint fusion with iFuse or non-surgical management. The study design allowed subjects in the non-surgical management group to cross over and have surgery after six months, and 79.5% of the non-surgical management group had elected to have the iFuse procedure as of June 30, 2015. The results can be summarized as follows:

- **Reduction in Pain**. There is a much greater chance of pain reduction with iFuse as compared to non-surgical management. Subjects surgically treated with iFuse had a mean 52.0-point reduction in sacroiliac joint pain at six months, on the 0-100 Visual Analog Scale, or VAS. By contrast, subjects in the non-surgical management group had only a mean 12.2-point decrease ($p<.0001$). Pain relief was sustained at 12 months, with a mean 54.2-point reduction from the baseline VAS measurement in the surgical group. The six-month success rates were 81.4% and 26.1% in the iFuse and non-surgical management groups, respectively, where success was defined as reduction in VAS sacroiliac joint pain of at least 20 points in the absence of serious device-related or neurologic adverse events and absence of surgical revision. In addition, the non-surgical management group subjects who elected after six months to cross over to have the iFuse procedure had pain reduction similar to that seen in subjects originally assigned to sacroiliac joint fusion with iFuse. Twelve-month success rates were 81.5% and 12.5% in the iFuse and non-surgical management groups, respectively.
- **Reduction in Disability**. There is a much greater chance of reduction in disability with iFuse as compared to non-surgical management. Subjects surgically treated with iFuse had a mean 27.4-point

reduction in disability at six months, on the 0-100 Oswestry Disability Index, or ODI, while subjects in the non-surgical management group had only a mean 4.6-point decrease (p<.0001). At 12 months, the iFuse group had a mean 29.4-point reduction in ODI. At six months, the proportion of subjects with ODI improvements of at least 15 points was 72.5% and 13.0% in the iFuse and non-surgical management groups, respectively (p<.0001). In addition, the subjects who elected after six months to cross over to have the iFuse procedure had similar reduction in disability as the subjects originally assigned to sacroiliac joint fusion with iFuse. At 12 months, the proportion with an ODI improvement of at least 15 points was 72.4% and 10.0% in the iFuse and non-surgical management groups, respectively (p<.0001).

We have also demonstrated the long-term durability of pain relief resulting from treatment with iFuse in several other published studies. A study published in the *Open Orthopedics Journal* in 2014 showed that pain relief observed at 12 months was maintained for five years. Similar results with four and one-half year follow-up were published in the *Journal of Spine* in 2014. Moreover, the cumulative four-year revision rate with iFuse, an important clinical outcome, is approximately 3.5%, or one-third of the reported revision rate of lumbar (lower back) fusion.

Market

Over 30 million Americans experience lower back pain at any given time, according to *The New England Journal of Medicine.* Published clinical studies have shown that 15 to 30 percent of all lower back pain is associated with the sacroiliac joint. Based on our surveys of surgeons that have performed the iFuse procedure, we believe that up to 50 percent of patients who present with sacroiliac joint pain to a trained surgeon or pain doctor are candidates for a surgical procedure. Our experience in both clinical trials and the commercial setting indicates that iFuse could be beneficial to at least 30 percent of these patients who visit these trained healthcare providers and are screened for exclusion and inclusion criteria. Based on this analysis, we believe that the potential market for iFuse in the United States is up to 675,000 patients annually.

Studies have also stated that the disability from disease of the sacroiliac joint is comparable with a number of serious orthopedic conditions (for example, knee and hip osteoarthritis, spinal stenosis and degenerative disc disease), all of which have surgical solutions where an implant is used and a significant market exists. For example, there are a large number of lumbar fusions to treat lower back pain in the United States.

Frequently, sacroiliac joint patients have experienced one of the following events that have caused disruption or degeneration of the sacroiliac joint: falls, previous lumbar surgery, automobile accidents, and/or pregnancies. Approximately 65% of people who suffer from sacroiliac pain are women. In the United States, iFuse is intended for sacroiliac joint fusion for conditions including sacroiliac joint dysfunction that is a direct result of sacroiliac joint disruption and degenerative sacroiliitis. This includes conditions whose symptoms began during pregnancy or in the peripartum period and have persisted postpartum for more than six months. In all other countries where iFuse is available commercially, the system is indicated for sacroiliac joint fusion.

Company History

SI-BONE was founded in 2008 by our Chief Medical Officer, orthopedist Mark A. Reiley, M.D., our Chief Executive Officer, Jeffrey W. Dunn, and orthopedic surgeon Leonard Rudolf, M.D. Dr. Reiley previously invented balloon kyphoplasty and founded Kyphon Inc., which was sold to Medtronic plc in 2007. He also invented the INBONE total ankle replacement system, which was sold to Wright Medical Technology, Inc. in 2008.

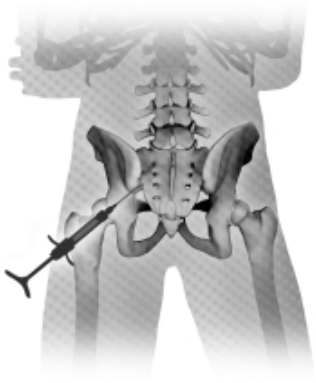
As of June 30, 2015, we had 194 employees, including a direct field sales organization of 77 in the United States and six in Europe. In the United States, we sell primarily through our direct field organization, and we have a small number of third-party distributors. As of June 30, 2015, throughout the world we had 19 issued

patents, of which 18 were in the United States, and 74 pending patents, of which 28 were in the United States. These patents and applications cover various aspects of the iFuse procedure, implants and instruments. For the year ended December 31, 2014 and the three months ended March 31, 2015, we generated revenue of $40.1 million and $10.3 million, respectively, and our net loss was $27.8 million and $7.6 million, respectively.

Diagnosis

It is often difficult to identify the source of lower back pain. As a result, some surgical procedures performed on the spine have a sub-optimal success rate. For example, published studies of lumbar spine fusion have shown success rates of only approximately 60%. Unsuccessful spine surgery may result in failed back surgery syndrome, which has been shown to result in high healthcare costs with poor overall relief of pain. We believe low success rates of lumbar fusion are likely related to failure, in some cases, to diagnose the sacroiliac joint as the correct cause of pain.

In addition to training surgeons to perform the iFuse procedure, we have made considerable investments in teaching healthcare professionals to accurately diagnose sacroiliac joint disorders. We provide instruction and training on how to perform provocative maneuvers in a physician's office that can reveal the sacroiliac joint as the source of pain. If provocative tests are positive, surgeons can then confirm that the pain derives from the sacroiliac joint by injecting a small amount of local anesthetic into the joint under fluoroscopic guidance. If the local anesthetic produces immediate pain reduction, it confirms that the sacroiliac joint is the source of the pain. In addition to the differentiated characteristics of our iFuse procedure and implants, we believe that more accurate diagnosis is part of the reason for the high success rate of iFuse. As is customary in the orthopedic implant industry, a member of our team is typically present in the operating suite during surgery to provide technical assistance for the use of iFuse.



Surgical Treatment of Sacroiliac Joint Disease

Patients with sacroiliac joint dysfunction frequently experience significant pain simply from sitting, standing, or rolling over in bed. The pain can be exacerbated with activity. When a patient walks or runs, for example, the shock from each step is transmitted up the leg to the iliac bones of the pelvis. This results in small movements of the sacroiliac joints and pressure transferred across the joints. The initial goal in fusion of the sacroiliac joint is to immediately stabilize the joint because the movement of the damaged or arthritic joint is believed to cause the pain. After the joint has been stabilized, the goal is to have permanent fusion of the joint occur over time through biological fixation.

Surgical fusion of the sacroiliac joint was first reported in the 1920s using an open surgical technique. However, as summarized in the table below, the open procedure is extremely invasive with substantial pain and long recovery time, when compared to the minimally invasive iFuse procedure.

Open surgery for elective sacroiliac joint fusion has become less common in the United States since we introduced iFuse. The table below highlights some of the key differences between the iFuse procedure and open surgery.

	Fusion with Open Surgery	Minimally Invasive iFuse Procedure
Size of incision	6 to 12 inches	1 to 2 inches
Average hospital stay	5.1 nights	1.3 nights
Average blood loss	800 ml	33 ml
Surgeries performed annually in the United States	Fewer than 400 in 2008	Approximately 4,000 in 2014

Due to its morbidity and infrequent use, the open fusion procedure was rarely taught in medical school or residency programs. Prior to our launch of iFuse, most spine surgeons had never performed a sacroiliac joint fusion. As a result, when patients presented with lower back pain, spine surgeons often did not include a sacroiliac joint evaluation in their diagnostic work-up.

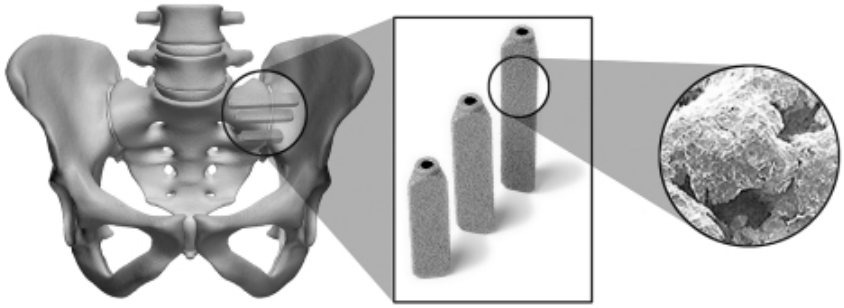
Non-Surgical Treatment of Sacroiliac Joint Disease

Although a number of non-surgical treatments exist for sacroiliac joint pain, they did not provide the level of pain or disability relief seen with the iFuse procedure for the patients participating in the INSITE study.

- **Medical therapy**, including opiates and non-steroidal anti-inflammatory medications.
- **Physical Therapy**, which can involve exercises as well as massage.
- **Intra-articular injections of steroid medications**, which are typically performed by physicians who specialize in pain treatment or anesthesia.
- **Radiofrequency ablation**, or the cauterizing, of the lateral branches of the sacral nerve roots.

Our Solution—iFuse

Our iFuse system is designed to address the shortcomings of alternative treatments, including open surgery, non-surgical management, and screw-based procedures. As shown below, iFuse implants are triangular, made of titanium and coated with a porous surface using a titanium plasma spray process. Each iFuse implant is at least three times the strength of an eight millimeter cannulated screw and the large porous surface area allows fixation of the bone to the implants.



In the iFuse procedure, which is performed under general anesthesia, the surgeon makes an incision approximately one to two inches in length. Using a custom instrument set we provide, the surgeon prepares a triangular channel across the sacroiliac joint for each implant. An iFuse implant is then pressed into a triangular channel. The channel in the bone is slightly smaller than the implant, creating what is known as an interference fit. The triangular shape of our implants prevents them from rotating. The iFuse implants have more than 30 times the rotation resistance of screws. We have been issued patents on rectilinear implants, which include all shapes with cross-sections that are not round, including the triangular shape we use for iFuse. We also have been

issued patents for, among other things, the method of placing those implants for applications across the sacroiliac joint as well as other parts of the spine and pelvis.

By contrast, open fusion of the sacroiliac joint as well as the minimally invasive solutions offered by other companies typically use screws and/or plates for fixation. When placed across the sacroiliac joint, standard orthopedic screws, with no features to allow biologic fixation, have demonstrated a high percentage of loosening over time. We are unaware of any data to show that our competitors' sacroiliac joint screws, with features allowing biologic fixation, have a lower rate of loosening than standard orthopedic screws. In addition, placement of plates for open fusion procedures typically requires larger incisions and more invasive dissection, which results in longer recovery times and increased morbidity. Because of the triangular shape, porous coating, strength, and other differentiating factors, we believe that our published clinical data does not apply to other minimally invasive solutions, for which no evidence of safety, clinical effectiveness, durability, and economic utility has been published.

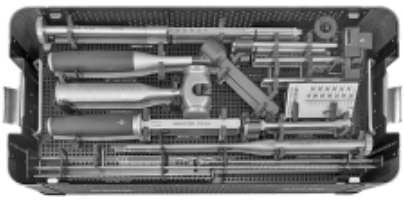
Our implants cross the sacroiliac joint and provide stability, which is why we believe pain diminishes soon after the iFuse procedure. Typically, surgeons recommend protected weight-bearing for three weeks. However, post-operative instructions are patient-specific and some patients are allowed to perform weight-bearing activities sooner. Follow-up studies have shown bony bridging across the sacroiliac joint five years after the iFuse procedure.

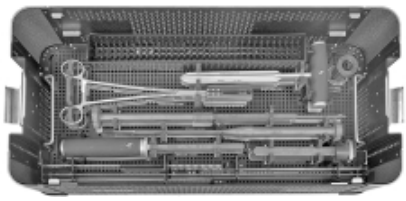
Three implants are used in most iFuse procedures. Each implant bridges across the joint from the iliac bone to the sacrum. Placing each implant requires four basic steps:

- **Pin**. The surgeon inserts a guide pin through the iliac bone, across the sacroiliac joint and into the sacrum.
- **Drill**. Surgeons drill over the guide pin, through the iliac bone, across the sacroiliac joint and just into the sacrum. This step is optional if using the sharp-tip broach.
- **Broach**. The surgeon impacts a triangular broach over the pin which prepares a triangular channel that is slightly smaller than the iFuse implant.
- **Implant**. The surgeon impacts the implant into the triangular channel thereby spanning the sacroiliac joint and docking in the sacrum. The channel is slightly smaller than the implant, which produces an interference fit.

iFuse is a cannulated system, which means that the drill, broach and implants have hollow channels which fit over the pin for guidance purposes. As is typical across the orthopedic implant industry, a member of our team is normally present in the operating suite during surgery as a technical resource for the use of iFuse.

We currently offer three custom instrument sets for placement of iFuse implants in the body. The standard set is comprised of largely stainless steel materials; the XL (Extra Long) set is the same as the standard set but most instruments are elongated by three inches for treatment of larger patients; and the radiolucent set is comprised of instruments made with more radiolucent materials, such as PEEK and aluminum to improve visualization under fluoroscopy during an iFuse procedure.





Our Strategy

Our objective is to maintain and enhance our leadership position in providing clinically proven products and training for minimally invasive sacroiliac joint fusion and provide relief for as many patients as possible. To accomplish this objective, we intend to:

- Continue to educate physicians, payors, and patients globally about the growing body of compelling evidence supporting the safety and clinical effectiveness of our iFuse procedure;
- Increase reimbursement coverage based on our evidence of safety and clinical effectiveness;
- Continue to invest in iFuse awareness, surgeon training, new products, and additional clinical and economic studies;
- Educate and train the healthcare community on the prevalence, anatomy, diagnosis, and treatment options including minimally invasive surgical fusion of the sacroiliac joint;
- Expand our direct field organization in the United States and select European countries to drive adoption of our iFuse products;
- Maintain our technological leadership by investing in the creation of new or improved products for sacroiliac joint surgery and obtain domestic and international regulatory clearance to market them in the United States and additional countries; and
- Continue to grow and defend our existing intellectual property portfolio.

Our Published Studies

iFuse is the only minimally invasive product for sacroiliac joint fusion commercially available in the United States that, to our knowledge, is supported by published evidence of safety, clinical effectiveness, durability, and economic utility. These benefits are supported by more than 25 published papers, including a randomized controlled clinical trial referred to as “INSITE” and a prospective multi-center clinical study referred to as “SIFI.” INSITE six-month follow-up results were published in March 2015 in the *International Journal of Spine Surgery*, and 12-month follow-up results have been accepted for publication by *Neurosurgery*. SIFI six-month follow-up results were published in *Medical Devices—Evidence and Research* in December 2013, and 12-month follow-up results have been accepted for publication by the *Global Spine Journal*. These results demonstrate clinically important and statistically significant improvement for sacroiliac joint pain, disability due to lower back pain, quality of life, and patient satisfaction. Moreover, the level of published evidence supporting the safety and effectiveness of sacroiliac joint fusion using iFuse is high. The published studies described below were supported financially by SI-BONE. The INSITE study was awarded the Leon L. Wiltse Award for Best Overall Paper (out of approximately 450 submitted abstracts) by the ISASS meeting program committee.

In the United States, iFuse is intended for sacroiliac joint fusion for conditions including sacroiliac joint dysfunction that is a direct result of sacroiliac joint disruption and degenerative sacroiliitis. This includes conditions whose symptoms began during pregnancy or in the peripartum period and have persisted postpartum for more than six months. In all other countries where iFuse is available commercially, the system is indicated for sacroiliac joint fusion. The published studies summarized below include clinical outcome information. We have not yet cleared claims for use of iFuse to reduce pain, reduce disability, improve quality of life, or other clinical outcome claims without reference to published papers.

Statistical significance in the studies is denoted by p-values in the explanations below for both pain and disability analysis. The p-value is the probability that the results observed are due to chance alone (i.e., a p-value <0.0001 for reduction in pain means that there is a less than a 0.01% chance that the demonstrated reduction in pain for subjects surgically treated with iFuse in relation to the non-surgical management group was purely due to chance).

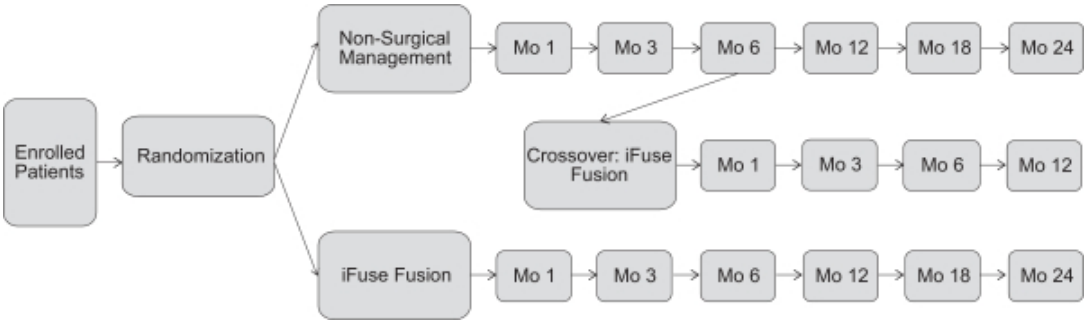
INSITE Study Design

INSITE enrollment took place between January 2013 and May 2014 at 19 sites in the United States. Adults between 21 and 70 years old were eligible to participate if they had a confirmed diagnosis of sacroiliac dysfunction due to degenerative sacroiliitis and/or sacroiliac joint disruption. Diagnosis was based on the subject's history, provocative tests performed in the surgeon's office, and at least a 50% decrease in sacroiliac joint pain 30 to 60 minutes after local anesthetic was injected into the joint under image guidance. Eligibility required a sacroiliac VAS pain score of at least 50, where zero represents no pain and 100 represents worst imaginable pain, as well as a baseline ODI score of at least 30, which has a scale of 0-100, where zero represents no disability and scores greater than 80 represent very severe disability.

Exclusion criteria included inability to diagnose pain related to the sacroiliac joint, sacroiliac joint pain due to inflammatory conditions, severe back pain deemed to be due primarily to other causes, history of recent major trauma to the pelvis, metabolic bone disease, or any condition that made treatment with the study devices infeasible or interfered with the ability to participate in physical therapy. Subjects involved in litigation, on disability leave, or receiving workers' compensation related to their back or sacroiliac joint pain were also excluded. Subjects were randomly assigned to sacroiliac joint fusion or non-surgical management in a two to one ratio. After six months of follow-up, subjects could elect to receive sacroiliac joint fusion surgery using iFuse. All of the subjects who were randomized to non-surgical management completed six months of follow up before electing to crossover to surgery.

Subjects assigned to non-surgical management began non-surgical management immediately. Non-surgical management consisted of four components: 1) management of pain with medication, including narcotics; 2) physical therapy; 3) steroid injections in the sacroiliac joint; and 4) radiofrequency ablation of local nerves. Physical therapy followed American Physical Therapy Association, or APTA, guidelines. Not all non-surgical management interventions were provided to all non-surgical management subjects. Non-surgical management interventions were provided serially, typically in order of increasing invasiveness, according to individual needs.

Baseline assessments included medical history and physical examination. Subjects were scheduled for follow-up at one, three, six, 12, 18, and 24 months after enrollment. At each follow-up, the subjects evaluated their pain and disability by completing questionnaires to assess pain and disability. The basic design of the study is represented in the figure below:



A high-resolution pelvic CT scan is planned at the 24-month follow up for those subjects randomized to and treated with iFuse. The purpose of the CT scan is to judge the adherence of bone onto the implants on both the sacral and iliac sides of the sacroiliac joint and to determine whether there is bone bridging across the joint.

The study required that subjects receive only the assigned treatment to month six. After six months, the study allowed subjects assigned to non-surgical treatment to cross over to surgery. Cross over was allowed because the anticipated success rate for non-surgical management was low, and many subjects would not have participated without the ability to cross over to surgical care within the study. One-hundred percent of subjects

who crossed over to iFuse in the study did so after their six-month visit was complete in compliance with the design of the study. Nearly 80% (35 of 44) non-surgical management subjects still participating crossed over to surgical care after six months. All subjects who crossed over had sacroiliac joint fusion using iFuse and were subsequently evaluated with follow-up visits.

The primary endpoint was a composite success or failure endpoint. Success was defined as reduction from baseline VAS sacroiliac joint pain by at least 20 points, absence of device-related serious adverse events, absence of neurological worsening related to the sacral spine, and absence of surgical re-intervention (removal, revision, reoperation, or supplemental fixation) for sacroiliac joint pain. Secondary endpoints included improvement from baseline in VAS, ODI, as well as treatment satisfaction and other criteria. Other important measures included quality of life assessments.

In the study, 442 subjects at 19 centers were screened for participation, of whom 148 were enrolled and treated. Mean subject age was 51 years and 18 (12%) were 65 years of age or older. Most subjects (94.6%) were Caucasian and approximately two-thirds were female.

Enrolled subjects were highly debilitated by sacroiliac joint pain as indicated by high baseline VAS scores (mean 82.3) and ODI scores (mean 56.8). Nineteen percent were not working due to chronic pain. The duration of pain prior to enrollment averaged 6.4 years (range 0.5 to 40.7 years), and 87.2% had had pain for more than one year and 73.6% had pain for more than two years.

Trial subjects had previously undergone sacroiliac-specific physical therapy (72.3% of subjects), sacroiliac steroid injections (85.8%) and radiofrequency ablation of the sacroiliac joint (16.2%). Approximately two-thirds were taking opioid pain medications at baseline and all reported that multiple activities commonly caused or worsened their sacroiliac joint pain.

Follow-up was excellent with 97.9% having a six-month study visit and 93.2% having a 12-month visit.

All subjects assigned to sacroiliac joint fusion underwent the procedure. Of the subjects assigned to surgery, 76 had the iFuse procedure on one sacroiliac joint, while 26 had the procedure done on both sacroiliac joints. Mean procedure time was 45 minutes (range 14 to 140 minutes). Mean estimated blood loss was 33 ml (range 0.5 to 250 ml). Three implants were used in 91.2% of cases and most implants were seven millimeters in diameter. The hospital length of stay ranged from zero to seven days, and 97.1% were discharged in two days or less.

Of the 46 subjects assigned to non-surgical management:

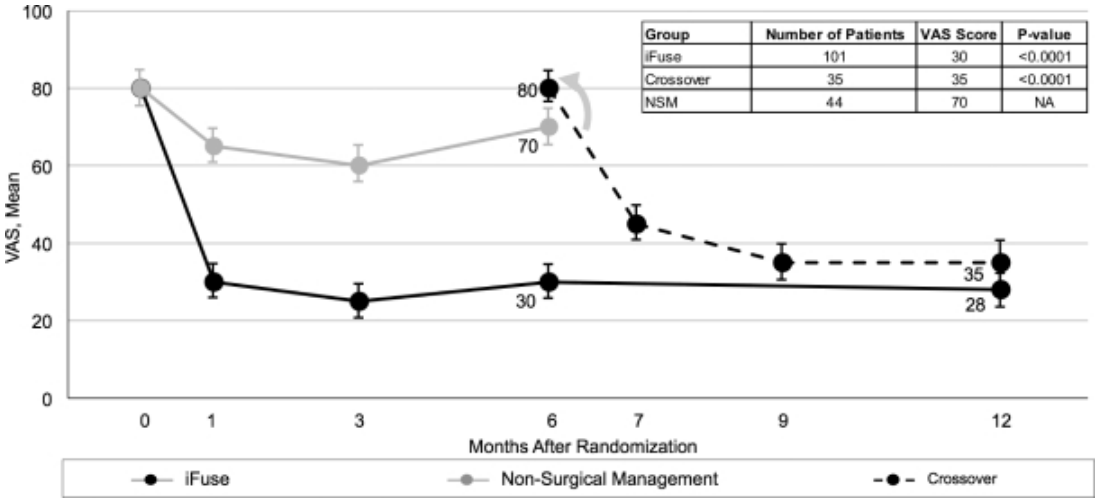
- All but one received physical therapy during the six months after treatment assignment;
- 73.9% underwent at least one steroid injection;
- 45.7% underwent radiofrequency ablation of the sacroiliac joint; and
- 87.0% underwent at least two types of non-surgical management treatments in addition to pain medications.

The above data suggests that the intensity of non-surgical management interventions was high and representative of that provided in standard clinical practice.

INSITE Results

INSITE results can be summarized as follows.

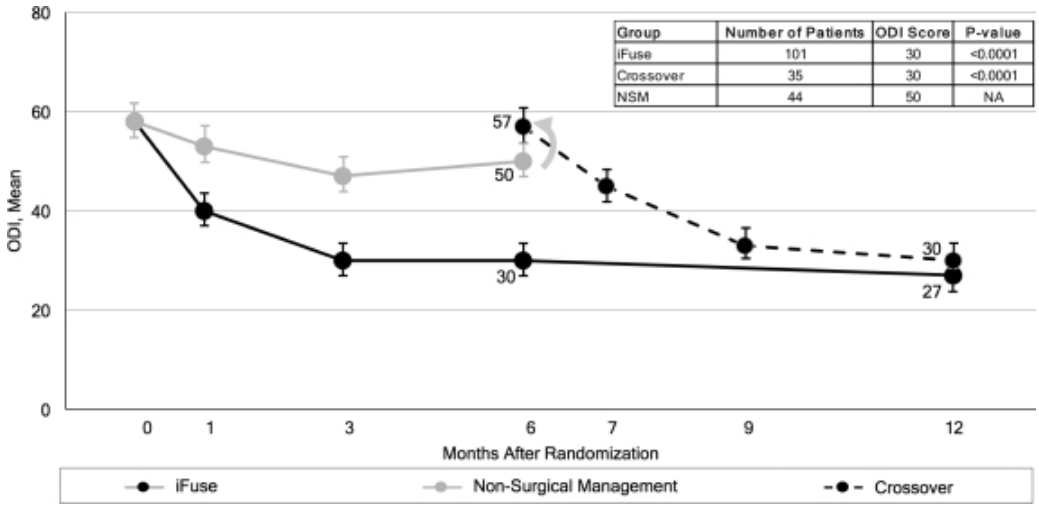
- **Reduction in Pain**. There is a much greater chance of pain reduction with iFuse as compared to non-surgical management. As shown in the graph below, subjects surgically treated with iFuse had a mean 52.0-point VAS reduction in sacroiliac joint pain at six months. By contrast, subjects in the non-surgical management group had only a mean 12.2-point decrease (p<.0001). Pain relief was sustained at 12 months, with a mean 54.2-point reduction from the baseline VAS measurement in the surgical group. The six-month success rates were 81.4% and 26.1% in the iFuse and non-surgical management groups, respectively, where success was defined as reduction in VAS sacroiliac joint pain of at least 20 points in the absence of serious device-related or neurologic adverse events and absence of surgical revision. Twelve-month success rates were 81.5% and 12.5% in the iFuse and non-surgical management groups, respectively.



Subjects who elected not to cross over to surgery had reduced pain at six months, but their pain worsened somewhat over time. In contrast, the non-surgical management group subjects who elected to cross over to have the iFuse procedure had pain reduction similar to that seen in subjects originally assigned to sacroiliac joint fusion with iFuse. These clinically important differences show the effectiveness of sacroiliac joint fusion with iFuse.

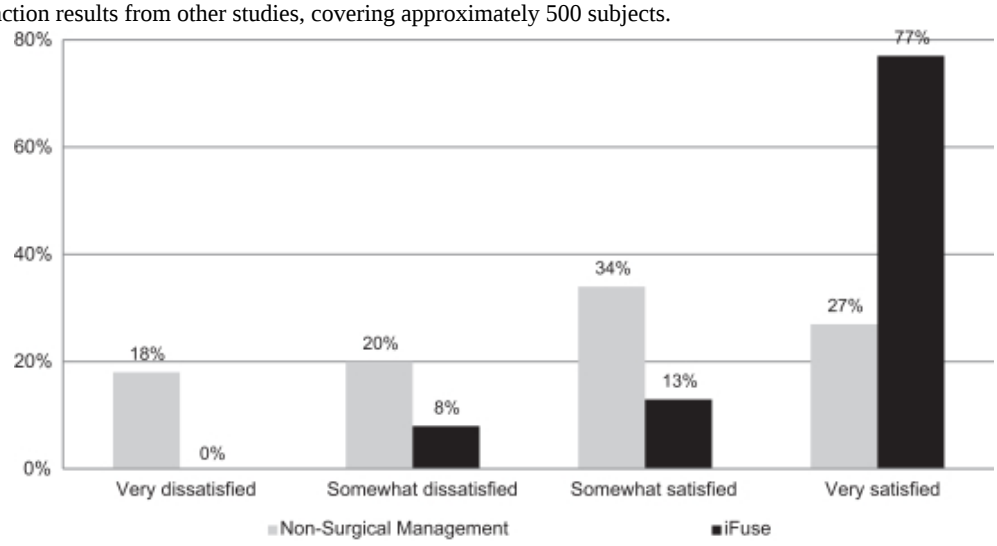
- **Reduction in Disability**. There is a much greater chance of reduction in disability with iFuse as compared to non-surgical management. As shown in the graph below, subjects surgically treated with iFuse had a mean 27.4-point ODI reduction in disability at six months, while subjects in the non-surgical management group had only a mean 4.6-point decrease (p<.0001). At 12 months, the iFuse group had a mean 29.4-point reduction in disability. At six months, the proportion of subjects with ODI improvements of at least 15 points was 72.5% and 13.0% in the iFuse and non-surgical management groups, respectively. At 12 months, the proportion with an improvement of at least 15 points due to the assigned treatment was 72.4% and 10.0% in the iFuse and non-surgical management groups, respectively (p<.0001).

As shown in the figure below, the subjects who elected after six months to cross over to have the iFuse procedure had similar reduction in disability as the subjects originally assigned to sacroiliac joint fusion with iFuse. These clinically important differences show the effectiveness of sacroiliac joint fusion with iFuse.



Patient Satisfaction

Patient satisfaction was assessed by asking subjects whether they were very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied with the treatment received. At six months, 77.2% of subjects who had received iFuse procedure were very satisfied, compared with 27.3% of subjects in the non-surgical management group. At six months, 79.2% of surgery subjects said they would definitely have the procedure again. These results are consistent with the satisfaction results from other studies, covering approximately 500 subjects.



Adverse Events

During the first six months, the mean number of adverse events per subject was slightly higher in the surgery group (1.3 events) as compared to the non-surgical management group (1.1 events, p=0.3063). The most common adverse event related to our implant was leg pain resulting from misplacement. The most common adverse event for our implant procedure has been minor wound infections. None of these adverse events required surgical treatment. The following table shows the number and percentages of subjects who had adverse events related to the iFuse device and the iFuse procedure.

Category	Non-Surgical Management (n=46) N (%*)	Sacroiliac Joint Fusion (n=102) N (%)
Related to iFuse implant		
Definitely related	—	2 (2.0%)
Probably related	—	1 (1.0%)
Total	—	3 (2.9%)
Related to non-surgical management or iFuse procedure**	3 (6.5%)	6 (5.9%)
Definitely related	1 (2.2%)	10 (9.8%)
Probably related	4 (8.7%)	16 (15.7%)
Total		

* Percent reported as number of events divided by number assigned to treatment.
** Events from first 180 days shown.

In summary, we believe the INSITE study, a randomized, controlled clinical trial, provided substantial evidence of the clinically important and statistically significant effectiveness of sacroiliac joint fusion using iFuse compared with non-surgical management. Further, we believe that the fact that subjects who crossed over responded nearly as well as those who were originally assigned to the iFuse group adds significantly to the trial's validity and importance.

SIFI Clinical Trial

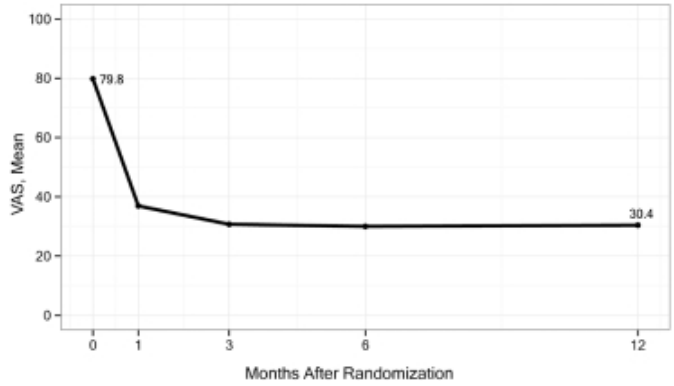
Sacroiliac Joint Fusion with iFuse Implant System, or SIFI, was a prospective, multicenter single-arm clinical trial. Eligibility criteria and endpoints were similar to INSITE. All of the 172 enrolled subjects received the iFuse procedure at 26 sites between August 2012 and December 2013. All enrolled subjects were included in statistical analysis. Mean subject age was 51 years and 96.5% subjects were Caucasian and approximately 70% were female. Of the participants, 98.3% had six-month follow-up and 91.3% had 12-month follow-up.

Baseline sacroiliac pain and disability scores were high. The mean baseline VAS score was 79.8, while the mean baseline ODI score was 55.2. The mean duration of pain prior to enrollment was five years (range 0.4 to 41 years), and 84.3% had had pain for more than one year and 64.5% had had pain for more than two years.

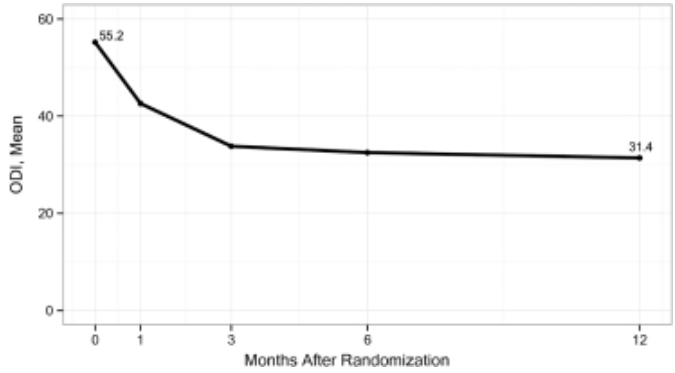
Seventy-six percent were taking opioid pain medications at baseline and all reported that multiple activities commonly caused their sacroiliac joint pain. Many subjects (44.2%) had a history of prior lumbar fusion, and concomitant spine disease was common. Sacroiliac joint pain persisted despite prior treatments with physical therapy (64.5% of subjects), sacroiliac joint steroid injections (94.2%) and prior radiofrequency ablation of the joint (15.7%).

Hospital length of stay ranged from zero to seven days, and 95.3% were discharged in two days or less. Prolonged hospital stays were related to subject comorbidities, not procedure-related adverse events.

The figure below shows the VAS pain scores at baseline and during the study. The results show clinically important reduction in pain across the subject population.



The figure below shows the ODI scores at baseline and during the study. The results show clinically important reduction in disability across the subject population.



At six and 12 months, 93.5% and 87.3% of subjects, respectively, were somewhat or very satisfied with the iFuse procedure. Similarly, 92.3% and 91.1% of subjects stated at six and 12 months that they might or would definitely have the procedure again.

Five adverse events (2.9% of subjects) were categorized as probably or definitely related to the study implant. In two cases, subjects experienced implant-related nerve root irritation post-operatively, which in both cases resolved with repositioning of the involved implant. One subject had buttock pain attributed to bone growth around the proximal end of the implants. One subject had persistent sacroiliac joint pain after a fall associated with a misstep, and a CT scan of the subject's treated sacroiliac joint showed that the second and third implants were not across the joint. This subject eventually underwent revision surgery which resulted in substantial pain improvement. In the fifth case, mild (2 out of 10) buttock pain starting at post-operative day 182 was attributed to the device.

Twenty-one adverse events (12.2% of subjects) were categorized as probably or definitely related to the implant procedure. Notable events include five cases of wound redness or drainage (four of which resolved with antibiotic treatment and one treated with surgical debridement), two cases of radiculopathy related to implant malposition, which is described above, one case of hemorrhage due to an injured gluteal artery, and one case of pain resulting from both a fall and inadequate device placement, which case is described above. The remaining events were related to anesthesia or post-operative recovery only.

iMIA European Clinical Trial

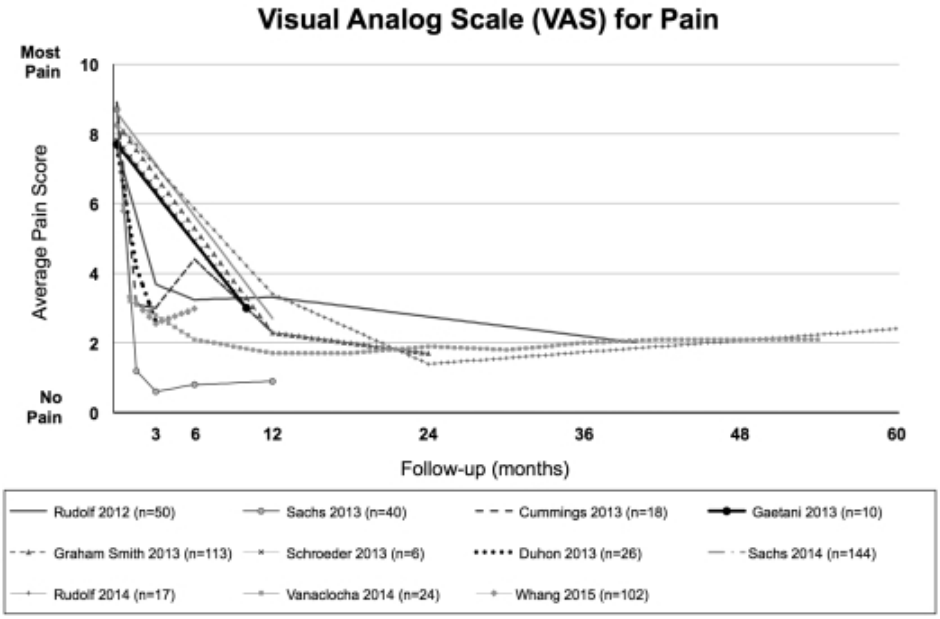
iMIA is a second prospective randomized clinical trial of iFuse for sacroiliac joint fusion compared to non-surgical management with a design very similar to that of INSITE. iMIA is fully-enrolled with 109 subjects at nine sites in four European countries. The trial's preliminary unverified results appear to be similar to those of INSITE and are expected to be published in 2016.

Additional Published Clinical Studies

We have demonstrated the long-term durability of pain relief resulting from treatment with iFuse in several other published studies. A study published in the *Open Orthopedics Journal* in 2014 showed that significant clinical pain relief observed at 12 months was maintained for five years. Similar results with four and one-half year follow-up were published in the *Journal of Spine* in 2014.

To date, several studies not sponsored by SI-BONE have been published on the safety and effectiveness of sacroiliac joint fusion using iFuse. These are prospective or retrospective, single site or multi-site, and U.S.- or Europe-based. These clinical studies demonstrate the iFuse procedure to be safe and effective. These studies demonstrate pain reduction and/or ODI improvement that is statistically significant and clinically important. The type and rate of reported adverse events were similar to those reported in INSITE and SIFI. These additional studies are consistent with the results of INSITE and SIFI. All of the iFuse studies have been summarized in a systematic review or meta-analysis that was published in the *International Journal of Spine Surgery* in July 2015.

Eleven clinical studies used the VAS pain scale, and their results are summarized below.



In addition, a number of economic publications, including in *Clinicoeconomics and Outcomes Research* in 2013 and 2014, demonstrate that iFuse provides a cost savings to the healthcare system for non-surgical management over time.

Reimbursement

In the United States, the primary purchasers of iFuse products are inpatient and outpatient healthcare facilities. These purchasers bill various third-party payors such as Medicare, Medicaid, private commercial insurance companies, health maintenance organizations, accountable care organizations, or ACOs, and other healthcare-related organizations, to cover all or a portion of the costs and fees associated with iFuse, and bill patients for any applicable deductibles or co-payments.

Medicare reimbursement rates for the iFuse procedure vary due to geographic location, the nature of facility in which the procedure is performed and other factors. Although private payor coverage policies and reimbursement rates tend to vary, the Medicare program is commonly used as a model for how private payors and other governmental payors develop their coverage and reimbursement policies for healthcare items and services, including iFuse procedures.

In the United States, the American Medical Association, or AMA, generally assigns specific billing codes for surgical procedures under a coding system known as Current Procedure Terminology, or CPT, which we and our customers must use to bill and receive reimbursement for our iFuse procedure. Once the CPT code is established, the Centers for Medicare & Medicaid Services, or CMS, establishes payment levels and coverage rules under Medicare while private payors establish rates and coverage rules independently.

Prior to our launch of iFuse, Medicare and most private insurance companies reimbursed surgeons for sacroiliac joint fusions using either an established Category I CPT code or an unlisted code. A Category I CPT code is typically assigned to procedures that are consistent with contemporary medical practice and are widely performed. Procedures with a longstanding Category I CPT code are usually reimbursed.

However, effective July 1, 2013, the AMA's CPT Editorial Panel created a new Category III CPT code for fusion of the sacroiliac joint using a minimally invasive or percutaneous approach. Category III CPT codes are used for new and emerging technologies and are reimbursed sporadically. This new code functionally redefined coding for sacroiliac joint fusions because it meant that minimally invasive or percutaneous fusion procedures should not be billed using the general Category I CPT code for sacroiliac fusion surgery. Due to this coding change, which was accompanied by the establishment of a Medicare hospital outpatient rate for the new code, the number of minimally invasive sacroiliac joint fusions, including those performed with iFuse, decreased significantly.

Following the creation of the new Category III code, a number of papers demonstrating the clinical success of the iFuse procedure were published. These studies, along with the support of several professional societies and surgeons resulted in the AMA CPT Editorial Panel establishing a new Category I CPT code specifically for sacroiliac joint fusion surgery using a minimally invasive or percutaneous approach. This new Category I CPT code became effective on January 1, 2015.

Subsequently, in March 2015, our INSITE prospective randomized controlled clinical trial was published. In June 2015, the largest spine society in the world, the North American Spine Society, or NASS, published a positive coverage recommendation document, based on the clinical evidence, advocating to insurance companies and Medicare Administrative Contractors, or MACs, that sacroiliac joint fusion using a minimally invasive surgical approach should be routinely reimbursed. ISASS has also recently published a similar positive advocacy document intended to encourage insurance companies in the United States to reimburse for the procedure.

However, the establishment of the new Category I CPT code does not automatically prompt Medicare or other payors to cover the iFuse procedure. Coverage decisions for this code are made independently by each of the private insurance companies and the eight MACs, and the process of obtaining coverage is not immediate. We believe that the combination of the new Category I CPT code, the data from the INSITE clinical trial, and the

support from leading professional societies will begin to convince additional MACs and private payors to cover minimally invasive fusion of the sacroiliac joint, including the iFuse procedure, and allow us to begin increasing the number of procedures and growing revenue in 2016. As of June 30, 2015, four of the eight MACs had announced that they were covering the iFuse procedure. The other four MACs are in the decision making process.

Private payors also decide whether to cover and how much to pay on an individual basis. Currently, four of the largest 48 private payors are covering the procedure regularly on a case-by-case basis. The remaining 44 are not yet covering but are in the decision making process. The MACs and private insurance companies covering the procedure, on a case-by-case basis, represent approximately 100 million covered lives, while MACs and private insurance companies representing approximately 200 million covered lives are not covering and are in the decision making process.

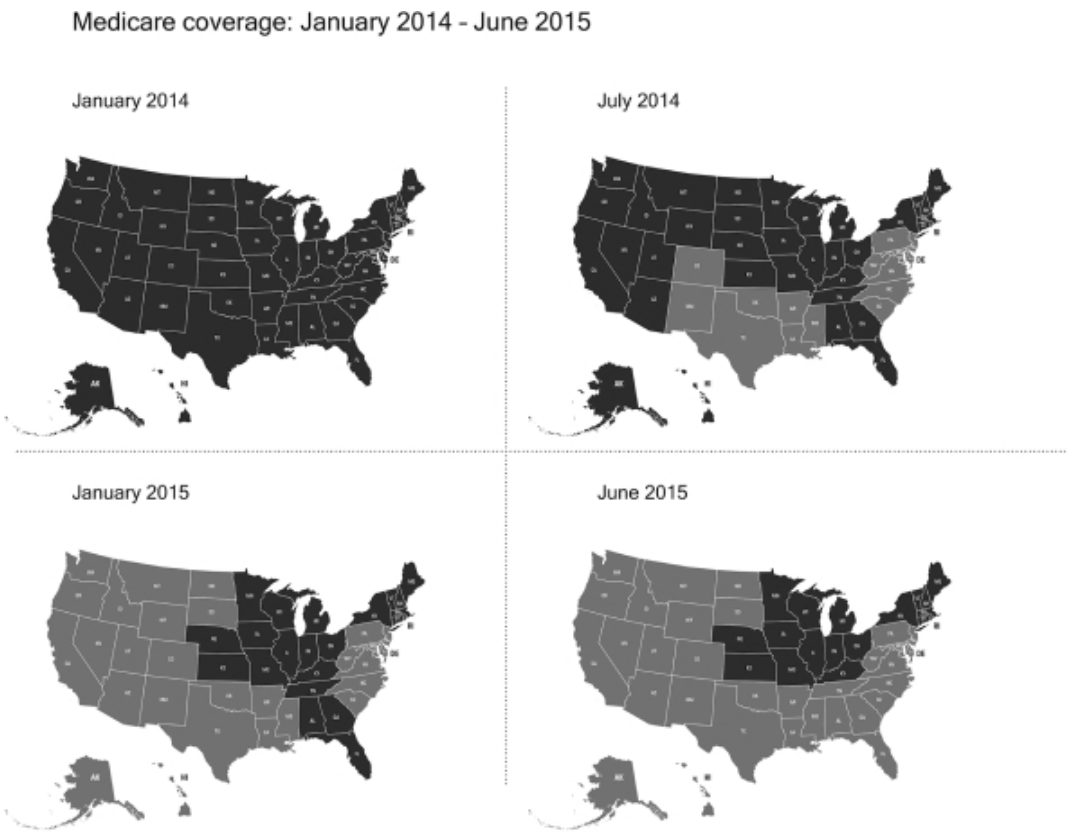
Outside the United States, reimbursement levels vary significantly by country, and by region within some countries. Reimbursement is obtained from a variety of sources, including government-sponsored and private health insurance plans, and combinations of both. Some countries will require us to gather additional clinical data before recognizing and granting broader coverage and reimbursement for our products. It is our intent to complete the requisite clinical studies and obtain coverage and reimbursement approval beyond what we have today in countries where it makes economic sense to do so.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, no uniform policy of coverage and reimbursement for medical device products and services exists among third-party payors. Therefore, coverage and reimbursement for medical device products and services can differ significantly from payor to payor. In addition, payors continually review new technologies for possible coverage and can, without notice, deny coverage for these new products and procedures. As a result, the coverage determination process is often a time-consuming and costly process that requires us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained, or maintained if obtained.

In addition to uncertainties surrounding coverage policies, there are periodic changes to reimbursement. Third-party payors regularly update reimbursement amounts and also from time to time revise the methodologies used to determine reimbursement amounts. This includes annual updates to payments to physicians, hospitals, and ambulatory surgery centers for procedures during which our products are used. An example of payment updates is the Medicare program’s updates to hospital and physician payments, which are done on an annual basis using a prescribed statutory formula.

Some MACs and third-party payors, including Aetna, Cigna, and some Blue Cross Blue Shield plans, still consider iFuse to be experimental or investigational. However, many of these coverage policies predate the establishment of the Category I CPT code in January of 2015 and the publication of INSITE in March of 2015, as well as the positive coverage recommendations to all Medicare contractors and private insurance companies in the United States issued by the NASS and ISASS. Below are a series of charts which detail the recent progress that has been made regarding covered lives relating to the iFuse procedure.

Medicare. There are eight MACs that determine whether a procedure is covered in the United States. The charts below show the progress we have recently made in obtaining coverage from four of the eight MACs. In the charts, black indicates no coverage, while gray indicates coverage.



Private Payors. Private payors also decide whether to cover and how much to pay on an individual basis. The largest 48 private payors cover about 200 million lives in the United States. At this time four large private payors are covering the procedure regularly on a case-by-case basis, while 44 do not cover the procedure. In most cases, the payors who are not covering are re-evaluating coverage based on the new Category I CPT code, the INSITE study and other clinical evidence, and the recommendations of the NASS and the ISASS. Many payors will only review their coverage policies for a particular procedure on a scheduled basis, which can be every few months or as infrequently as once per year.

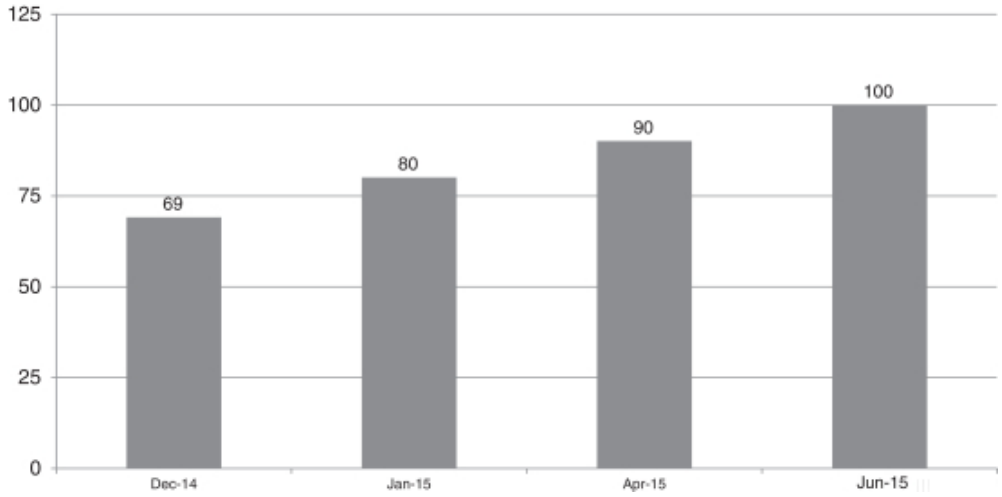
As of December 31, 2014, the table below shows the ten largest private payors in the United States, their approximate number of covered lives, and the status regarding reimbursement coverage:

Rank	Health Plan	Enrollment	Coverage Status
1	United Healthcare	45 million	Case-by-case coverage
2	Anthem (WellPoint)	38 million	Non-coverage
3	Aetna	22 million	Non-coverage
4	Health Care Service Corporation	15 million	Non-coverage
5	Cigna	14 million	Non-coverage
6	Humana	10 million	Non-coverage
7	Kaiser	10 million	Case-by-case coverage*
8	Health Net	5 million	Non-coverage
9	Highmark BCBS	5 million	Non-coverage
10	Independence BC	4 million	Non-coverage

* For plans representing approximately 8 million covered lives.

The figure below shows the coverage progress for minimally invasive sacroiliac joint fusions made by Medicare, Medicaid, and private payors since December 2014:

Cumulative Covered Lives (millions)
(Includes Medicare, Medicaid, and Commercial Lives)



While we believe the increased coverage described above will have a positive effect on the number of iFuse procedures and our associated SI-BONE revenue in the future, the effect likely will happen with a lag time: after a positive coverage decision is made. A number of months may pass before it impacts the number of procedures and associated revenue, since the surgeons have to be made aware of the coverage decision, schedule re-examine patients who were candidates for surgery and subsequently schedule surgeries for the patients who are still candidates.

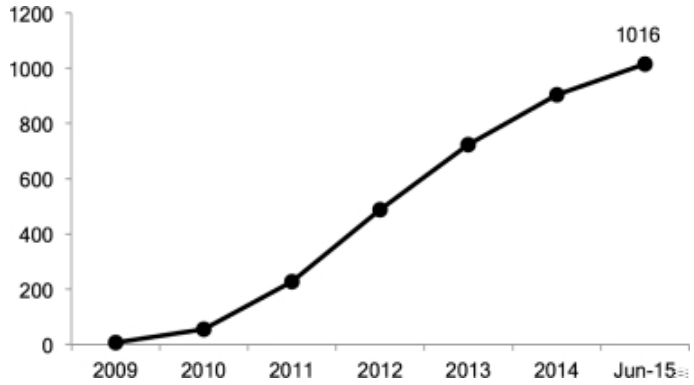
Medical Affairs and Education

We have created a medical affairs team that focuses both internally and externally. Internally, specialized medical knowledge, and practical experience with iFuse are used to help train our sales, marketing, quality,

reimbursement, clinical, regulatory, engineering, and product development teams. This same specialized medical knowledge and practical experience allow us to create and execute a wide variety of programs to train the relevant external medical community to assist them in identifying and diagnosing patients with sacroiliac joint dysfunction and to perform the iFuse procedure. The medical affairs team is led by a board certified fellowship trained orthopedic spine surgeon. As of June 30, 2015, our faculty consisted of 38 surgeons, 14 pain management physicians, six nurse practitioners/physician's assistants, and 41 physical therapists. These third-party consultants educate surgeons, physician's assistants, nurses, physical therapists, and other healthcare professionals regarding sacroiliac joint diagnosis and the iFuse procedure.

Our surgeon training programs are for orthopedic spine surgeons, neurosurgeons, general orthopedic surgeons, and orthopedic trauma surgeons. We also have a large number of educational programs for the broader medical community including primary care physicians and other healthcare practitioners that may manage a sacroiliac joint patient non-surgically such as physical therapists, pain management physicians, and chiropractors. We work to educate case managers, facilities where the iFuse procedure is performed such as hospitals, as well as payors and health plans. For example, as of June 30, 2015, we have trained over 786 case managers across the United States. Case managers help patients navigate the healthcare system so that they receive the appropriate treatment. In addition to the continuing education program for case managers, we have created continuing education programs for physical therapists and chiropractors. As of June 30, 2015, our physical therapy continuing education programs were approved in 31 states. These programs include instruction on the diagnosis and non-surgical treatment of sacroiliac joint dysfunction due to degenerative sacroiliitis and sacroiliac joint disruptions. Our medical affairs programs focus on working with leading spine surgeons to educate other surgeons on the differential diagnosis of sacroiliac joint disorders and the use of iFuse. We also work closely with medical societies to raise the awareness of and the appropriate diagnosis of sacroiliac joint dysfunction and the associated treatment options.

The figure below shows the number of surgeons that have treated patients with iFuse since it was launched in 2009.



Sales and Marketing

We market and sell iFuse primarily through a direct sales force and a small number of third-party distributors. Our target customer base includes approximately 7,500 surgeons who perform spine and/or pelvic surgery, including orthopedic spine surgeons, neurosurgeons, general orthopedic surgeons, and orthopedic trauma surgeons.

Our direct sales organization in the United States is comprised of eight sales regions. Each region is comprised of a number of territory sales managers who act as the primary customer contact. Our territory sales

managers have extensive training and experience selling medical devices for spine problems and pain management, generally focusing on emerging technologies and markets. As of June 30, 2015, our territory sales managers were led by eight regional sales managers who reported to two area sales directors. The area sales directors report to our vice president of sales. As of June 30, 2015, our U.S. sales force consisted of 58 sales representatives directly employed by us and six third-party distributors.

In addition to general sales and marketing training, we provide our sales organization with comprehensive, hands-on cadaveric and dry-lab training sessions focusing on the clinical benefits of our products and how to use them. We believe our robust training and professional development programs have been an important component of our success to date and will help support our anticipated future growth. We expect to continue to increase the size of our sales organization in order to increase sales and market penetration and to provide the significant, ongoing level of customer support required by our sales and marketing strategy.

As of June 30, 2015, we had 20 employees working in our European operations, and have established operations in Italy (2010) and Germany (2014). As of June 30, 2015, our international sales force consisted of six employees and 29 exclusive third-party distributors, which together have had sales in 20 countries in 2015. We anticipate continuing to build our operations in the major European countries while establishing distributor arrangements in smaller ones. We intend to follow a similar model in Europe to the one established in the United States, working with internationally recognized healthcare professional experts as we expand our training and reimbursement activities. As of June 30, 2015, surgeons had performed the first iFuse procedures in New Zealand and Hong Kong.

Research and Development

Since the launch of the initial system, we have introduced a number of new instrument enhancements. The most notable instrument enhancement was the release of the revamped instruments in the Radiolucent Set. We also run a “Non Standard Product” program that designs and manufactures one-off, Class I instruments to our surgeon customers based on one-off requests.

We expect to continue developing enhancements to iFuse to meet our customers’ changing needs and improve the surgery’s effectiveness.

Competition

We believe we were the first to develop, manufacture, and market an implant cleared by the U.S. Food and Drug Administration, or FDA, expressly for sacroiliac joint fusion. Over the past several years, other companies have subsequently recognized the opportunity and have entered the minimally invasive surgical fusion market. However, all of these products are either screw-based or allograft products. We expect more competitors to enter into the market and an increased number of new product introductions by existing competitors. Many of our competitors are large, publicly traded companies that can dedicate far greater resources to the minimally invasive sacroiliac joint market than we can. These companies often have wide product offerings for spine and orthopedic surgery, which allow them to bundle products in order to win large hospital group contracts and can increase the barrier to entry for us. We also expect there to be a continued push for non-surgical alternatives.

In the United States, our primary competitors are Globus Medical, Inc., Medtronic plc, X-Spine Systems, Inc. (whose product is also distributed by Zimmer under a different trade name), and Zyga Technology, Inc. Globus Medical, SIGNUS Medizintechnik GmbH, and X-Spine Systems are our primary competitors in Europe. However, they sell screw-based products, which we believe to be weaker and less able to resist rotation than our triangular iFuse implants. We also compete against non-hardware products, such as allograft bone implants. These allograft products are comprised of human cells or tissues and are regulated by the FDA differently from hardware medical devices.

Based on our commercial experience and market research, we believe iFuse is currently used in nearly 85% of minimally invasive surgical fusions of the sacroiliac joint in the United States. iFuse is the only minimally invasive product for sacroiliac joint fusion commercially available in the United States that, to our knowledge, is supported by published evidence of safety, clinical effectiveness, durability, and economic utility. These benefits are supported by more than 25 published papers, and we are not aware of any publications supporting the clinical effectiveness of other minimally invasive approaches to fusing the sacroiliac joint.

The following are the primary competitive factors on which companies compete in our industry:

- product and clinical procedure effectiveness;
- ease of surgical technique and use of associated instruments;
- safety;
- published clinical outcomes and evidence;
- sales force knowledge;
- product support and service, and customer service;
- comprehensive training, including disease, anatomy, diagnosis and treatment;
- product innovation and the speed of innovation;
- intellectual property;
- accountability and responsiveness to customers' demands;
- pricing and reimbursement;
- scientific (biomechanics) data; and
- attracting and retaining key personnel.

Intellectual Property

We protect our intellectual property through our pending patent applications and issued patents. As of June 30, 2015, we had been issued 18 patents in the United States and one patent in Japan. Also, as of June 30, 2015, we have 28 pending patent applications in the United States and 46 pending patent applications outside of United States. We have focused the majority of our foreign patent efforts in Brazil, China, Europe, India, Japan, and Korea.

Generally, our current U.S. patents are expected to expire between August 2024 to March 2033, and our Japanese patent is expected to expire in August 2025.

We have eight registered trademarks in the United States and have filed for ten more. In other countries, we have focused on registering three primary trademarks: "iFuse Implant System," "SI-BONE," and the SI-BONE logo. As of June 30, 2015, at least two of these marks have been filed in 27 jurisdictions reflecting 54 countries.

We also rely upon trade secrets, know-how and continuing technological innovation, and may rely upon licensing opportunities in the future, to develop and maintain our competitive position. We may seek to protect our proprietary rights through a variety of methods, including confidentiality agreements and proprietary information agreements with suppliers, employees, consultants and others who may have access to proprietary information, under which they are bound to assign to us inventions made during the term of their employment.

The term of individual patents depends on the legal term for patents in the countries in which they are granted. In most countries, including the United States, the patent term is generally 20 years from the earliest

claimed filing date of a non-provisional patent application in the applicable country. There can be no assurance that patents will be issued from any of our pending applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection for our technology. Notwithstanding the scope of the patent protection available to us, a competitor could develop treatment methods or devices that are not covered by our patents but which compete with our proprietary technology and products. Furthermore, numerous U.S. and foreign issued patents and patent applications owned by third parties exist in the fields in which we are developing products. Because patent applications can take many years to issue, there may be applications unknown to us, which applications may later result in issued patents that our existing or future products or proprietary technologies may be alleged to infringe.

There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry. In the future, we may need to engage in litigation to enforce patents issued or licensed to us, to protect our trade secrets or know-how and brands, to defend against claims of infringement of the rights of others or to determine the scope and validity of the proprietary rights of others. Litigation could be costly and could divert our attention from other functions and responsibilities. Adverse determinations in litigation could reduce the barriers to entry that we have established for iFuse, or subject us to significant liabilities to third parties, require us to seek licenses from third parties or prevent us from manufacturing, selling or using iFuse, any of which could severely harm our business.

Regulation

Domestic Regulation of Our Products and Business

Our research, development and clinical programs, as well as our manufacturing and marketing operations, are subject to extensive regulation in the United States and other countries. Most notably, all of our products sold in the United States are subject to the Federal Food, Drug, and Cosmetic Act, or the FDCA, as implemented and enforced by the FDA. The FDA governs the following activities that we perform or that are performed on our behalf, to ensure that medical products distributed domestically or exported internationally are safe and effective for their intended uses:

- product design, development, and manufacture;
- product safety, testing, labeling, and storage;
- record keeping procedures;
- product marketing, sales, distribution and export; and
- post-marketing surveillance, complaint handling, medical device reporting, reporting of deaths, serious injuries or device malfunctions, and repair or recall of products.

There are numerous FDA regulatory requirements governing the clearance or approval and marketing of our products. These include:

- product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action;
- investigational device exemptions to conduct premarket clinical trials, which include extensive monitoring, recordkeeping, and reporting requirements;
- Quality System Regulation, or QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;

- clearance of product modifications that could significantly affect safety or effectiveness or that would constitute a major change in intended use of one of our cleared devices;
- approval of product modifications that affect the safety or effectiveness of one of our approved devices;
- medical device reporting regulations, which require that manufacturers comply with FDA requirements to report if their device may have caused or contributed to a death or serious injury, or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or a similar device were to recur;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device;
- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations;
- regulations pertaining to voluntary recalls; and
- notices of corrections or removals.

We have registered our facility with the FDA as a medical device manufacturer. The FDA has broad post-market and regulatory enforcement powers. We and our third-party manufacturers are subject to announced and unannounced inspections by the FDA to determine our compliance with the QSR and other regulations and these inspections may include the manufacturing facilities of our suppliers.

FDA Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device we wish to commercially distribute in the United States will require either premarket notification, or 510(k), clearance or approval of a premarket approval application, PMA, from the FDA. The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risks are placed in either Class I or II, which typically requires the manufacturer to submit to the FDA a premarket notification requesting permission to commercially distribute the device. This process is generally known as 510(k) clearance. Some low risk devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device, are placed in Class III, requiring a PMA. All of our currently marketed products are Class II devices, subject to 510(k) clearance.

Clinical Trials

Clinical trials are generally required to support a PMA application and are sometimes required for 510(k) clearance. Such trials generally require an investigational device exemption application, or IDE, approved in advance by the FDA for a specified number of subjects and study sites, unless the product is deemed a nonsignificant risk device eligible for more abbreviated IDE requirements. Clinical trials are subject to extensive monitoring, recordkeeping and reporting requirements. Clinical trials must be conducted under the oversight of an institutional review board, or IRB, for the relevant clinical trial sites and must comply with FDA regulations, including but not limited to those relating to good clinical practices. To conduct a clinical trial, we also are required to obtain the subjects' informed consent in form and substance that complies with both FDA requirements and state and federal privacy and human subject protection regulations. We, the FDA or the institutional review board, or IRB, could suspend a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits. Even if a trial is completed, the results of clinical testing may not adequately demonstrate the safety and effectiveness of the device or may otherwise not be sufficient to obtain FDA clearance or approval to market the product in the United States. Similarly, in Europe

the clinical study must be approved by a local ethics committee and in some cases, including studies with high-risk devices, by the ministry of health in the applicable country.

Pervasive and Continuing Regulation

After a device is placed on the market, numerous regulatory requirements continue to apply. These include:

- Product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action;
- QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;
- clearance of product modifications that could significantly affect safety or effectiveness or that would constitute a major change in intended use of one of our cleared devices;
- approval of product modifications that affect the safety or effectiveness of one of our approved devices;
- medical device reporting regulations, which require that manufacturers comply with FDA requirements to report if their device may have caused or contributed to a death or serious injury, or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or a similar device were to recur;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device;
- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations;
- regulations pertaining to voluntary recalls; and
- notices of corrections or removals.

The FDA inspected our facilities in May 2014. As a result, we received a Form 483 with three observations that have been since been corrected following a corrective and preventative action plan. We responded to the Agency in writing and the matter was closed as of October 2014. To date, the FDA has not taken any further actions with respect to the May 2014 inspection or its findings.

Promotional Materials—"Off-Label" Promotion

Advertising and promotion of medical devices, in addition to being regulated by the FDA, are also regulated by the Federal Trade Commission and by state regulatory and enforcement authorities. If the FDA determines that our promotional materials or training constitutes promotion of an unapproved use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine, or criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged and adoption of the products would be impaired.

In addition, under the federal Lanham Act and similar state laws, competitors, and others can initiate litigation relating to advertising claims.

International Regulation of Our Products

Our research, development and clinical programs, as well as our manufacturing and marketing operations, are subject to extensive regulation in other countries. For example, in the European Economic Area, or EEA, our devices are required to comply with the Essential Requirements laid down in Annex I to the EU Medical Devices Directive (Council Directive 93/42/EEC), or Essential Requirements, concerning medical devices. Compliance with these requirements entitles us to affix the CE mark to our medical devices, without which they cannot be commercialized in the EEA.

To demonstrate compliance with the Essential Requirements, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization designated by the competent authorities of a EEA country to conduct conformity assessments. The Notified Body typically audits and examines products' Technical File and the quality system for the manufacture, design and final inspection of our devices before issuing a CE Certificate of Conformity demonstrating compliance with the relevant Essential Requirements. Following the issuance of this CE Certificate of Conformity, we can draw up an EC Declaration of Conformity and affix the CE mark to the products covered by this CE Certificate of Conformity and the EC Declaration of Conformity. We have successfully completed several Notified Body audits since our original certification in November 2010. Following these audits, our Notified Body issued International Standards Organization Certificates and CE Certificates of Conformity allowing us to draw up an EC Declaration of Conformity and affix the CE mark to certain of our devices.

After the product has been CE marked and placed on the market in the EEA, we must comply with a number of regulatory requirements relating to:

- registration of medical devices in individual EEA countries;
- pricing and reimbursement of medical devices;
- establishment of post-marketing surveillance and adverse event reporting procedures;
- Field Safety Corrective Actions, including product recalls and withdrawals; and
- interactions with physicians.

Failure to comply with these requirements may result in enforcement measures being taken against us by the competent authorities of the EEA countries. These can include fines, administrative penalties, compulsory product withdraws, injunctions and criminal prosecution. Such enforcement measures would have an adverse effect on our capacity to market our products in the EEA and, consequently, on our business and financial position.

Further, the advertising and promotion of our products in the EEA is subject to the provisions of the Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising, and Directive 2005/29/EC on unfair commercial practices, as well as other national legislation in the EEA countries governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

Regulatory Status

In November 2008, we received 510(k) clearance to market iFuse from the FDA. Since 2008, we have received additional FDA 510(k) clearances for new instruments, additional implant sizes and labeling changes. In the United States, the iFuse Implant System is intended for sacroiliac fusion for conditions, including sacroiliac

joint dysfunction that is a direct result of sacroiliac joint disruptions and degenerative sacroiliitis. This includes conditions where symptoms began during pregnancy or in the peripartum period and have persisted postpartum for more than six months. In the future, we plan to pursue additional 510(k) clearances for new products and changes to the current indication for iFuse.

In November 2010, we obtained a CE Certificate of Conformity and affixed a CE mark to our device to allow commercialization of iFuse in the EEA. In the EEA and Switzerland, iFuse is intended for sacroiliac joint fusion. Since 2010, we have added additional instruments and implant sizes and labeling updates to our product offerings in Europe. We plan to continue to work with our Notified Body to incorporate new products and labeling updates in our Technical Files for CE marking in European.

Since July 2013, we have obtained approval for iFuse in regions beyond the United States and the EEA, including Australia, Canada, Hong Kong, Israel, Singapore, and New Zealand. Additional product applications are under review in Mexico, South Korea, Malaysia, Taiwan, Saudi Arabia, and India, as well as certain countries in the Middle East and South America. We are currently collecting information to determine our regulatory strategy in Japan and China.

Healthcare Fraud and Abuse

Federal and state governmental agencies and equivalent foreign authorities subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. These laws constrain the sales, marketing and other promotional activities of medical device manufacturers by limiting the kinds of financial arrangements we may have with hospitals, physicians and other potential purchases of our products. Federal healthcare fraud and abuse laws apply to our business when a customer submits a claim for an item or service that is reimbursed under Medicare, Medicaid or most other federally-funded healthcare programs. Descriptions of some of the laws and regulations that may affect our ability to operate follows.

The federal Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, items or services for which payment may be made, in whole or in part, under federal healthcare programs. The term “remuneration” has been broadly interpreted to include anything of value, and the government can establish a violation of the Anti-Kickback Statute without proving that a person or entity had actual knowledge of the law. The Anti-Kickback Statute is subject to evolving interpretations and has been applied by government enforcement officials to a number of common business arrangements in the medical device industry. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution; however, those exceptions and safe harbors are drawn narrowly. Failure to meet all of the requirements of a particular statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute, but the legality of the arrangement will be evaluated on a case-by-case basis based on the totality of the facts and circumstances. A number of states also have anti-kickback laws that establish similar prohibitions that may apply to items or services reimbursed by government programs, as well as any third-party payors, including commercial payors.

The civil False Claims Act prohibits, among other things, knowingly presenting or causing the presentation of a false or fraudulent claim for payment of federal funds, or knowingly making, or causing to be made, a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. In addition, the Patient Protection and Affordable Care Act amended the Social Security Act to provide that a claim including items or services resulting from a violation of the Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act. Actions under the False Claims Act may be brought by the government or as a *qui tam* action by a private individual in the name of the government. There are also criminal penalties, including imprisonment and criminal fines, for making or presenting a false or fictitious or fraudulent claim to the federal government.

Even in instances where a company may have no actual liability, the False Claims Act allows the filing of *qui tam* actions under seal and impose a mandatory duty on the U.S. Department of Justice to investigate such allegations. Most private citizen actions are declined by the Department of Justice or dismissed by federal courts. However, the investigation costs for a company can be significant and material even if the allegations are without merit.

False Claims Act liability is potentially significant in the healthcare industry because the statute provides for treble damages and mandatory penalties of $5,500 to $11,000 per false claim or statement. Because of the potential for large monetary exposure, healthcare companies often resolve allegations without admissions of liability for significant and sometimes material amounts to avoid the uncertainty of treble damages and per claim penalties that may awarded in litigation proceedings. They may be required, however, to enter into corporate integrity agreements with the government, which may impose substantial costs on companies to ensure compliance.

In addition, the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

There also has been a recent trend of increased federal and state regulation of payments and transfers of value provided to healthcare professionals or entities. The Physician Payment Sunshine Act, implemented by CMS as the “Open Payments Program,” imposes annual reporting requirements on device manufacturers for payments and other transfers of value provided by them, directly or indirectly, to physicians (including physician family members) and teaching hospitals, as well as ownership and investment interests held by physicians. Certain states also mandate implementation of commercial compliance programs, impose restrictions on device manufacturer marketing practices and require tracking and reporting of gifts, compensation and other remuneration to healthcare professionals and entities.

The Foreign Corrupt Practices Act of 1997 and similar anti-bribery laws in other countries, such as the United Kingdom Anti-Bribery Act generally prohibit companies and their intermediaries from making improper payments to government officials and/or other persons for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws.

Violations of these laws can subject us to administrative, civil and criminal penalties, including imprisonment, fines, damages, and exclusion from participation in federal healthcare programs, including Medicare and Medicaid.

Coverage and Reimbursement

Coverage and reimbursement for iFuse products and related procedures vary by setting of care, payor type, and region. In the United States, healthcare providers that purchase iFuse products look to various third-party payors, such as Medicare, Medicaid, private commercial insurance companies, health maintenance organizations, accountable care organization, or ACOs, and other healthcare-related organizations, to cover and pay for all or part of the costs of these procedures. These providers bill patients for any applicable deductibles or co-payments. Sales volumes and prices of company products will continue to depend in large part on the availability of coverage and reimbursement from such third-party payors.

In the United States, the Medicare program is commonly used as a model for how private payors and other governmental payors develop their coverage and reimbursement policies for healthcare items and services,

including iFuse procedures. Medicare's coverage policies may vary across the country, however. Unless a national coverage policy exists for a particular technology, each Medicare Administrative Contractor, or MAC, is permitted to make its own determination of whether that item or service is covered by Medicare.

Medicare's reimbursement rates for the iFuse procedure vary due to geographic location, the nature of facility in which the procedure is performed (i.e., hospital inpatient department, hospital outpatient department, or ambulatory surgery center) and other factors. Medicare reviews and updates its payment rates and methodologies for these settings of care annually, and rates can change significantly from year to year. In addition, Congress can alter reimbursement rates at any time by mandating changes to Medicare's payment methodologies.

Similarly, private payor coverage policies and reimbursement rates tend to vary across payors and settings of care. Payors continually review the clinical evidence for new technologies and can change their coverage policies without notice or deny payment if the product was not used in accordance with the payor's coverage policy. Payors also review and challenge the prices charged for products and procedures.

In the United States, a large percentage of insured individuals receive their medical care through managed care programs, which monitor and often require pre-approval of the services that a member will receive. Some managed care programs pay their providers on a per capita basis, which puts the providers at financial risk for the services provided to their patients by paying these providers a predetermined payment per member per month.

Outside the United States, reimbursement levels vary significantly by country, and by region within some countries. Reimbursement is obtained from a variety of sources, including government-sponsored and private health insurance plans, and combinations of both. Some countries will require us to gather additional clinical data before recognizing and granting broader coverage and reimbursement for our products. European Economic Area, or EEA.

Manufacturing and Supply

We use third-party manufacturers to produce our instruments and implants. The majority of our instruments have secondary manufacturing suppliers and we continually work with additional manufacturers to establish secondary suppliers. Our iFuse implants are currently provided by a single source. To mitigate this risk, we carry two months of reserve stock based on current sales estimates and typically place implant orders with our single-source third-party manufacturer prior to estimated demand. We are also actively working to establish a secondary supplier for implants and plan to have that supplier manufacturing implants by the end of 2015. Aside from quality agreements, we do not currently have manufacturing agreements with any of our manufacturers and orders are controlled through purchase orders.

We believe that our manufacturing operations, and those of our suppliers, are in compliance with regulations mandated by the FDA, as well as Medical Devices Directive regulations in the EEA. Manufacturing facilities that produce medical devices or component parts intended for distribution world-wide are subject to regulation and periodic planned and unannounced inspection by the FDA and other domestic and international regulatory agencies.

In the United States, products we sell are required to be manufactured in compliance with the FDA's QSR, which covers the methods used in, and the facilities used for, the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage, and shipping. In international markets, we are required to obtain and maintain various quality assurance and quality management certifications. We have obtained the following international certifications: Quality Management System ISO13485, Full Quality Assurance Certification for the design and manufacture of iFuse, and a Design Examination certificate for iFuse.

We are required to demonstrate continuing compliance with applicable regulatory requirements to maintain these certifications and will continue to be periodically inspected by international regulatory authorities for

certification purposes. Further, we and certain of our suppliers are required to comply with all applicable regulations and current good manufacturing practices. As set forth above, these FDA and international regulations cover, among other things, the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage, and shipping of our products. Compliance with applicable regulatory requirements is subject to continual review and is monitored rigorously through periodic inspections. If we or our manufacturers fail to adhere to current good manufacturing practice requirements, this could delay production of our products and lead to fines, difficulties in obtaining regulatory approvals, recalls, enforcement actions, including injunctive relief or consent decrees, or other consequences, which could, in turn, have a material adverse effect on our financial condition or results of operations.

Product Liability and Insurance

The manufacture and sale of our products subjects us to the risk of financial exposure to product liability claims. Our products are used in situations in which there is a risk of serious injury or death. We carry insurance policies which we believe to be customary for similar companies in our industry. We cannot assure you that these policies will be sufficient to cover all or substantially all losses that we experience.

We endeavor to maintain executive and organization liability insurance in a form and with aggregate coverage limits that we believe are adequate for our business purposes, but our coverage limits may prove not to be adequate in some circumstances.

Legal Proceedings

In November 2014, we learned that a surgeon, consultant, and stockholder received a Civil Investigative Demand, or CID, from the U.S. Department of Justice issued pursuant to the False Claims Act requesting documents, interrogatories and oral testimony related to a False Claims Act investigation concerning the billing of iFuse procedures and our financial relationship with the surgeon. CIDs are served most often to investigate allegations made in a whistleblower action (i.e., *qui tam* action) filed under the federal civil False Claims Act, which permits any individual who purports to have knowledge that false or fraudulent claims have been submitted for government funds to bring suit on behalf of the United States. Such actions are required to be filed under seal and must be investigated by the Department of Justice to assess the merits of the allegations and to determine the whether it will intervene in the case on behalf of the government. See 31 U.S.C. §§ 3730, 3733. The Department of Justice has not contacted us in connection with this matter.

Employees

As of June 30, 2015, we had 194 employees, including sales and marketing, product development, general administrative and accounting, both domestically and internationally. None of our employees is subject to a collective bargaining agreement, and we consider our relationship with our employees to be good.

Facilities

Our leased headquarters in San Jose, California, is comprised of approximately 18,892 square feet. Our headquarters houses our research, product development, marketing, finance, education, and administration functions. We believe our facilities are adequate and suitable for our current needs but in the future we may need additional space.

MANAGEMENT

Executive Officers, Key Employees and Directors

The following table sets forth information regarding our executive officers, key employees and directors, as of June 30, 2015:

Name	Age	Position(s)
Executive Officers and Key Employees		
Jeffrey W. Dunn	61	President, Chief Executive Officer, and Director
Mark A. Reiley, M.D.	65	Chief Medical Officer and Director
Laura Francis	48	Chief Financial Officer
Scott Yerby, Ph.D.	47	Vice President, Chief Technology Officer
Robert E. Johnson	55	Vice President, Chief Compliance Officer and General Counsel
Jason Cauble	46	Vice President, Sales
Daniel Cher, M.D.	51	Vice President, Clinical Affairs
Roxanne Dubois	50	Vice President, Regulatory and Quality
Andrea Mercanti	51	Vice President, EMEA Operations
Michael Mydra	54	Vice President, Health Outcomes & Reimbursement
Joseph W. Powers	56	Vice President, Marketing
W. Carlton Reckling, M.D.	53	Vice President, Medical Affairs
Non-Employee Directors		
David Bonita, M.D.	39	Director
Timothy E. Davis, Jr.	45	Director
John G. Freund, M.D.	61	Director
Gregory K. Hinckley	68	Director
John J. Savarese, M.D.	46	Director

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating and corporate governance committee.

Executive Officers and Key Employees

Jeffrey W. Dunn has served as our President and Chief Executive Officer and as a member of our board of directors since our inception in April 2008. Prior to joining us, Mr. Dunn served as Chief Executive Officer of INBONE Technologies, Inc., an ankle replacement and small bone fusion medical device company, from December 2006 to April 2008, until its sale to Wright Medical Group, Inc. in April 2008. From August 2000 to June 2006, Mr. Dunn was the Chief Executive Officer of Active Decisions, Inc., a software as a service business, until its sale to Knova Software, Inc. From December 1999 to June 2000, Mr. Dunn was the Chief Executive Officer of Velogic, Inc., an internet performance testing software company, until its sale to Keynote Systems Inc. From June 1999 to December 1999, Mr. Dunn was the Chief Executive Officer of EnterpriseLink Inc., a provider of enterprise Internet enablement software, until its sale to Merant, Inc. From November 1994 to June 1998, Mr. Dunn was Chief Executive Officer of AccelGraphics Inc., a 3D graphics system supplier, until its sale to Evans and Sutherland Computer Corporation. As well, during his career, Mr. Dunn held executive positions with

Evans and Sutherland, Cygnet Systems, Inc., Avnet, Inc. and Xerox Corporation. Mr. Dunn received a B.A. from Colgate University and an M.B.A. from Babson College. We believe Mr. Dunn's experience in the industry, his role as our President and Chief Executive Officer, and his knowledge of our company enable him to make valuable contributions to our board of directors.

Mark A. Reiley, M.D. has served as our Chief Medical Officer and as a member of our board of directors since our inception in April 2008. Dr. Reiley has also served as Chief Medical Officer of Reiley Pharmaceuticals, Inc., a pharmaceutical company, since April 2014. Previously, Dr. Reiley was Chief Medical officer of Fixes-4-Kids, Inc. from March 2009 to October 2010. Prior to joining us, Dr. Reiley was the Chief Medical Officer of INBONE Technologies from December 2004 to April 2008, until its sale to Wright Medical Group in April 2008. From October 1990 to May 2007, Dr. Reiley was Chief Medical Officer of Kyphon Inc., a medical device company focused on the treatment of vertebral compression fractures of the spine, until its sale to Medtronic, Inc. (now Medtronic plc). During that period, from October 2001 to March 2005, Dr. Reiley was Chief Medical officer of Archus Orthopedics Inc., a total facet replacement medical device company. Dr. Reiley was also a founding member of Berkeley Orthopedics Surgical group, where he practiced for over 25 years and trained the students and faculty at the University of California at Berkeley. He has founded and served on the boards of various private companies. Dr. Reiley received a B.A. from Claremont Men's College and an M.D. from George Washington University School of Medicine, and he completed both his orthopedic residency and fellowship at the University of California at San Francisco. We believe Dr. Reiley's experience in the industry, his role as our Chief Medical Officer, and his knowledge of our company enable him to make valuable contributions to our board of directors.

Laura Francis has served as our Chief Financial Officer since May 2015. Prior to joining us, Ms. Francis was the Chief Financial Officer for Auxogyn, Inc., a women's health company, from December 2012 to September 2014. From September 2004 to December 2012, Ms. Francis served as Vice President of Finance, Chief Financial Officer and Treasurer for Promega Corporation, a life sciences company. From March 2002 to September 2004, Ms. Francis served as the Chief Financial Officer of Bruker BioSciences Corporation, a life sciences company. From May 2001 to March 2002, Ms. Francis served as Chief Operating Officer and Chief Financial Officer of Nutra-Park Inc., an agricultural biotechnology company. From April 1999 to May 2001, Ms. Francis was Chief Financial Officer of Hypercosm, Inc., a software company. From October 1995 to April 1999, Ms. Francis was an engagement manager with McKinsey & Company, a consulting firm. Early in her career, Ms. Francis was an audit manager with Coopers & Lybrand, an accounting firm. Ms. Francis received a B.B.A. from the University of Wisconsin and an M.B.A. from Stanford University. She is a Certified Public Accountant (inactive) in the State of California.

Scott Yerby, Ph.D. has served as our Vice President, Chief Technology Officer since January 2011. Prior to joining us, Dr. Yerby served as Vice President, Research and Development for ProMed, Inc., a medical supply company, from June 2009 to January 2011. From May 2007 to June 2009, Dr. Yerby sat on the board of several non-profit organizations. From June 2000 to May 2007, Dr. Yerby served as Vice President of Research and Development for St. Francis Medical Technologies, Inc., a spinal manufacturing company, until its acquisition by Kyphon. From June 1997 to June 2000, Dr. Yerby served as Director of Experimental Biomechanics at the Palo Alto VA Hospital. Early in his career, Dr. Yerby held appointments as Consulting Assistant Professor at Stanford University in the Department of Mechanical Engineering, Division of Biomechanical Engineering, and the Department of Functional Restoration, Division of Orthopedic Surgery. Dr. Yerby received B.S. and M.S. degrees in mechanical engineering and a Ph.D. in biomedical engineering, all from the University of California, Davis.

Robert E. Johnson has served as our General Counsel and Chief Compliance Officer since July 2013. Prior to joining, Mr. Johnson was in private law practice from July 2009 to June 2013. From January 2008 to July 2009, Mr. Johnson served as General Counsel and Vice President for Business Development for the Spinal and Biologics division at Medtronic. From May 2006 to January 2008, Mr. Johnson served as Vice President and Chief Compliance Officer for Kyphon. From May 2005 to June 2006, Mr. Johnson was Vice President and Chief Compliance Officer for Chiron Corporation, a medical device and pharmaceutical company (now Novartis Vaccines and Diagnostics, Inc.). From July 1996 to July 2004, Mr. Johnson served as Senior Vice President, General Counsel & Chief Administrative Officer for GetThere L.L.P., a division of Sabre Holdings Corporation,

a travel technology company. Early in his career, he was a commercial litigator at Baker Botts L.L.P., a global law firm. Mr. Johnson received a B.A. from the University of North Carolina at Chapel Hill and a J.D. from the University of Virginia School of Law.

Jason Cauble has served as our Vice President, Sales since July 2012. From February 2010 to July 2012, Mr. Cauble served as the Southeastern Area Director of Sales. Prior to joining us, Mr. Cauble was in sales management at DePuy Synthes Spine, Inc., a medical device company focused on treating spinal conditions, from December 2008 to January 2010. From October 2002 to December 2008, Mr. Cauble held various positions in sales and director-level sales management at Kyphon. From January 2001 to October 2002, Mr. Cauble was Territory Sales Manager for Cordis Corporation's Endo-Vascular division. From October 1994 to December 2001, Mr. Cauble served in various sales and sales management positions at United States Surgical Corporation Company, a manufacturer of wound closure products and surgical devices. Mr. Cauble received a B.S. from Texas Christian University and a graduate certificate in the general management program from the Wharton School of Business at the University of Pennsylvania.

Daniel Cher, M.D. has served as our Vice President, Clinical Affairs since January 2012. Prior to joining us, Dr. Cher served as Vice President of Clinical and Regulatory Affairs at Chestnut Medical Technologies, Inc., a company developing new minimally invasive therapies for interventional neuroradiology, from May 2008 to December 2011. From March 2007 to January 2008, Dr. Cher served as Vice President of Clinical and Regulatory Affairs at Pulmonx Inc., a medical device company developing products for patients with emphysema. From October 2004 to March 2007, Dr. Cher was Medical Director and Vice President of Clinical Research at Kyphon. From October 2003 to September 2004, Dr. Cher was Medical Director for Cardima, Inc., a medical device company developing products for cardiac ablation. Prior to Cardima, Dr. Cher was a statistician at Conceptus Inc., a manufacturer and developer of medical devices aimed at permanent female sterilization. During the last 17 years, Dr. Cher has provided clinical and regulatory strategic consulting services to medical device companies in the San Francisco Bay Area and beyond. Dr. Cher received a B.S. in biology from Stanford University and an M.D. from Yale University. Dr. Cher completed his residency in internal medicine at the University of Wisconsin, Madison, and at California Pacific Medical Center in San Francisco. He completed additional training in general internal medicine and research methods at Stanford University and the Palo Alto VA Hospital. Dr. Cher left clinical practice in 1999.

Roxanne Dubois has served as our Vice President, Regulatory and Quality since February 2014. Previously, Ms. Dubois served as our Senior Director, Regulatory from December 2012 to February 2014 and as a consultant for us from February 2012 to December 2012. From February 2009 to February 2014, Ms. Dubois was Vice President, Regulatory as an employee and consultant with Tenaxis Medical Inc., a medical device company. From January 2006 to December 2008, Ms. Dubois served as Vice President, Regulatory and Quality at Carbylan BioSurgery, Inc., a medical device company. From February 2005 to January 2006, Ms. Dubois served as Director, Regulatory at Kyphon. Previously, Ms. Dubois held various regulatory roles at Angiotech BioMaterials Corporation, ReGen Biologic, Inc., and Collagen Corporation. Ms. Dubois received a B.S. in biochemistry from California Polytechnic State University, San Luis Obispo.

Andrea Mercanti has served as our Vice President, EMEA Operations since May 2013, and he previously served as our Vice President, European Operations from September 2010 to April 2013 Prior to joining us, Mr. Mercanti was General Director for Italy of MBA Incorporado, an orthopedic, spine and biomaterials distributor, from April 2009 to August 2010. From January 2008 to March 2009, Mr. Mercanti was Vice President, Sales Europe for Europe for Orthofix International N.V., a spinal care solutions company. From December 2006 to December 2007, Mr. Mercanti was Business Unit Director for Italy, Regional Director South Europe, and Director of South Europe and German speaking countries at Kyphon. From December 2005 to November 2006, he served as Regional Director for South Europe for Kyphon. From January 1987 to December 2004, Mr. Mercanti held positions in strategic sales in different divisions of Medtronic, including 12 years in the Neurological Business Unit with spinal cord stimulation treatment for pain and, in the last four years, as Director of Spine Business. Mr. Mercanti received a degree in economics from the Technical and Economics School at the Instituto Milano in Milan, Italy.

Michael Mydra has served as our Vice President, Health Outcomes and Reimbursement since April 2012. Prior to joining us, Mr. Mydra was Vice President, Health Outcomes & Reimbursement for Vertos Medical, Inc., a manufacturer of lumbar spine technologies, from August 2009 to February 2012. From September 2003 to March 2009, Mr. Mydra served as Vice President, Reimbursement for Sanarus Medical, Inc., a medical device manufacturer. From September 1998 to September 2003, Mr. Mydra served as Director of Corporate and Payor Development at Urologix, Inc., a medical device manufacturer. Early in his career, Mr. Mydra worked at Blue Cross Blue Shield of Minnesota, a health insurance provider. Mr. Mydra received a B.A. in biology and an M.B.A. from the University of St. Thomas, and he received a graduate certificate from the Advanced Management Program for Healthcare Executives sponsored by the University of Minnesota Carlson School of Management and the Mayo Foundation.

Joseph W. Powers has served as our Vice President, Marketing since August 2012. Previously, Mr. Powers served as our Senior Director, Business Development from January 2012 to July 2012 and as our Western Area Sales Director from December 2009 to December 2011. Prior to joining us, Mr. Powers served as Vice President, Clinical/Marketing at Benvenue Medical, Inc., a medical device company that makes minimally invasive systems for spine repair, from March 2007 to April 2009. From January 2004 to March 2007, Mr. Powers served as a Spine Consultant at Kyphon, and from December 2002 to December 2004, Mr. Powers served as Director, Product Marketing at Kyphon. Previously, Mr. Powers held positions in marketing management and project management at Target Therapeutics Inc., a medical device company. Mr. Powers received a B.S. in biology and chemical engineering from Arizona State University.

W. Carlton Reckling, M.D. has served as our Vice President, Medical Affairs since April 2012. From July 1994 to April 2012, Dr. Reckling was a spine surgeon at the Spine Center in Loveland, Colorado, Rocky Mountain Orthopedic Specialists in Cheyenne, Wyoming, the Center for Spine & Orthopedic Surgery in Cheyenne, Wyoming, Associates in Orthopedic Surgery in Cheyenne, Wyoming, and Ramsey Hospital and Clinics in St. Paul, Minnesota. Dr. Reckling received a B.S. in chemical engineering from Northwestern University, an M.D. from Creighton University, and an M.B.A. from the University of Wyoming. He completed his internship and his residency in orthopedic surgery at the University of Minnesota. While in the Minnesota program, he spent time at the Twin Cities Scoliosis Center. He completed his fellowship in spine surgery at Queen's University Medical Centre in Nottingham, England. Dr. Reckling also underwent additional training in general surgery at the University of Minnesota Hospitals and Clinics in Minneapolis, Minnesota. Dr. Reckling is a board-certified orthopedic spine surgeon.

Non-Employee Directors

David Bonita, M.D. has served as a member of our board of directors since April 2014. Dr. Bonita has also served as a Private Equity Partner at OrbiMed Advisors LLC, an investment company focused on the healthcare industry, since June 2013. From December 2007 to June 2013, Dr. Bonita was a Private Equity Principal at OrbiMed. From June 2004 to December 2007, he was a Private Equity Senior Associate at OrbiMed. Prior to OrbiMed, Dr. Bonita was a corporate finance analyst in the healthcare investment banking group of Morgan Stanley from February 1998 to July 1999. From August 1997 to February 1998, Dr. Bonita served as a corporate finance analyst in the healthcare investment banking group of UBS AG, a global financial service firm. Dr. Bonita has served and continues to serve on the board of directors of numerous private and public companies, including Loxo Oncology, Inc., a developer of oncological drugs, from October 2013 to present and Ambit Biosciences Corporation, a drug developer focusing on oncology, autoimmune, and inflammatory diseases from October 2012 to November 2014. Dr. Bonita earned an A.B. in biological sciences from Harvard College and an M.D. and an M.B.A. from Columbia University. We believe Dr. Bonita's extensive investment experience in the healthcare industry and his experience as a public company director enable him to make valuable contributions to our board of directors.

Timothy E. Davis, Jr. has served as a member of our board of directors since our inception in April 2008. Mr. Davis has also served as Chief Executive Officer of MicroPort Orthopedics, Inc., a multinational producer of orthopedic products, since January 2014, following the purchase of Wright Medical Group's OrthoRecon Business in January 2014. From December 2006 to January 2014, Mr. Davis served in a number of executive positions for Wright Medical Technology, Inc., a subsidiary of Wright Medical Group, Inc., including President of the OrthoRecon business. From 2004 to 2006, Mr. Davis was a Partner with MB Venture Partners, LLC, a medical technology and life sciences venture capital firm. From 1997 to 2004, Mr. Davis held various positions, ultimately serving as Vice President, with Vector Fund Management, a healthcare and life sciences focused venture capital fund. Early in his career, Mr. Davis worked in the healthcare management consulting and pharmaceutical industries. Mr. Davis received a B.E. degree in biomedical engineering from Vanderbilt University and an M.B.A. from the J.L. Kellogg Graduate School of Management at Northwestern University. We believe Mr. Davis' experience in the industry and his knowledge of our company enable him to make valuable contributions to our board of directors.

John G. Freund, M.D. has served as a member of our board of directors since January 2013. Dr. Freund was the founder of and has been a Managing Director of Skyline Ventures, a venture capital firm, since October 1997. Dr. Freund currently serves on the boards of directors of Xenoport, Inc., a biopharmaceutical company, since December 1999; Tetraphase Pharmaceutical, Inc., a pharmaceutical company, since October 2012; Proteon Therapeutics, Inc., a biopharmaceutical company, since February 2014; and Collegium Pharmaceutical, Inc., a specialty pharmaceutical company, since February 2014. He also serves on the board of three mutual funds managed by Capital Research and Management: SMALLCAP World Fund, since 2000; The Growth Fund of America, since January 2010; and Fundamental Investors, Inc., since January 2010. Dr. Freund previously served on the boards of directors of Concert Pharmaceuticals, Inc., a biopharmaceutical company, from December 2013 to June 2015; MAKO Surgical Corp., a medical device company, from October 2008 to December 2013; and Map Pharmaceuticals, Inc., a biopharmaceutical company, from August 2004 to October 2011. From September 1995 to September 1997, Dr. Freund was a Managing Director in the alternative assets group at Chancellor Capital Management, an investment firm. In November 1995, Dr. Freund co-founded Intuitive Surgical, Inc., a medical device company, and served as a Director of Intuitive until March 2000. From June 1988 to December 1994, he held various positions at Acuson Corporation, a medical device company, including Executive Vice President. He was previously the co-founder of the healthcare group in the corporate finance department at Morgan Stanley and was the original healthcare partner at Morgan Stanley Venture Partners, a venture capital management firm affiliated with Morgan Stanley. Dr. Freund received a B.A. from Harvard College, an M.D. from Harvard Medical School, and an M.B.A. from Harvard Business School. We believe Dr. Freund's experience with medical device companies, his role in the venture capital industry, and his knowledge of our company enable him to make valuable contributions to our board of directors.

Gregory K. Hinckley has served as a member of our board of directors since January 2011. Mr. Hinckley currently serves on the board of directors and as President of Mentor Graphics Corporation, an electronic design automation company, since January 1997. He has also served as the Chief Financial Officer of Mentor Graphics, first from January 1997 to July 2007 and again from December 2008 to present. Previously, he served on the board of directors of Super Micro Computer, Inc., a manufacturer of servers, from January 2009 to February 2015 and Intermec, Inc., a developer of automated identification and data collection solutions, from July 2004 to September 2013. From January 1992 to August 1997, Mr. Hinckley served as Senior Vice President, Finance of VLSI Technology, Inc., a designer and manufacturer of custom and semi-custom integrated circuits. From January 1989 to November 1991, he served as Senior Vice President and Chief Financial Officer of Crowley Maritime Corporation, a marine solutions, transportation, and logistics company. From February 1983 to January 1989, Mr. Hinckley served as Vice President and Chief Financial Officer of Bio-Rad Laboratories, a manufacturer and supplier of products and systems for the life science research and healthcare markets. Previously, Mr. Hinckley held a number of senior officer positions with Raychem Corporation, a developer of products and services for the aerospace, automotive and telecommunications industries. Hinckley received a B.A. in physics from Claremont McKenna College and was a Fulbright Scholar in applied mathematics at Nottingham University. He received an M.S. in applied physics from the University of California, San Diego and an M.B.A.

from Harvard Business School. We believe Mr. Hinckley's financial experience, his familiarity of serving on the boards of public companies, and his knowledge of our company enable him to make valuable contributions to our board of directors.

John J. Savarese, M.D. has served as a member of our board of directors since September 2011. Dr. Savarese has been a Managing Director of Montreux Equity Partners, an investment firm, since 2006. Dr. Savarese served on the board of directors of MAKO Surgical from October 2008 to July 2012 and Glaukos Corporation from October 2013 through its initial public offering in June 2015. In 2007, Dr. Savarese founded Pivot Medical, Inc. and served as the chair of the board of directors until its acquisition by Stryker Corporation, a medical device and equipment manufacturing firm, in 2014. Previously he was an associate at Montreux from 2003 to 2006. Prior to joining Montreux, Dr. Savarese was Director of Marketing and Business Development for Neurogesx, Inc. Dr. Savarese served as an associate in the healthcare corporate finance group at Credit Suisse in 2001. Dr. Savarese received a B.A. in English from the College of the Holy Cross, an M.B.A. from Stanford University, and an M.D. from Duke University. We believe Dr. Savarese's experience in orthopedic surgery, experience serving on public and private company boards of directors, and his knowledge of our company enable him to make valuable contributions to our board of directors.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Director Independence

We have applied to have our common stock listed on the Nasdaq Global Market. The listing rules of this stock exchange generally require that a majority of the members of a listed company's board of directors be independent within 12 months following the closing of an initial public offering. Our board of directors has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the rules of the Nasdaq Global Market. The independent members of our board of directors will hold separate regularly scheduled executive session meetings at which only independent directors are present.

Audit committee members must also satisfy the independence rules in Securities and Exchange Commission, or SEC, Rule 10A-3 adopted under the Securities Exchange Act of 1934, as amended. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a public company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or be an affiliated person of the listed company or any of its subsidiaries. Each of qualify as an independent director pursuant to Rule 10A-3. We also intend to satisfy the audit committee independence requirement of the Nasdaq Global Market.

Board Composition

Our board of directors currently consists of eight members, who were elected pursuant to the amended and restated voting agreement that we entered into with certain holders of our common stock and certain holders of our preferred stock and the related provisions of our amended and restated certificate of incorporation.

The provisions of this voting agreement will terminate upon the completion of this offering, after which there will be no further contractual obligations regarding the election of our directors. Our directors hold office until their successors have been elected and qualified or appointed, or the earlier of their death, resignation or removal.

Immediately after this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be , and their term will expire at the annual meeting of stockholders to be held in 2016;
- the Class II directors will be , and their terms will expire at the annual meeting of stockholders to be held in 2017; and
- the Class III directors will be , and their terms will expire at the annual meeting of stockholders to be held in 2018.

Directors in a particular class will be elected for three-year terms at the annual meeting of stockholders in the year in which their terms expire. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or the earlier of his or her death, resignation or removal.

Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering provide that only our board of directors can fill vacant directorships, including newly-created seats. Any additional directorships resulting from an increase in the authorized number of directors would be distributed among the three classes so that, as nearly as possible, each class would consist of one-third of the authorized number of directors.

The classification of our board of directors may have the effect of delaying or preventing changes in our control or management. See "Description of Capital Stock—Anti-Takeover Provisions—Certificate of Incorporation and Bylaws Provisions."

Board Oversight of Risk

One of the key functions of our board of directors is informed oversight of our risk management process. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure. Our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its oversight function directly as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. For example, our audit committee is responsible for overseeing the management of risks associated with our financial reporting, accounting and auditing matters; our compensation committee oversees the management of risks associated with our compensation policies and programs; and our nominating and corporate governance committee oversees the management of risks associated with director independence, conflicts of interest, composition and organization of our board of directors and director succession planning.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our board of directors may establish other committees to facilitate the management of our business. Our board of directors and its committees set schedules for meeting throughout the year and can also hold special meetings and act by written consent from time to time, as appropriate. Our board of directors has delegated various responsibilities and authority to its committees as generally described below. The committees will regularly report on their activities and actions to the full board of directors. Each member of each committee of our board of directors qualifies as an independent director in accordance with the listing standards of the Nasdaq Global Market. Each committee of our board of directors has a written charter approved

by our board of directors. Upon the completion of this offering, copies of each charter will be posted on our website at www.si-bone.com under the Investor Relations section. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

The members of our audit committee are , each of whom can read and understand fundamental financial statements. Each of is independent under the rules and regulations of the SEC and the listing standards of the Nasdaq Global Market applicable to audit committee members. is the chair of the audit committee. Our board of directors has determined that qualifies as an audit committee financial expert within the meaning of SEC regulations and meets the financial sophistication requirements of the Nasdaq Global Market. Our board of directors determined that does not satisfy the independence criteria set forth in Rule 10A-3. Accordingly, we are relying on the exemption from the independence requirements of Rule 10A-3 that provides that a minority of the members of our audit committee may be exempt from the independence requirements for one year from the date of effectiveness of this registration statement.

Our audit committee assists our board of directors' oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications, independence and performance of the independent registered public accounting firm, the design and implementation of our internal audit function and risk assessment and risk management. Among other things, our audit committee is responsible for reviewing and discussing with our management the adequacy and effectiveness of our disclosure controls and procedures. The audit committee also discusses with our management and independent registered public accounting firm the annual audit plan and scope of audit activities, scope and timing of the annual audit of our financial statements, and the results of the audit, quarterly reviews of our financial statements and, as appropriate, initiates inquiries into aspects of our financial affairs. Our audit committee is responsible for establishing and overseeing procedures for the receipt, retention and treatment of any complaints reporting accounting, internal accounting controls or auditing matters, as well as for the confidential and anonymous submissions by our employees of concerning questionable accounting or auditing matters. In addition, our audit committee has direct responsibility for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. Our audit committee has sole authority to approve the hiring and discharging of our independent registered public accounting firm, all audit engagement fees and terms and all permissible non-audit engagements with the independent auditor. Our audit committee will review and oversee all related person transactions in accordance with our policies and procedures.

Compensation Committee

The members of our compensation committee are . is the chair of the compensation committee. Each member of our compensation committee is independent under the rules and regulations of the SEC and the listing standards of the Nasdaq Global Market applicable to compensation committee members. Our compensation committee assists our board of directors with its oversight of the forms and amount of compensation for our executive officers, and the administration of our incentive plans for employees and other service providers, including our equity incentive plans, and certain other matters related to our compensation programs.

Nominating and Corporate Governance Committee

The members of our nominating and corporate governance committee are . is the chair of the nominating and corporate governance committee. Our nominating and corporate governance committee assists our board of directors with its oversight of and identification of individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors, and selects, or recommends

that our board of directors selects, director nominees; develops and recommends to our board of directors a set of corporate governance guidelines; and oversees the evaluation of our board of directors.

Code of Conduct

Our board of directors has adopted a Code of Conduct. The Code applies to all of our employees, officers, directors, contractors, consultants, suppliers, and agents. Upon the completion of this offering, the full text of our code of conduct will be posted on our website at www.si-bone.com under the Investor Relations section. We intend to disclose future amendments to, or waivers of, our Code, as and to the extent required by SEC regulations, at the same location on our website identified above and in public filings. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Compensation Committee Interlocks and Insider Participation

As noted above, the compensation committee of our board of directors consists of . During the year ended December 31, 2014, our compensation committee consisted of Messrs. Bonita, Davis, and Savarese. None of our executive officers serves, or served during the year ended December 31, 2014, as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our board of directors or our compensation committee. Each of Messrs. Davis, Freund, Hinckley, and Saverese may be deemed to have an interest in certain transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Act of 1933, as amended, or Securities Act, that are disclosed in “Certain Relationships and Related Party Transactions,” which disclosure is hereby incorporated by reference in this section.

Director Compensation

Currently we pay our non-employee directors who are not representatives of our stockholders a fee of $2,000 per month as compensation for their service on our board of directors. We also have a policy of reimbursing all of our non-employee directors for their reasonable out-of-pocket expenses in connection with attending board of directors and committee meetings. From time to time we have granted stock options to certain of our non-employee directors, typically in connection with a non-employee director’s initial appointment to our board of directors.

2014 Director Compensation Table

The following table sets forth information regarding the compensation of our directors during 2014, other than a director who is also one of our named executive officers.

Name	Fees Earned or Paid in Cash ($)	Option Awards(1) ($)	All Other Compensation ($)	Total ($)
David Bonita, M.D.	—	—	—	—
Timothy E. Davis, Jr.	24,000	35,192	—	59,192
John G. Freund, M.D.	—	—	—	—
Gregory K. Hinckley	24,000	—	—	24,000
Mark A. Reiley, M.D.(2)	237,596	210,535	10,722	458,854
John J. Savarese, M.D.	—	—	—	—

(1) Represents the aggregate grant date fair value of option awards granted to the director in the applicable fiscal year, computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions made in determining the grant date fair value of our equity awards, see Note 10 to our audited consolidated financial statements included elsewhere in this prospectus. As of December 31, 2014, Mr. Davis held an outstanding option to purchase 380,000 shares of our common stock and Dr. Reiley held outstanding options to purchase 4,257,474 shares of our common stock and 35,216 unvested shares of our common stock.

(2) Reflects salary, a cash bonus and the grant date fair value of an option award granted to Dr. Reiley as our employee. Dr. Reiley does not receive any additional compensation for service on our board of directors.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information regarding the compensation of our chief executive officer and our two other most highly compensated executive officers during the fiscal year ended December 31, 2014. We refer to these individuals as our "named executive officers."

Name and Principal Position	Year	Salary ($)	Option Awards(1) ($)	Non-Equity Incentive Plan Compensation ($)	Total ($)
Jeffrey W. Dunn President and Chief Executive Officer	2014	425,000	580,182	127,500	1,132,682
Daniel P. Murray* Chief Financial Officer and Vice President, Operations	2014	288,000	125,550	75,600(2)	489,150
Jason Cauble Vice President, Sales	2014	225,000	61,349	166,341(2)(3)	452,690

* Resigned as Chief Financial Officer and Vice President, Operations on June 1, 2015.

(1) Represents the aggregate grant date fair value of option awards granted to the officer in the applicable fiscal year, computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions made in determining the grant date fair value of our equity awards, see Note 2 to our audited consolidated financial statements included elsewhere in this prospectus.

(2) Represents semi-annual bonus payments pursuant to our 2014 corporate bonus program, which were paid in July 2014 and January 2015.

(3) Represents sales commissions.

Narrative Disclosure to Summary Compensation Table

The compensation of our named executive officers generally consists of base salary, annual cash incentive compensation and equity compensation.

The salaries of our executive officers are typically reviewed annually and adjusted when our board of directors or compensation committee determines an adjustment is appropriate.

Our executive officers, other than Mr. Cauble, are eligible for cash bonuses pursuant to our corporate bonus program. The 2014 bonus amounts paid to our named executive officers are reflected in the "Bonus" column of the 2014 Summary Compensation Table above. Mr. Cauble's cash incentive compensation consists of commissions based on a percentage of sales in the United States. These amounts are reflected in the "Non-Equity Incentive Plan Compensation" column of the 2014 Summary Compensation Table above.

Prior to this offering, the equity compensation granted to our named executive officers has generally consisted of stock options. For a description of the options granted to our named executive officers in 2014, please see the "Outstanding Equity Awards as of December 31, 2014" table below.

Employment Arrangements with Named Executive Officers

We have entered into offer letters with each of our named executive officers setting forth the initial terms of the officer's employment with us and providing that the officer's employment will be "at will" and may be terminated at any time. The severance benefits in our named executive officers' offer letters are described in "Severance and Change in Control Benefits" below.

In June 2015, in connection with Mr. Murray's resignation as our Chief Financial Officer, we entered into a consulting agreement with Mr. Murray pursuant to which he will provide up to 10 hours of transition services per month at the rate of $200 per hour through August 31, 2015. Mr. Murray will also continue to vest in his outstanding equity awards while he consults for us.

In April 2015 we entered into an offer letter with Laura Francis, our current Chief Financial Officer. Pursuant to her offer letter, Ms. Francis' initial base salary is $290,000 per year, she is eligible for a 2015 cash bonus of up to 35% of her base salary and she was granted an option to purchase 3,428,711 shares of our common stock that vests over four years of employment. Pursuant to Ms. Francis' offer letter, she is eligible for a lump sum cash payment equal to three months of her base salary in the event that her employment is terminated without cause. In addition, if her employment is terminated without cause or she resigns for certain good reasons within 12 months after a change in control of the company, 50% of her unvested option shares will become vested.

Outstanding Equity Awards as of December 31, 2014

The following table sets forth information regarding each unexercised stock option and all unvested stock held by each of our named executive officers as of December 31, 2014. Unless otherwise indicated below, all of these awards were made pursuant to our 2008 Stock Plan.

The vesting schedule applicable to each outstanding award is described in the footnotes to the table below. For information regarding the vesting acceleration provisions applicable to our named executive officers' equity awards, see "Severance and Change in Control Benefits" below.

Many of the options granted to our named executive officers are immediately exercisable with respect to all of the option shares, subject to our repurchase right in the event the officer's service terminates prior to vesting in the shares. We refer to option shares that are subject to our right of repurchase as "unvested shares" and those that are no longer subject to our right of repurchase as "vested" shares.

	Option Awards					Stock Awards	
Name	Vesting Commencement Date	Number of Securities Underlying Unexercised Options Vested (#)	Number of Securities Underlying Unexercised Options Unvested (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Jeffrey W. Dunn	5/1/11					74,951(4)	
	1/1/14					855,491(4)	
	9/21/11					436,842	
	4/22/14	818,260	4,091,304(2)	0.19	7/20/24		
Daniel P. Murray	1/1/11					1,042(5)	
	5/1/11					18,958(5)	
	9/21/11					107,791(5)	
	6/1/12					187,500(5)	
	1/1/14	84,559	284,430(2)	0.18	1/15/24		
	4/22/14	156,620	783,100(2)	0.19	7/20/24		

Name	Option Awards					Stock Awards	
	Vesting Commencement Date	Number of Securities Underlying Unexercised Options Vested (#)	Number of Securities Underlying Unexercised Options Unvested (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Jason Cauble	4/1/10	150,000	0(3)	0.04	5/5/20		
	5/13/10	30,000	0(3)	0.05	9/1/20		
	8/20/10	144,592	0(2)	0.05	9/1/20		
	1/1/11	19,583	417(3)	0.05	1/4/21		
	5/1/11	34,744	4,040(2)	0.07	6/23/21		
	7/1/11	2,135	365(3)	0.07	7/27/21		
	9/21/11	102,026	23,545(2)	0.12	10/23/21		
	9/30/11	6,093	1,407(2)	0.12	10/26/21		
	1/1/12	5,468	2,032(2)	0.12	1/25/22		
	4/1/12	20,000	10,000(2)	0.12	4/25/22		
	7/27/12	252,658	165,535(3)	0.12	8/1/22		
	1/1/14	61,362	206,402(2)	0.18	1/15/24		
	4/22/14	62,648	313,240(2)	0.19	7/20/24		

(1) Pursuant to SEC rules, market value is based on the fair market value of our common stock on December 31, 2014. As there was no public market for our common stock on December 31, 2014, we have assumed that the fair market value on December 31, 2014 was $, which represents the midpoint of the range set forth on the cover page of this prospectus.

(2) Option vests over four years of service from the vesting commencement date specified above, with 1/48th of the option shares vesting monthly.

(3) Option vests over four years of service from the vesting commencement date specified above, with 25% of the option shares vesting after one year of service and an addition 1/48th of the option shares vesting monthly thereafter.

(4) Represents the unvested portion of shares of our common stock purchased upon early exercise of options, including options to purchase a total 816,004 shares and 1,109,825 shares respectively. Each award vests over 4 years of service from the vesting commencement date specified above.

(5) Represents the unvested portion of shares of our common stock purchased upon early exercise of options, including options to purchase a total of 50,000 shares, 181,991 shares, 574,881 shares, and 500,000 shares, respectively. Each award vests over four years of service from the vesting commencement date specified above.

Severance and Change in Control Benefits

Severance Benefits

Our named executive officers are eligible for severance benefits pursuant to their offer letters or other letter agreements. Mr. Dunn is eligible for 12 months of base salary and COBRA payments in the event his employment is terminated without cause at any time or if he resigns for good reason within 12 months after a change in control. Mr. Cauble is eligible to receive a lump sum payment equal to three months of base salary in the event his employment is terminated without cause. These severance benefits are contingent on the officer's execution of a release of claims, return of all of our property and if applicable resignation from our board of directors.

The term "cause" as used in Mr. Dunn's agreement means (a) an unauthorized use or disclosure of the Company's confidential information or trade secrets which causes material harm to us, (b) a material breach of any agreements with us, (c) a material failure to comply with our policies or rules, (d) conviction of a felony, (e) gross negligence or willful misconduct, (f) a continuing failure to perform assigned duties, and (g) failure to cooperate with a governmental or internal investigation.

The term "good reason" as used in Mr. Dunn's agreement means (a) a reduction in salary by more than 10%, (b) a change in position with us that materially reduces Mr. Dunn's authority or responsibilities or (c) a relocation of Mr. Dunn's workplace by more than 30 miles. In order for an event to constitute good reason, Mr. Dunn must notify us within 90 days and allow us 30 days to cure.

The term "cause" as used in Mr. Cauble's agreement means (a) gross negligence, recklessness or willful misconduct, (b) a material breach of Mr. Cauble's proprietary information and inventions agreement with us, (c) conviction of certain crimes, (d) willful neglect of duties, (e) failure to perform the essential functions of Mr. Cauble's position due to a mental or physical disability, or (f) death.

Mr. Murray was eligible for the same severance benefits as Mr. Cauble. However, in May 2015, we entered into a letter agreement with Mr. Murray pursuant to which he received a lump sum payment equal to four months of his base salary in connection with his resignation as our Chief Financial Officer. Pursuant to that letter agreement we also agreed to accelerate vesting of 25% of Mr. Murray's unvested equity awards and to extend the post-termination exercise period applicable to Mr. Murray's outstanding options from three to six months. We also agreed to amend a promissory note between Mr. Murray and us so that the principal and accrued interest would be due 18 months after his employment terminated or, if sooner, 5 business days after a sale of the company or 190 days after our initial public offering.

Equity Acceleration

The stock options granted to Mr. Dunn will fully vest if we are subject to a change in control before Mr. Dunn's service terminates, provided he agrees to provide services to the acquiring company for a period not to exceed six months.

In the case of the stock option granted to Mr. Cauble on January 16, 2014 and all of the stock options held by Mr. Murray, fifty percent of the unvested option shares will vest if we are subject to a change in control and the officer is terminated without cause or resigns for good reason within 12 months after the change in control.

The definitions of "cause" and "good reason" in the stock option agreements with our named executive officers are generally the same as in Mr. Dunn's offer letter. The term "change in control" in our named executive officers' option agreements means consummation of a merger of the company with or into another entity unless a majority of the voting power of the continuing or surviving entity or its parent will be owned by the company's pre-merger stockholders or a dissolution, liquidation or winding up of the company.

Equity Plans

The principal features of our equity plans are summarized below. These summaries are qualified in their entirety by reference to the actual verbiage of the plans, which are filed as exhibits to the registration statement of which this prospectus is a part.

2008 Stock Plan

General. Our board of directors adopted the 2008 Stock Plan on April 2, 2008, and it was approved by our stockholders. We have subsequently amended the 2008 Stock Plan, with the most recent amendment occurring on April 15, 2015, the purpose of which was to increase the number of shares available for issuance under the 2008 Stock Plan. No further awards will be made under the 2008 Stock Plan following this offering; however, awards outstanding under the 2008 Stock Plan will continue in full effect in accordance with their existing terms.

Share Reserve. As of April 15, 2015, we have reserved 78,813,033 shares of our common stock for issuance under the 2008 Stock Plan. As of June 30, 2015, options to purchase 40,114,530 shares of common stock, at exercise prices ranging from $0.01 to $0.44 per share, or a weighted-average exercise price of $0.23 per share, were outstanding under the 2008 Stock Plan, and 4,217,046 shares of common stock remained available for future issuance under the 2008 Stock Plan. Unissued shares subject to awards that expire or are cancelled, award shares reacquired by us and shares withheld in payment of the purchase price or exercise price of an award or in satisfaction of withholding taxes will again become available for issuance under the 2008 Stock Plan or, following consummation of this offering, under the equity plan in effect following the completion of this offering.

Administration. Our board of directors has administered the 2008 Stock Plan since its adoption, however, following this offering, the compensation committee of our board of directors will generally administer the 2008 Stock Plan. The administrator has complete discretion to make all decisions relating to the 2008 Stock Plan and the outstanding awards.

Types of Awards. The 2008 Stock Plan provides for both the direct grant or sale of shares of our common stock and for the grant of options to purchase shares of our common stock. The 2008 Stock Plan allows for the grant of both incentive and nonstatutory stock options.

Eligibility. Employees, non-employee members of our board of directors and consultants are eligible to participate in the 2008 Stock Plan. However, only employees are eligible to receive incentive stock options.

Options. The exercise price of options granted under the 2008 Stock Plan may not be less than 100% of the fair market value of our common stock on the grant date. Optionees may pay the exercise price in cash or cash equivalents or by one or any combination of, the following forms of payment, as permitted by the administrator in its sole discretion:

- By delivery of a full-recourse promissory note, with the option shares pledged as security against the principal and accrued interest on the note;
- By surrender of shares of common stock that the optionee already owns;
- By an immediate sale through a company-approved broker of the option shares and delivery of the sale proceeds to us, if shares of our common stock are publicly traded; or
- By other methods permitted by applicable law.

The administrator determines the vesting schedule of options granted under the 2008 Stock Plan. In general, we have granted options that vest over a four-year period following the date of grant. In some cases, with respect to grants to our executive officers and other key employees, the options were immediately exercisable, subject to

our right to repurchase any unvested shares upon an optionee's termination of service. Options expire at the time determined by the administrator, but in no event more than ten years after they are granted, and generally expire earlier if the optionee's service terminates.

Corporate Transactions. In the event that we are a party to a merger or consolidation, shares acquired under the 2008 Stock Plan will be subject to the agreement of merger or consolidation. Such agreement may provide for one or more of the following with respect to outstanding options:

- The continuation, assumption or substitution of the option by the surviving entity or its parent;
- Full vesting and exercisability of the option, followed by cancellation of the option if not exercised prior to the transaction; or
- Cancellation of the option in exchange for a payment equal to the excess, if any, of the fair market value of the shares subject to the option over the exercise price per share of the option. Such payment may be subject to vesting based on the optionee's continuing service, generally in accordance with the original vesting schedule applicable to the option.

The administrator is not obligated to treat all awards in the same manner. The administrator has the discretion, at any time, to provide that an award granted under the 2008 Stock Plan will vest on an accelerated basis if we are subject to a change of control or if the participant is subject to an involuntary termination.

Changes in Capitalization. In the event of certain specified changes in the capital structure of our common stock, such as a stock split, reverse stock split, stock dividend, reclassification or any other increase or decrease in the number of issued shares of stock effective without receipt of consideration by us, proportionate adjustments will automatically be made in each of (i) the number of shares available for future grants under the 2008 Stock Plan, (ii) the number of shares covered by each outstanding option, and (iii) the exercise price per share subject to each outstanding option. In the event of an extraordinary cash dividend that has a material effect on the fair market value of our common stock, a recapitalization, spin-off, or other similar occurrence, the administrator at its sole discretion may make appropriate adjustments to one or more of the foregoing.

Amendments or Termination. The administrator may at any time amend, suspend or terminate the 2008 Stock Plan, subject to stockholder approval in the case of an amendment if the amendment (i) increases the number of shares available for issuance or (ii) materially changes the class of persons eligible to receive incentive stock options. The 2008 Stock Plan will terminate automatically 10 years after the later of the date when our board of directors (i) adopted the 2008 Stock Plan or (ii) approved the latest increase in the number of shares available for issuance under the 2008 Stock Plan and such amendment was also approved by our stockholders. The 2008 Stock Plan will in any event terminate upon closing of this offering.

401(k) Plan

We maintain a 401(k) plan for employees. The 401(k) is intended to qualify under Section 401(k) of the Code (as defined below), so that contributions to the 401(k) plan by employees or by us, and the investment earnings thereon, are not taxable to the employees until withdrawn, and so that contribution us, if any, will be deductible by us when made. Employees may elect to reduce their current compensation by up to the statutorily prescribed annual limits and to have the amount of such reduction contributed to the 401(k) plan. The 401(k) plan permits us to make contributions up to the limits allowed by law on behalf of all eligible employees. We have not made any contributions to the 401(k) plan to date.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2012 to which we have been a party in which the amount involved exceeded $120,000 and in which any of our executive officers, directors, promoters or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest, other than compensation arrangements which are described in "Management—Director Compensation" and "Executive Compensation."

Sale of Series 5 Preferred Stock

In April 2014, in connection with the conversion of convertible notes payable and interest, we issued 4,501,808 shares of our Series 5 preferred stock at a purchase price of $0.51 per share for an aggregate purchase price of $2,274,764.

The following table summarizes purchases of shares of our Series 5 preferred stock by our executive officers, directors and holders of more than 5% of our capital stock.

	Shares of Series 5 Preferred Stock	
Purchaser	Number of Shares	Aggregate Gross Consideration ($)
Montreux Equity Partners IV, L.P.(1)	1,270,282	641,873.50
Skyline Venture Partners V, L.P.(2)	3,231,526	1,632,890.09
Total	4,501,808	2,274,763.59

(1) John J. Savarese, M.D., a member of our board of directors, is a Managing Director at Montreux Equity Partners.
(2) John G. Freund, M.D., a member of our board of directors, is a Managing Director at Skyline Venture Partners.

Sale of Series 6 Preferred Stock

In April 2014, we issued and sold 36,061,625 shares of our Series 6 preferred stock at a purchase price of $0.92 per share for an aggregate purchase price of $32,999,993.

In May 2015, we completed a second closing of the sale of 23,652,869 shares of our Series 6 preferred stock at a purchase price of $0.92 per share for an aggregate purchase price of $21,644,741.

The following table summarizes purchases of shares of our Series 6 preferred stock by our executive officers, directors and holders of more than 5% of our capital stock.

	Shares of Series 6 Preferred Stock	
Purchaser	Number of Shares	Aggregate Gross Consideration ($)
Entities affiliated with Montreux Equity Partners(1)	11,031,787	10,095,188.29
Skyline Venture Partners V, L.P.(2)	11,742,252	10,745,334.81
Redline Capital Management S.A.	14,206,097	12,999,999.37
Total	36,980,136	33,840,522.47

(1) Includes (a) 10,150,680 shares of Series 6 preferred stock held by Montreux Equity Partners IV, L.P., and (b) 887,107 shares of Series 6 preferred stock held by Montreux IV Associates, L.L.C. John J. Savarese, M.D., a member of our board of directors, is a Managing Director at Montreux Equity Partners.

(2) John G. Freund, M.D., a member of our board of directors, is a Managing Director at Skyline Venture Partners.

Bridge Financings

In July 2012, we completed a bridge financing with our existing investors, Montreux Equity Partners and Skyline Ventures, through which we issued convertible promissory notes in the aggregate principal amount of approximately $2.0 million. All of the convertible promissory notes issued in connection with this financing converted into shares of Series 5 preferred stock in April 2014. In July 2012, we issued warrants to purchase an aggregate of 988,522 shares of Series 5 preferred stock at an exercise price of $0.51 per share in connection with the bridge loan financing. These warrants terminate upon the earliest to occur of (i) July 25, 2019, (ii) an initial public offering, or (iii) a "corporate transaction" as defined in the Note and Warrant Purchase Agreement dated July 25, 2012.

Loans

In March 2008, we loaned Jeffrey W. Dunn, our President and Chief Executive Officer, $13,382 in connection with purchase of 3,823,500 shares of our common stock, or the Dunn Purchased Shares. The loan was evidenced by a full recourse promissory note, accrued interest on the outstanding principal amount at the rate of 2.25% per annum and was secured by a pledge of the Dunn Purchased Shares. As of June 30, 2015, the outstanding balance of this loan was $7,873, including principal of $6,691. This loan, including all unpaid accrued interest, was repaid in full by Mr. Dunn in July 2015.

In March 2008, we loaned Mark A Reiley, M.D., our Chief Medical Officer, $13,382 in connection with the exercise of options to purchase 3,823,500 shares of our common stock, or the Reiley Purchased Shares. The loan was evidenced by a full recourse promissory note, accrued interest on the outstanding principal amount at the rate of 2.25% per annum and was secured by a pledge of the Reiley Purchased Shares. As of June 30, 2015, the outstanding balance of this loan was $15,726, including principal of $13,382. This loan, including all unpaid accrued interest, was repaid in full by Dr. Reiley in July 2015.

In March 2013, we loaned Daniel P. Murray, our former Chief Financial Officer, $251,794 in connection with the exercise of options to purchase 2,113,040 shares of our common stock, or the Murray Purchased Shares. The loan was evidenced by a full recourse promissory note, accrued interest on the outstanding principal amount at the rate of 1.09% per annum and was secured by a pledge of the Murray Purchased Shares. As of June 30, 2015, the outstanding balance of this loan was $205,344, including principal of $200,394.

In February 2014, we loaned Jeffrey W. Dunn, $437,000 in connection with the exercise of options to purchase 3,133,983 shares of our common stock, or the 2014 Exercised Options. The loan was evidenced by a full recourse promissory note, accrued interest on the outstanding principal amount at the rate of 1.97% per annum and was secured by a pledge of the 2014 Exercised Options. As of June 30, 2015, the outstanding balance of this loan was $448,535, including principal of $437,000. This loan, including all unpaid accrued interest, was repaid in full by Mr. Dunn in 2015.

Amended and Restated Investors' Rights Agreement

We have entered into an investors' rights agreement with certain holders of our preferred stock, including entities with which certain of our directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares following this offering under the Securities Act of 1933, as amended, or the Securities Act. For a description of these registration rights, see "Description of Capital Stock—Registration Rights."

Indemnification Agreements

Our amended and restated certificate of incorporation, which will be effective upon the completion of this offering, will contain provisions limiting the liability of directors, and our amended and restated bylaws, which will be effective upon the completion of this offering, will provide that we will indemnify each of our directors to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide our board of directors with discretion to indemnify our officers and employees when determined appropriate by our board of directors.

We intend to enter into indemnification agreements with each of our directors and executive officers and certain other key employees. The indemnification agreements will provide that we will indemnify each of our directors, executive officers and such other key employees against any and all expenses incurred by that director, executive officer, or other key employee because of his or her status as one of our directors, executive officers, or other key employees, to the fullest extent permitted by Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws. In addition, the indemnification agreements will provide that, to the fullest extent permitted by Delaware law, we will advance all expenses incurred by our directors, executive officers and other key employees in connection with a legal proceeding involving his or her status as a director, executive officer or employee.

Policies and Procedures for Related Party Transactions

Our audit committee has the primary responsibility for the review, approval and oversight of any "related party transaction," which is any transaction, arrangement, or relationship (or series of similar transactions, arrangements, or relationships) in which we are, were, or will be a participant and the amount involved exceeds $120,000, and in which the related person has, had, or will have a direct or indirect material interest. We intend to adopt a written related party transaction policy to be effective upon the completion of this offering. Under our related party transaction policy, our management will be required to submit any related person transaction not previously approved or ratified by our audit committee to our audit committee. In approving or rejecting the proposed transactions, our audit committee will take into account all of the relevant facts and circumstances available. Our audit committee will approve only those transactions that, as determined by our audit committee, are in, or are not inconsistent with, our best interests and the best interests of our stockholders.

Although we have not had a written policy prior to this offering for the review and approval of transactions with related persons, our board of directors has historically reviewed and approved any transaction where a director or officer had a financial interest, including the transactions described above. Prior to approving such a transaction, the material facts as to a director's or officer's relationship or interest as to the agreement or transaction were disclosed to our board of directors. Our board of directors would take this information into account when evaluating the transaction and in determining whether such transaction was fair to us and in the best interests of all of our stockholders.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of June 30, 2015, and as adjusted to reflect the sale of common stock offered by us in this offering, for:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock.

We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. Except as indicated in the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 225,070,281 shares of common stock outstanding at June 30, 2015, after giving effect to the conversion of all outstanding shares of preferred stock as of that date into an aggregate of 167,209,593 shares of our common stock and the conversion of all outstanding shares of series 1 common stock and series 2 common stock into an aggregate of 57,860,688 shares of our common stock, which will occur immediately prior to the closing of this offering. For purposes of computing percentage ownership after this offering, we have assumed that (i) shares of common stock will be issued by us in this offering; (ii) the issuance of shares of common stock upon the net exercise of warrants to purchase 988,522 shares of preferred stock, with a price of $0.51 per share, and the conversion into approximately shares of common stock immediately prior to the closing of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus; and (iii) that the underwriters will not exercise their right to purchase additional shares to cover over-allotments. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable within 60 days of June 30, 2015. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o SI-BONE, Inc., 3055 Olin Avenue, Suite 2200, San Jose, California 95128.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned	
		Before the Offering	After the Offering
Named Executive Officers and Directors:			
David Bonita, M.D.(1)	10,301,872	4.6%	
Jason H. Cauble(2)	1,625,165	*	
Timothy E. Davis, Jr.(3)	489,277	*	
Jeffrey W. Dunn(4)	14,997,458	6.5%	
John G. Freund, M.D.(5)	66,273,718	29.4%	
Gregory K. Hinckley(6)	1,048,185	*	
Daniel P. Murray(7)	4,140,380	1.8%	
Mark A. Reiley, M.D.(8)	15,784,190	6.9%	
John J. Savarese, M.D.(9)	32,467,573	14.4%	
All Executive Officers and Directors as a Group (10 persons)(10)	150,556,529	62.7%	
5% Stockholders:			
Entities affiliated with Montreux Equity Partners(11)	32,467,573	14.4%	
Redline Capital Management S.A.(12)	14,206,097	6.3%	
Skyline Venture Partners V, L.P.(13)	66,273,718	29.4%	

* Less than 1 percent.

(1) Consists of 10,301,872 shares of common stock held by OrbiMed Private Investments V, LP. (“OPI V”). OrbiMed Capital GP V LLC (“GP V”) is the general partner of OPI V and OrbiMed Advisors LLC (“OrbiMed”) is the managing member of GP V. Samuel D. Isaly is the managing member of and owner of a controlling interest in OrbiMed and may be deemed to have voting and investment power over the securities held by OPI V. Dr. Bonita is an employee of OrbiMed. Each of GP V, OrbiMed, Mr. Isaly, and Dr. Bonita disclaims beneficial ownership of such shares, except to the extent of its or his pecuniary interest therein, if any.

(2) Consists of 1,625,165 shares of common stock issuable to Mr. Cauble pursuant to options exercisable within 60 days of June 30, 2015, of which 508,203 of the shares were unvested as of such date.

(3) Consists of (i) 109,277 shares of common stock held by Mr. Davis and (ii) 380,000 shares of common stock issuable to Mr. Davis pursuant to options exercisable within 60 days of June 30, 2015.

(4) Consists of (i) 9,935,734 shares of common stock held by Jeffrey W. Dunn as Trustee of the Jeffrey W. Dunn Living Trust Dated May 17, 2012, of which 719,337 of the shares were unvested as of June 30, 2015, and (ii) 5,061,724 shares of common stock issuable to Mr. Dunn pursuant to options exercisable within 60 days of June 30, 2015, of which 3,273,043 of the shares were unvested as of such date. These shares do not include any shares subject to a voting agreement that will terminate upon the completion of this offering.

(5) Consists of (i) 65,564,129 shares of common stock held by Skyline Venture Partners and (ii) 709,589 shares of common stock issuable to Skyline Venture Partners upon the deemed conversion of shares of our preferred stock, which are issuable upon the exercise of warrants, as reflected in footnote 13 below. Dr. Freund, a member of our board of directors, is a managing member at Skyline Venture Management V, LLC, the general partner of Skyline Venture Partners, and has shared voting and dispositive power with regard to the shares directly held by Skyline Venture Partners. Dr. Freund disclaims beneficial ownership of all the shares held by Skyline Venture Partners except to the extent of his pecuniary interest therein.

(6) Consists of (i) 504,269 shares of common stock held by Mr. Hinckley and (ii) 543,916 shares of common stock held by Gregory K. Hinckley and Mary C. Hinckley as Community Property with the Right of Survivorship.

(7) Consists of (i) 93,750 shares of common stock held by Mr. Murray (ii) 2,987,921 shares of common stock held by Daniel P. Murray and Dawn Murray as Community Property, of which 116,144 of the shares were unvested as of June 30, 2015, and (iii) 1,058,709 shares of common stock issuable to Mr. Murray pursuant to options exercisable within 60 days of June 30, 2015, of which 849,411 of the shares were unvested as of such date.

(8) Consists of (i) 12,559,926 shares of common stock held by Dr. Reiley (ii) 501,109 shares of common stock held by Mark A. Reiley and Muriel Reiley as joint tenants with the right of survivorship, (iii) 350,000 shares of common stock held by The Mark and Muriel Reiley Charitable Remainder Unitrust and (iv) 2,373,155 shares of common stock issuable to Dr. Reiley pursuant to options exercisable within 60 days of June 30, 2015, of which 1,487,071 of the shares were unvested as of such date.

(9) Consists of (i) 29,893,377 shares of common stock held by Montreux Equity Partners IV, L.P., (ii) 278,933 shares of common stock issuable to Montreux Equity Partners IV, L.P. upon the deemed conversion of shares of our preferred stock, which are issuable upon the exercise of warrants, and (iii) 2,295,263 shares of common stock held by Montreux IV Associates IV, L.L.C., as reflected in footnote 11 below. John J. Savarese, M.D., a member of our board of directors, is a manager at Montreux Equity Management IV, L.L.C., the sole general partner of Montreux Equity Partners IV, L.P. and Montreux IV Associates IV, L.L.C., and has shared voting and investment power over the shares held by each of Montreux Equity Partners IV, L.P. and Montreux IV Associates, L.L.C. Dr. Savarese disclaims beneficial ownership of such shares except to the extent of his pecuniary interest.

(10) Includes (i) 147,127,818 shares of common stock beneficially owned by the directors and named executive officers and (ii) 3,428,711 shares of common stock issuable to an executive officer who is not a named executive officer pursuant to options exercisable within 60 days of June 30, 2015, of which 3,214,417 of the shares were unvested as of such date.

(11) Consists of (i) 29,893,377 shares of common stock held by Montreux Equity Partners IV, L.P., (ii) 278,933 shares of common stock issuable to Montreux Equity Partners IV, L.P. upon the deemed conversion of shares of our preferred stock, which are issuable upon the exercise of warrants, and (iii) 2,295,263 shares of common stock held by Montreux IV Associates, L.L.C. John J. Savarese, M.D., a member of our board of directors, along with Daniel K. Turner III, and Howard D. Palefsky are the managers of Montreux Equity Management IV, L.L.C., the sole general partner of each of Montreux Equity Partners IV, L.P. and Montreux IV Associates IV, L.L.C., and may be deemed to share voting and investment power over the shares held by each of Montreux Equity Partners IV, L.P. and Montreux IV Associates, L.L.C. Each of these individuals disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest. The address of the principal place of business of each of the entities and individuals listed above is One Ferry Building, Suite 255, San Francisco, CA 94111.

(12) Alexey Buyanov and Sabine Teske are the managing directors of Redline Capital Management S.A. and may be deemed to have voting and dispositive power over the shares held by Redline Capital Management S.A. The address for Redline Capital Management S.A. is avenue Monterey, L-2163 Luxembourg, G.D. Luxembourg.

(13) Consists of (i) 65,564,129 shares of common stock held by Skyline Venture Partners V, L.P. (“Skyline Venture Partners”) and (ii) 709,589 shares of common stock issuable to Skyline Venture Partners upon the deemed conversion of shares of our preferred stock, which are issuable upon the exercise of warrants. The general partner of Skyline Venture Partners is Skyline Venture Management V, LLC. John G. Freund, M.D. and Yasunori Kaneko are managing members of Skyline Venture Management V, LLC. These individuals share voting and investment power over the shares held by Skyline Venture Management, LLC. Each of these individuals disclaims beneficial ownership of all the shares held by Skyline Venture Partners except to the extent of his proportionate pecuniary interest therein. The address of each of the entities identified in this footnote is 525 University Avenue, Suite 1350, Palo Alto, California 94301.

DESCRIPTION OF CAPITAL STOCK

A description of our capital stock and the material terms and provisions of our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering and affecting the rights of holders of our capital stock is set forth below. The forms of our amended and restated certificate of incorporation and our amended and restated bylaws to be adopted in connection with this offering will be filed as exhibits to the registration statement relating to this prospectus.

Upon the completion of this offering, our amended and restated certificate of incorporation will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Upon the completion of this offering, our authorized capital stock will consist of shares, all with a par value of $0.0001 per share, of which:

- shares are designated common stock; and
- shares are designated preferred stock.

As of June 30, 2015, and after giving effect to (i) the automatic conversion of all of our outstanding preferred stock into common stock immediately prior to the closing of this offering and (ii) the issuance of shares of common stock upon the net exercise of warrants to purchase 988,522 shares of preferred stock, with a price of $0.51 per share, and the conversion into approximately shares of common stock immediately prior to the closing of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, there were outstanding:

- shares of our common stock held of record by stockholders;
- 40,114,530 shares of our common stock issuable upon exercise of outstanding stock options; and
- 2,722,309 shares of our common stock issuable upon exercise of the outstanding warrants held by our lender in connection with our credit facilities.

Common Stock

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. See “Dividend Policy” for more information.

Voting Rights

The holders of our common stock are entitled to one vote per share. Stockholders do not have the ability to cumulate votes for the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering will provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Reclassification of Common Stock

Prior to this offering, we had two classes of common stock outstanding: Series 1 common stock and Series 2 common stock. The holders of our Series 2 common stock are entitled to one vote per share and the holders of our Series 1 common stock do not have voting rights, except as required by applicable law. Immediately prior to the closing of this offering, we will reclassify all outstanding shares of our Series 1 common stock and Series 2 common stock into a single class of common stock named "common stock," which shall have the same voting powers, preferences, rights and qualifications, limitations and restrictions as the current Series 2 common stock.

Preferred Stock

Upon the completion of this offering, no shares of preferred stock will be outstanding, but we will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors also can increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of common stock. We have no current plan to issue any shares of preferred stock.

Options

As of June 30, 2015, we had options to purchase 40,114,530 shares of our common stock outstanding under our 2008 Stock Plan.

Warrants

In July 2012, we issued warrants to purchase an aggregate of 988,522 shares of Series 5 preferred stock at an exercise price of $0.51 per share in connection with a bridge loan financing entered into with our investors, Montreux Equity Partners and Skyline Ventures. As of June 30, 2015, the warrants were exercisable for an aggregate of 988,522 shares of Series 5 preferred stock at an exercise price of $0.51 per share until their expiration upon the earliest to occur of (i) July 25, 2019, (ii) an initial public offering, or (iii) a "corporate transaction" as defined in the Note and Warrant Purchase Agreement, dated July 25, 2012.

In connection with the Loan and Security Agreement we entered into with Silicon Valley Bank, or SVB, in July 2013, we issued to each of SVB and Westriver Mezzanine Loans, LLC, or Westriver, a warrant to purchase, in the aggregate, 1,818,182 shares of our common stock at an exercise price of $0.22 per share. As of June 30, 2015, the warrants were exercisable for an aggregate of 1,818,182 shares of common stock at an exercise price of $0.22 per share until their expiration in July 2023. In addition, we issued to SVB, a warrant to purchase 395,804 shares of our Series 5 preferred stock at an exercise price of $0.51 per share. As of June 30, 2015, the warrant

was exercisable for an aggregate of 395,804 shares of Series 5 preferred stock at an exercise price of $0.51 per share until its expiration in July 2023.

In connection with the Amended and Restated Loan and Security Agreement we entered into with SVB in November 2014, we issued to each of SVB and Westriver, warrants to purchase, in the aggregate, 394,736 shares of our common stock at an exercise price of $0.19 per share. As of June 30, 2015, the warrants were exercisable for an aggregate of 394,736 shares of common stock at an exercise price of $0.19 per share until their expiration in November 2024. In addition, we issued to SVB a warrant to purchase 113,587 shares of our Series 6 preferred stock at an exercise price of $0.92 per share. As of June 30, 2015, the warrant was exercisable for an aggregate of 113,587 shares of Series 6 preferred stock at an exercise price of $0.92 per share until its expiration on November 25, 2024.

Registration Rights

After this offering, the holders of 167,209,593 shares of our common stock issued upon the conversion of our preferred stock will be entitled to contractual rights to require us to register those shares under the Securities Act of 1933, as amended, or the Securities Act. These rights are provided under the terms of our amended and restated investors' rights agreement. If we propose to register any of our securities under the Securities Act for our own account, holders of shares having registration rights are entitled to include their shares in our registration statement, provided, among other conditions, that the underwriters of any such offering have the right to limit the number of shares included in the registration.

We will pay all expenses relating to any demand, piggyback or Form S-3 registration described below, other than underwriting discounts and commissions. The registration rights terminate upon the earliest to occur of: (i) the fourth anniversary of the completion of this offering; (ii) a liquidation event; or (iii) with respect to the registration rights of an individual holder, the earlier of the date that all shares held by the holder can be sold in compliance with Rule 144 or if the holder holds one percent or less or our outstanding common stock and all such shares can be sold in any three-month period in compliance with Rule 144.

Demand Registration Rights

The holders of the registrable securities will be entitled to certain demand registration rights. At any time beginning on the earlier of April 2019 or 180 days following the effectiveness of this offering, the holders of 40% or more of the registrable securities then outstanding, may make a written request that we register at least 20% of the registrable securities, subject to certain specified conditions and exceptions. Such request for registration must cover securities the aggregate offering price of at least $10,000,000, net of underwriting discounts and commissions if the proposed number of securities to be registered is less than 20% of the total number of registrable securities. We not obligated to effect more than two of these registrations.

Piggyback Registration Rights

If we propose to register any of our securities under the Securities Act either for our own account or for the account of other stockholders, the holders of shares having registration rights will, subject to certain exceptions, be entitled to include their shares in our registration statement. These registration rights are subject to specified conditions and limitations, including but not limited to the right of the underwriters to limit the number of shares included in any such offering under certain circumstances, but not below 15% of the total amount of securities included in such offering.

Form S-3 Registration Rights

At any time after we are qualified to file a registration statement on Form S-3, and subject to limitations and conditions specified in the amended and restated investors' rights agreement, the holders of at least 5,000,000 of

the registrable securities may make a written request that we prepare and file a registration statement on Form S-3 under the Securities Act covering their shares, so long as the aggregate price to the public, net of any underwriters' discounts and commissions, is at least $3,000,000. We are not obligated to effect more than one of these Form S-3 registrations in any 12-month period.

Anti-Takeover Provisions

Delaware Law

Upon the completion of this offering, we will be governed by the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under some circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation's assets with any interested stockholder, meaning a stockholder who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation's outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became an interested stockholder; or
- subsequent to such time that the stockholder became an interested stockholder the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or amended and restated bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

Certificate of Incorporation and Bylaws Provisions

Upon the completion of this offering, our amended and restated certificate of incorporation and our amended and restated bylaws will include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management team, including the following:

- ***Board of Directors Vacancies***. Our amended and restated certificate of incorporation and amended and restated bylaws will authorize our board of directors to fill vacant directorships, including newly-created seats. In addition, the number of directors constituting our board of directors will be set only by resolution adopted by a majority vote of our entire board of directors. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.
- ***Classified Board***. Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors will be classified into three classes of directors, each of whom will hold office for a three-year term. In addition, directors may only be removed from the board of directors for cause and only by the approval of % of our then-outstanding shares of our common stock. The existence of a classified board could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror.
- ***Stockholder Action; Special Meeting of Stockholders***. Our amended and restated certificate of incorporation will provide that stockholders will not be able to take action by written consent, and will only be able to take action at annual or special meetings of our stockholders. Stockholders will not be permitted to cumulate their votes for the election of directors. Our amended and restated bylaws will

further provide that special meetings of our stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer.

- ***Advance Notice Requirements for Stockholder Proposals and Director Nominations***. Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at any meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our meetings of stockholders.
- ***Issuance of Undesignated Preferred Stock***. Our board of directors will have the authority, without further action by the holders of common stock, to issue up to shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors. The existence of authorized but unissued shares of preferred stock will enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Choice of Forum

Upon the completion of this offering, our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable.

Transfer Agent and Registrar

Upon the completion of this offering the transfer agent and registrar for our common stock will be . The transfer agent's address is , and the telephone number is .

Listing

We intend to apply to list our common stock on the Nasdaq Global Market under the symbol "SIBN."

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has not been a public market for shares of our common stock. Future sales of substantial amounts of shares of our common stock, including shares issued upon the exercise of outstanding options, in the public market following this offering or the possibility of these sales occurring, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future.

Following this offering, we will have outstanding shares of our common stock, based on the number of shares outstanding as of . This includes shares of common stock that we are selling in this offering, which shares may be resold in the public market immediately unless purchased by our affiliates, and assumes no additional exercise of outstanding options other than as described elsewhere in this prospectus.

The remaining shares of common stock that are not sold in this offering will be "restricted securities," as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which are summarized below.

In addition, we, our executive officers and directors, and substantially all of our security holders have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our capital stock until at least 181 days after the date of this prospectus, as described below. As a result of these agreements and the provisions of our investors' rights agreement disclosed in "Description of Capital Stock—Registration Rights," subject to the provisions of Rule 144 or Rule 701, based on an assumed offering date of , shares will be available for sale in the public market as follows:

- beginning on the date of this prospectus, the shares sold in this offering will be immediately available for sale in the public market, unless purchased by our affiliates;
- beginning 181 days after the date of this prospectus, additional shares will become eligible for sale in the public market, of which shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below; and
- the remainder of the shares will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below.

Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares of our restricted common stock for at least six months would be entitled to sell their securities provided that such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale, and we are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, for at least 90 days before the sale. In addition, under Rule 144, any person who is not an affiliate of ours and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the completion of this offering without regard to whether current public information about us is available. Persons who have beneficially owned shares of our restricted common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of common shares then outstanding, which will equal approximately shares immediately after this offering assuming no exercise of the underwriters' option to purchase additional shares, based on the number of common shares outstanding as of ; or
- the average weekly trading volume of our common shares during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Rule 701

Any of our service providers who purchased shares under a written compensatory plan or contract prior to this offering may be entitled to rely on the resale provisions of Rule 701. Rule 701, as currently in effect, permits resales of shares, including by affiliates, in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirement, of Rule 144. Rule 701 further provides that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the public information, volume limitation or notice provisions of Rule 144. All holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling such shares if such resale is pursuant to Rule 701. All Rule 701 shares are, however, subject to lock-up agreements and will only become eligible for sale upon the expiration of these lock-up agreements.

Lock-Up Agreements

In connection with this offering, we and all directors and officers and the holders of substantially all of our outstanding stock and stock options have agreed with the underwriters, subject to certain exceptions, not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of our common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated. These agreements are subject to certain exceptions, as set forth in “Underwriting.”

Certain of our employees, including our executive officers, and directors may enter into written trading plans that are intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934. Sales under these trading plans would not be permitted until the expiration of the lock-up agreements relating to our initial public offering described above.

Registration Rights

Upon completion of this offering, the holders of 167,209,593 shares of our common stock will be entitled to rights with respect to the registration of the sale of such shares of common stock under the Securities Act. See “Description of Capital Stock—Registration Rights.” All such shares are covered by lock-up agreements. Following the expiration of the lock-up period, registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

Equity Plans

We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of our common stock subject to options outstanding or reserved for issuance under our equity plans. We expect to file this registration statement as soon as practicable after the completion of this offering. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our stock plans, see “Executive Compensation—Equity Plans.”

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a discussion of certain material U.S. federal income tax considerations with respect to the ownership and disposition of shares of common stock applicable to non-U.S. holders who acquire such shares in this offering and hold such shares as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code") (generally, property held for investment). For purposes of this discussion, a "non-U.S. holder" means a beneficial owner of our common stock (other than an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes) that is not, for U.S. federal income tax purposes, any of the following:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "U.S. persons," as defined under the Code, have the authority to control all substantial decisions of the trust or (ii) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

This discussion is based on current provisions of the Code, Treasury regulations promulgated thereunder ("Treasury Regulations"), judicial opinions, published positions of the Internal Revenue Service and other applicable authorities, all of which are subject to change (possibly with retroactive effect). This discussion does not address all aspects of U.S. federal income taxation that may be important to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances, nor does it address any aspects of the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, any U.S. federal estate and gift taxes, any U.S. alternative minimum taxes or any state, local or non-U.S. taxes. This discussion may not apply, in whole or in part, to particular non-U.S. holders in light of their individual circumstances or to holders subject to special treatment under the U.S. federal income tax laws (such as insurance companies, tax-exempt organizations, financial institutions, brokers or dealers in securities, "controlled foreign corporations," "passive foreign investment companies," non-U.S. holders that hold our common stock as part of a straddle, hedge, conversion transaction or other integrated investment and certain U.S. expatriates).

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner therein will generally depend on the status of the partner and the activities of the partnership. Partners of a partnership holding our common stock should consult their tax advisor as to the particular U.S. federal income tax consequences applicable to them.

THIS SUMMARY IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES FOR NON-U.S. HOLDERS RELATING TO THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK. PROSPECTIVE HOLDERS OF OUR COMMON STOCK SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, FOREIGN INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

Dividends

We have no present intention to make distributions on our common stock. In general, the gross amount of any distribution we make to a non-U.S. holder with respect to its shares of common stock will be subject to U.S.

federal withholding tax at a rate of 30% to the extent the distribution constitutes a dividend for U.S. federal income tax purposes, unless the non-U.S. holder is eligible for a reduced rate of withholding tax under an applicable income tax treaty and the non-U.S. holder provides proper certification of its eligibility for such reduced rate. A distribution will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent any distribution does not constitute a dividend, it will be treated first as reducing the adjusted basis in the non-U.S. holder's shares of common stock and then, to the extent it exceeds the adjusted basis in the non-U.S. holder's shares of common stock, as gain from the sale or exchange of such stock. Any such gain will be subject to the treatment described below under "—Gain on Sale or Other Disposition of Common Stock."

Dividends we pay to a non-U.S. holder that are effectively connected with its conduct of a trade or business within the United States (and, if required by an applicable tax treaty, are attributable to a U.S. permanent establishment of such non-U.S. holder) will not be subject to U.S. federal withholding tax, as described above, if the non-U.S. holder complies with applicable certification and disclosure requirements. Instead, such dividends generally will be subject to U.S. federal income tax on a net income basis, at regular U.S. federal income tax rates. Dividends received by a foreign corporation that are effectively connected with its conduct of a trade or business within the United States may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

Gain on Sale or Other Disposition of Common Stock

In general, a non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of the non-U.S. holder's shares of common stock unless:

- the gain is effectively connected with a trade or business carried on by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of such non-U.S. holder);
- the non-U.S. holder is an individual and is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or
- we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding such disposition or such non-U.S. holder's holding period of our common stock, and the non-U.S. holder has held, at any time during said period, more than 5% of our common stock, provided that our common stock is regularly traded on an established securities market within the meaning of applicable Treasury Regulations.

Gain that is effectively connected with the conduct of a trade or business in the United States (or so treated) generally will be subject to U.S. federal income tax on a net income tax basis, at regular U.S. federal income tax rates. If the non-U.S. holder is a foreign corporation, the branch profits tax described above also may apply to such effectively connected gain. An individual non-U.S. holder who is subject to U.S. federal income tax because the non-U.S. holder was present in the United States for 183 days or more during the year of sale or other disposition of our common stock will be subject to a flat 30% tax on the gain derived from such sale or other disposition, which may be offset by U.S. source capital losses. We believe that we are not and we do not anticipate becoming a U.S. real property holding corporation for U.S. federal income tax purposes.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

The Foreign Account Tax Compliance Act, or FATCA, will impose a U.S. federal withholding tax of 30% on certain payments to foreign financial institutions, investment funds and certain other non-U.S. persons that fail to comply with certain information reporting and certification requirements pertaining to their direct and indirect U.S. securityholders and/or U.S. accountholders. Such payments would include our dividends and the gross proceeds from the sale or other disposition of our common stock currently. Under applicable Treasury

Regulations, this withholding will apply to payments of dividends on our common stock and to payments of gross proceeds from a sale or other disposition of our common stock made on or after January 1, 2017. An intergovernmental agreement between the U.S. and a foreign country may modify the requirements described in this paragraph. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

Backup Withholding, Information Reporting and Other Reporting Requirements

We must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to, and the tax withheld with respect to, each non-U.S. holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Copies of this information reporting may also be made available under the provisions of a specific income tax treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

A non-U.S. holder will generally be subject to backup withholding for dividends on our common stock paid to such holder unless such holder certifies under penalties of perjury that, among other things, it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person) or otherwise establishes an exemption.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale or other disposition of our common stock by a non-U.S. holder outside the United States through a foreign office of a foreign broker that does not have certain specified connections to the United States. However, if a non-U.S. holder sells or otherwise disposes of its shares of common stock through a U.S. broker or the U.S. offices of a foreign broker, the broker will generally be required to report the amount of proceeds paid to the non-U.S. holder to the Internal Revenue Service and also backup withhold on that amount unless such non-U.S. holder provides appropriate certification to the broker of its status as a non-U.S. person (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person) or otherwise establishes an exemption. Information reporting will also apply if a non-U.S. holder sells its shares of common stock through a foreign broker deriving more than a specified percentage of its income from U.S. sources or having certain other connections to the United States, unless such broker has documentary evidence in its records that such non-U.S. holder is a non-U.S. person (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person) and certain other conditions are met, or such non-U.S. holder otherwise establishes an exemption.

Backup withholding is not an additional income tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder generally can be credited against the non-U.S. holder’s U.S. federal income tax liability, if any, or refunded, provided that the required information is furnished to the Internal Revenue Service in a timely manner. Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Canaccord Genuity Inc.	
JMP Securities LLC	
Total:	

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ over-allotment option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter’s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional shares of common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by us:			
Proceeds, before expenses			

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $ million. We have agreed to reimburse the underwriters for expense relating to clearance of this offering with the Financial Industry Regulatory Authority up to $.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We intend to apply to list our common stock on the Nasdaq Global Market under the symbol “SIBN”.

We and all directors and officers and the holders of all of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus (the “restricted period”):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock.

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph to do not apply to:

- transactions by a securityholder relating to shares of common stock or other securities acquired (i) in open market transactions after the closing of this offering or (ii) except in the case where the securityholder is an officer or director of ours, in this offering; provided that, in each case (i) and (ii), no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, is required or voluntarily made during the restricted period in connection with subsequent sales of common stock or other securities acquired in such open market transactions or in this offering;
- transfers of shares of common stock or any security convertible into or exercisable or exchangeable for common stock (i) as a bona fide gift, (ii) to an immediate family member or a trust for the direct or indirect benefit of the transferor or such immediate family member of the transferor, (iii) to any corporation, partnership, limited liability company, investment fund or other entity controlled or managed, or under common control or management by the transferor or the immediate family of the transferor, or (iv) by will, other testamentary document or intestate succession to the legal representative, heir, beneficiary or a member of the immediate family of the transferor, provided in each case that (a) each distributee or transferee signs and delivers a lock-up letter and (b) no filing under Section 16(a) of the Exchange Act reporting a reduction in beneficial ownership of shares shall be required or voluntarily made during the restricted period (other than a filing on a Form 5);
- distributions or transfers of shares of common stock or any security convertible into or exercisable or exchangeable for common stock to general or limited partners, members or stockholders of the transferor, provided that (i) each distributee or transferee shall sign and deliver a lock-up letter and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of common stock, shall be required or shall be voluntarily made during the restricted period (other than a filing on a Form 5);

- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that (i) such plan does not provide for the transfer of common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by or on behalf of the person or us regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the restricted period;
- the exercise of options to purchase shares of common stock granted under any stock incentive plan or stock purchase plan described in this prospectus, provided that (i) the underlying shares shall continue to be subject to the restrictions on transfer set forth in the lock-up agreement and (ii) any filing under Section 16 of the Exchange Act made during the restricted period shall clearly indicate that (A) the filing relates to the circumstances described above and (B) no securities were sold by the person, and (iii) the person does not otherwise voluntarily effect any other public filing or report regarding such transfers during the restricted period;
- the receipt from us of shares of common stock upon (A) the exercise or settlement of options or restricted stock units granted under a stock incentive plan or other equity award plan, which plan is described in this prospectus or (B) the exercise of warrants outstanding and which are described in the this prospectus, or (ii) the transfer of shares of common stock or any securities convertible into common stock to us upon a vesting or settlement event of our securities or upon the exercise of options or warrants to purchase our securities on a “cashless” or “net exercise” basis to the extent permitted by the instruments representing such options or warrants (and any transfer to us necessary to generate such amount of cash needed for the payment of taxes, including estimated taxes, due as a result of such vesting or exercise whether by means of a “net settlement” or otherwise) so long as such “cashless exercise” or “net exercise” is effected solely by the surrender of outstanding options or warrants (or the common stock issuable upon the exercise thereof) to us and our cancellation of all or a portion thereof to pay the exercise price and/or withholding tax and remittance obligations, provided that (1) in the case of (i), the shares received upon exercise or settlement of the option, restricted stock unit, or warrant are subject to the terms of the lock-up agreement and (2) to the extent a filing under Section 16 of the Exchange Act is required to made during the restricted period as a result of transfers, it shall clearly indicate that (A) the filing relates to the circumstances described above and (B) no securities were sold by the transferor in the open market, and (3) the transferor does not otherwise voluntarily effect any other public filing or report regarding such transfers during the restricted period;
- the transfer of shares of common stock or any security convertible into or exercisable or exchangeable for common stock to us pursuant to agreements under which we have the option to repurchase such shares or a right of first refusal with respect to transfers of such shares, provided that (1) to the extent a filing under Section 16 of the Exchange Act is required to made during the restricted period as a result of such transfers, it shall clearly indicate that (A) the filing relates to the circumstances described above and (B) no securities were sold by the transferor in the open market, and (2) the transferor does not otherwise voluntarily effect any other public filing or report regarding such transfers during the restricted period;
- the transfer of shares of common stock or any security convertible into or exercisable or exchangeable for common stock that occurs pursuant to a qualified domestic order or in connection with a divorce settlement, provided that (i) each transferee shall sign and deliver a lock-up agreement, (ii) any filing under Section 16 of the Exchange Act made during the restricted period shall clearly indicate in the footnotes thereto that (A) the filing relates to the circumstances described above and (B) no securities were sold by the transferor, and (iii) the transferor does not otherwise voluntarily effect any other public filing or report regarding such transfers during the restricted period;
- the conversion of the outstanding preferred stock into shares of our common stock, provided that such shares of common stock remain subject to the terms of the lock-up agreement; or
- the sale of shares of common stock to the underwriters pursuant to the underwriting agreement.

Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have performed and may in the future perform various financial advisory and investment banking services for us, for which they will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our

results from operations and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area, an offer to the public of any shares of our common stock may not be made in that Member State, except that an offer to the public in that Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and includes any relevant implementing measure in each Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Switzerland

The shares of common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares of common stock have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and

Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares of common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares of common stock have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of common stock may not be circulated or distributed, nor may the shares of common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of common stock pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Redwood City, California. As of the date of this prospectus, an investment fund associated with Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP beneficially owned less than 0.25% of the outstanding shares of our common stock. Shearman & Sterling, LLP, New York, New York is representing the underwriters in this offering.

EXPERTS

The consolidated financial statements of SI-BONE, Inc. as of December 31, 2014 and December 31, 2013 and for each of the three years in the period ended December 31, 2014 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules to the registration statement. Please refer to the registration statement, exhibits and schedules for further information with respect to the common stock offered by this prospectus. Statements contained in this prospectus regarding the contents of any contract or other document are only summaries. With respect to any contract or document that is filed as an exhibit to the registration statement, you should refer to the exhibit for a copy of the contract or document, and each statement in this prospectus regarding that contract or document is qualified by reference to the exhibit. You may read and copy the registration statement and its exhibits and schedules at the SEC's public reference room, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers, like us, that file documents electronically with the SEC. The address of that website is www.sec.gov. The information on the SEC's web site is not part of this prospectus, and any references to this web site or any other web site are inactive textual references only.

Upon completion of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with this law, will be required to file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above. We also maintain a website at www.si-bone.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained on, or that can be accessed through, our website is not a part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock. We have included our website address in this prospectus solely as an inactive textual reference.

SI-BONE, Inc.
Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of SI-BONE, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of changes in convertible preferred stock and stockholders' deficit, and of cash flows present fairly, in all material respects, the financial position of SI-Bone, Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Company has experienced significant recurring operating losses and negative cash flows from operations. Management's plans with regards to its liquidity are also discussed in Note 1.

/s/ PricewaterhouseCoopers LLP
San Jose, California
August 5, 2015

SI-BONE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31,		March 31,	Proforma Stockholders' Equity March 31, 2015
	2013	2014	2015 (unaudited)	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 8,519	$ 17,598	$ 10,929	
Accounts receivable, net of allowance for doubtful accounts of $139, $359 and $359 (unaudited) at December 31, 2013 and 2014 and March 31, 2015, respectively	6,037	5,877	5,398	
Inventory	1,259	1,685	1,758	
Prepaid expenses and other current assets	655	837	943	
Total current assets	16,470	25,997	19,028	
Property and equipment, net	1,200	2,607	2,793	
Restricted cash	50	50	50	
Deposits	224	269	318	
Intangible assets, net	70	62	61	
TOTAL ASSETS	$ 18,014	$ 28,985	$ 22,250	
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	$ 3,734	$ 2,605	$ 2,488	
Accrued liabilities and other	4,249	4,338	4,147	
Short-term borrowings	2,223	—	—	
Total current liabilities	10,206	6,943	6,635	
Convertible preferred stock warrants	357	325	469	
Long-term borrowings	9,461	15,150	15,185	
TOTAL LIABILITIES	20,024	22,418	22,289	
Commitments and contingencies (Note 5)				
Convertible preferred stock, $0.0001 par value; Authorized: 103,328,941, 145,828,941, 145,828,941 (unaudited) shares at December 31, 2013 and 2014 and March 31, 2015 respectively; Issued and outstanding: 102,993,291, 143,556,724 and 143,556,724 (unaudited) shares at December 31, 2013 and 2014 and March 31, 2015 respectively; (Liquidation preference of $36,355, $71,629, and $71,629 (unaudited) at December 31, 2013 and 2014 and March 31, 2015, respectively); no shares authorized, issued or outstanding pro forma at March 31, 2015 (unaudited)	36,014	71,200	71,200	
STOCKHOLDERS' EQUITY (DEFICIT)				
Common stock, $0.0001 par value; Authorized: 173,000,000, 255,000,000 shares and 255,000,000 (unaudited) at December 31, 2013 and 2014 and March 31, 2015, respectively; Issued and outstanding: 47,030,708, 53,367,688 and 56,968,503 (unaudited) shares, respectively at December 31, 2013 and 2014 and March 31, 2015; (unaudited) shares issued and outstanding pro forma at March 31, 2015	4	5	5	
Additional paid-in capital	2,357	3,802	4,508	
Stockholders' notes receivable	(224)	(656)	(656)	
Accumulated other comprehensive income (loss)	(25)	158	439	
Accumulated deficit	(40,136)	(67,942)	(75,535)	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(38,024)	(64,633)	(71,239)	$
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 18,014	$ 28,985	$ 22,250	

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

SI-BONE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share amounts)

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Revenue	$ 37,016	$ 48,999	$ 40,054	$ 10,500	$ 10,323
Cost of goods sold	3,041	4,332	6,500	1,202	1,771
Gross profit	33,975	44,667	33,554	9,298	8,552
Operating expenses					
Sales and marketing	35,691	34,744	40,625	8,586	10,346
Research and development	3,770	8,374	9,172	2,141	2,128
General and administrative	5,233	6,846	10,058	2,055	2,934
Total operating expenses	44,694	49,964	59,855	12,782	15,408
Loss from operations	(10,719)	(5,297)	(26,301)	(3,484)	(6,856)
Interest and other income (expense), net					
Interest income	5	3	15	1	5
Interest expense	(231)	(912)	(1,536)	(274)	(349)
Other income (expense), net	42	62	18	(5)	(393)
Loss before income taxes	(10,903)	(6,144)	(27,804)	(3,762)	(7,593)
Provision for income taxes	—	10	2	—	—
Net loss	(10,903)	(6,154)	(27,806)	(3,762)	(7,593)
Other comprehensive income (loss)					
Changes in foreign currency translation	(22)	(3)	183	51	281
Comprehensive loss	$ (10,925)	$ (6,157)	$ (27,623)	$ (3,711)	$ (7,312)
Net loss attributable to common stockholders per share, basic and diluted (Note 14)	$ (0.32)	$ (0.15)	$ (0.58)	$ (0.08)	$ (0.14)
Weighted-average number of common shares used to compute basic and diluted net loss per share (Note 14)	34,076,263	41,201,966	48,035,918	45,190,957	52,592,709
Pro forma net loss per share, basic and diluted (unaudited) (Note 14)			$		$
Pro forma weighted-average number of common shares used to compute basic and diluted net loss per share (unaudited) (Note 14)					

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

SI-BONE, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(In thousands, except share and per share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Stockholders' Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balances at December 31, 2011	102,993,291	$ 36,026	41,830,790	$ 3	$ 594	$ (31)	$ —	$ (23,079)	$ (22,513)
Issuance of common stock upon exercise of stock options for cash, net of unvested early exercises	—	—	915,645	—	59	—	—	—	59
Repurchase of unvested early exercises	—	—	(249,716)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	433	—	—	—	433
Vesting of early exercised stock options	—	—	—	1	179	—	—	—	180
Convertible preferred stock Series 5 issuance cost	—	(12)	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	(22)	—	(22)
Net loss	—	—	—	—	—	—	—	(10,903)	(10,903)
Balances at December 31, 2012	102,993,291	36,014	42,496,719	4	1,265	(31)	(22)	(33,982)	(32,766)
Issuance of common stock upon exercise of stock options for cash, net of unvested early exercises	—	—	4,683,989	—	169	—	—	—	169
Stock-based compensation	—	—	—	—	515	—	—	—	515
Issuance of warrant to purchase common stock	—	—	—	—	244	—	—	—	244
Issuance of stockholders' note receivable	—	—	—	—	—	(200)	—	—	(200)
Repayment of stockholders' note receivable	—	—	—	—	—	7	—	—	7
Repurchase of common stock	—	—	(150,000)	—	(45)	—	—	—	(45)
Vesting of early exercised stock options	—	—	—	—	209	—	—	—	209
Foreign currency translation	—	—	—	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	—	—	—	(6,154)	(6,154)
Balances at December 31, 2013	102,993,291	36,014	47,030,708	4	2,357	(224)	(25)	(40,136)	(38,024)
Issuance of common stock upon exercise of stock options for cash, net of unvested early exercises	—	—	6,336,980	—	335	—	—	—	335
Stock-based compensation	—	—	—	—	804	—	—	—	804
Issuance of convertible preferred stock, net of issuance costs	36,061,625	32,912	—	—	—	—	—	—	—
Conversion of debt	4,501,808	2,274	—	—	—	—	—	—	—
Issuance of warrant to purchase common stock	—	—	—	—	47	—	—	—	47
Issuance of stockholders' note receivable	—	—	—	—	—	(437)	—	—	(437)
Repayment of stockholders' note receivable	—	—	—	—	—	5	—	—	5
Vesting of early exercised stock options	—	—	—	1	259	—	—	—	260
Foreign currency translation	—	—	—	—	—	—	183	—	183
Net loss	—	—	—	—	—	—	—	(27,806)	(27,806)
Balances at December 31, 2014	143,556,724	71,200	53,367,688	5	3,802	(656)	158	(67,942)	(64,633)
Issuance of stock options for cash, net of unvested early exercises (unaudited)	—	—	3,600,815	—	414	—	—	—	414
Stock-based compensation (unaudited)	—	—	—	—	212	—	—	—	212
Vesting of early exercised stock options (unaudited)	—	—	—	—	80	—	—	—	80
Foreign currency translation (unaudited)	—	—	—	—	—	—	281	—	281
Net loss (unaudited)	—	—	—	—	—	—	—	(7,593)	(7,593)
Balances at March 31, 2015 (unaudited)	143,556,724	$ 71,200	56,968,503	$ 5	$ 4,508	$ (656)	$ 439	$ (75,535)	$ (71,239)

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

SI-BONE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Cash flows from operating activities					
Net loss	$(10,903)	$ (6,154)	$(27,806)	$(3,762)	$ (7,593)
Adjustments to reconcile net loss to net cash used in operating activities					
Depreciation and amortization	42	50	287	11	173
Provision for doubtful accounts	8	119	339	55	—
Stock-based compensation	433	515	804	137	212
Change in fair value of convertible preferred stock warrant liability	—	(19)	(81)	—	144
Loss on write-off of property and equipment	—	—	956	—	—
Amortization of debt discount	106	200	112	27	35
Changes in operating assets and liabilities				—	—
Accounts receivable	(4,145)	836	(179)	260	479
Inventory	(350)	(76)	(426)	(104)	(73)
Prepaid expenses and other assets	112	(57)	(227)	(12)	(155)
Accounts payable	(245)	1,916	(882)	816	(117)
Accrued liabilities and other	183	2,104	776	(1,926)	(111)
Net cash used in operating activities	(14,759)	(566)	(26,327)	(4,498)	(7,006)
Cash flows from investing activities					
Purchase of property and equipment	(39)	(735)	(2,869)	(638)	(358)
Net cash used in investing activities	(39)	(735)	(2,869)	(638)	(358)
Cash flows from financing activities					
Proceeds from the exercise of common stock options, net	59	98	192	45	414
Common stock repurchased	—	(45)	—	—	—
Repayment of stockholders' note receivable	—	7	5	5	—
Proceeds from debt financing	4,000	10,000	5,150	—	—
Repayment of borrowings	—	—	(167)	—	—
Proceeds from the issuance of convertible preferred stock, net	(12)	—	32,912	—	—
Repayment of line of credit	—	(2,000)	—	—	—
Net cash provided by financing activities	4,047	8,060	38,092	50	414
Effect of exchange rate changes on cash and cash equivalents	(22)	(3)	183	(1)	281
Net increase (decrease) in cash and cash equivalents	(10,773)	6,756	9,079	(5,087)	(6,669)
Cash and cash equivalents at					
Beginning of year	12,536	1,763	8,519	8,519	17,598
End of year	$ 1,763	$ 8,519	$ 17,598	$ 3,432	$ 10,929
Supplemental disclosure of cash flow information					
Cash paid for interest	$ —	$ 520	$ 818	$ 206	$ 235
Supplemental disclosure of noncash information					
Vesting of early exercised stock options	$ 180	$ 209	$ 260	$ 96	$ 80
Purchase of property and equipment included in accounts payable and accrued liabilities	—	439	49	568	180
Issuance of convertible preferred stock warrants	255	121	49	—	—
Issuance of common stock warrants	—	244	47	—	—
Issuance of stockholders' notes receivable	—	200	437	437	—
Conversion of debt to convertible preferred stock	—	—	2,274	—	—

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

SI-BONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Company and Basis of Presentation

SI-BONE, Inc. (the "Company") was incorporated in the state of Delaware on March 18, 2008 and is headquartered in San Jose, California. The Company is a medical device company that has pioneered a proprietary minimally invasive surgical implant system to fuse the sacroiliac joint for treatment of the most common types of sacroiliac joint disorders that cause lower back pain. The Company introduced its iFuse Implant System, or iFuse, in 2009 in the United States and in 2010 in certain countries in the European Union.

During the year ended December 31, 2014, the Company has an accumulated deficit of $67.9 million and used $26.3 million of cash in operations. For the three months ended March 31, 2015, the Company has an accumulated deficit of $75.5 million (unaudited) and used $7.0 million (unaudited) of cash in operations. The Company has not achieved positive cash flow from operations. To date, the Company has been funded primarily by preferred stock and debt financings. In order to continue its operations, the Company must raise additional equity or debt financing and achieve profitable operations. However, there can be no assurance that the Company will be able to obtain additional equity or debt financing on terms acceptable to the Company, or at all. The failure to obtain sufficient funds on acceptable terms, when needed, could have a material, adverse effect on the Company's business, results of operations, future cash flows and financing condition.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The consolidated financial statements include the Company's accounts, as well as those of the Company's two wholly-owned international subsidiaries. All inter-company accounts and transactions have been eliminated.

Unaudited Interim Financial Information

The accompanying interim consolidated financial statements as of March 31, 2015 and for the three months ended March 31, 2014 and 2015, and the related interim information contained within the notes to the financial statements, are unaudited. The unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and on the same basis as the audited financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments consisting of only normal recurring adjustments necessary for a fair statement of the Company's financial position as of March 31, 2015, and the results of its operations and cash flows for the three months ended March 31, 2014 and 2015. Such adjustments are of a normal and recurring nature. The results for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015, or for any future period.

Unaudited Pro Forma Stockholders' Equity

The March 31, 2015 unaudited pro forma stockholders' equity has been prepared assuming immediately prior to the completion of the Company's initial public offering: (i) the automatic conversion of all outstanding shares of preferred stock into shares of common stock; (ii) the net exercise of certain preferred stock warrants, assuming an initial public offering price of $ per share, that will expire upon the completion of the Company's initial public offering, if not exercised, and the related reclassification of the warrant liability to common stock and additional paid-in-capital; and (ii) the automatic conversion of certain preferred stock warrants into common stock warrants.

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The unaudited pro forma stockholders' deficit does not assume any proceeds from the proposed initial public offering.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates and management judgments reflected in the consolidated financial statements include: fair value of assets and liabilities; analysis of the allowance for doubtful accounts; inventory valuation; valuation of deferred tax assets, including related valuation allowances; fair value of common stock and convertible preferred stock warrants; stock-based compensation; and depreciation and amortization lives of long lived assets. Estimates are based on historical experience, where applicable and other assumptions believed to be reasonable by the management. Actual results could differ from those estimates.

Segments

The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by geographic region, for purposes of evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single reportable and operating segment structure. The Company and its Chief Executive Officer evaluate performance based primarily on revenue in the geographic locations in which the Company operates.

The Company derives substantially all of its revenue from sales to customers in the United States. Revenue by geography is based on billing address of the customer. No single country outside the United States accounts for more than 10% of the total revenue during the periods presented.

Foreign Currency

The Company's foreign subsidiaries use the local currency as their functional currency. Assets and liabilities are translated at exchange rates prevailing at the balance sheet dates. Revenue, costs and expenses are translated into U.S. dollars using daily exchange rates if the transaction is recorded in our accounting systems on a daily basis, and otherwise using average exchange rates for the period. Gains and losses resulting from the translation of the Company's consolidated balance sheets are recorded as a component of accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions are recognized as a component of other income (expense), net.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents. The Company's cash and cash equivalents are deposited with financial institutions in the United States and in Europe; the majority of the Company's cash and cash equivalents are deposited with a single financial institution in the United States. Deposits in this institution exceed the amount of insurance provided on such deposits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

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The Company's revenue and accounts receivable are spread across a large number of customers, primarily in the United States, and no one customer accounts for more than 10% of total revenue or gross accounts receivable in any period presented.

Other Risks and Uncertainties

The Company is subject to risks common to early-stage medical device companies including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, product liability, the ability to obtain adequate coverage and reimbursement from third party payors, uncertainty of market acceptance of products, and the need to obtain additional financing.

The Company is dependent on third party manufacturers and suppliers, in some cases sole or single source suppliers. The Company currently does not have any long term contracts with its suppliers and are subject to risks such as manufacturing failures, non-compliance with regulatory requirements, price fluctuations, inability to properly meet demand and third party supplier discontinuation of operations.

Fair Value of Financial Instruments

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their relatively short maturities and market interest rates, if applicable. The carrying amount of the convertible preferred stock warrant liability has been marked-to-market such that the carrying amount represents its estimated fair value.

The Company discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tier value hierarchy has been established, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) in active market that are accessible at measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and considers factors specific to the asset or liability.

The Company's cash equivalents are comprised of investments in money market funds that are classified as Level 1 of the fair value hierarchy. The Company's convertible preferred stock warrant liability is classified within Level 3 of the fair value hierarchy. The convertible preferred stock warrant liability has been valued using a Black-Scholes valuation model and is subsequently marked to market. The related input assumptions are discussed in Note 9.

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Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market funds.

Restricted Cash

Restricted cash consists of a deposit to secure obligations related to the Company's credit cards.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company generally does not require collateral or other security in support of accounts receivable. Allowances are provided for individual accounts receivable when the Company becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy, deterioration in the customer's operating results or change in financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The Company also considers broad factors in evaluating the sufficiency of its allowance for doubtful accounts, including the length of time receivables are past due, significant one-time events, creditworthiness of customers and historical experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventory

Inventory is stated at lower of cost or market value. Cost is determined using standard costs, which approximates actual cost on a first-in, first-out basis. Market value is determined as the lower of replacement cost or net realizable value. The Company writes down its inventory for estimated excess or obsolete inventory equal to the difference between the cost and the estimated market value based upon assumptions about future demands and market conditions. Inventory write-downs are charged to cost of goods sold and establish a new cost basis for the inventory. As of December 31, 2013 and 2014 and March 31, 2015 inventory consisted entirely of finished goods.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. All property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Computer and office equipment	3 - 5 years
Machinery and equipment	4 - 5 years
Furniture and fixtures	7 years

Leasehold improvements are amortized over the lesser of their useful lives or the life of the lease. Upon sale or retirement of the assets, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is recognized in the statement of operations. Maintenance and repairs are charged to operations as incurred.

Intangible assets

Intangible assets consist of intellectual property related to the SI-joint developed technologies acquired by the Company in March 2008. Intangible assets are amortized over the period of estimated benefit using the

straight-line method and estimated useful lives of approximately 15 years. No residual value is estimated for intangible assets.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows to the related asset's carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset. Through December 31, 2014 and March 31, 2015 (unaudited), the Company has not experienced impairment losses on its long-lived assets.

Common Stock Warrants

The Company accounts for warrants for shares of common stock as equity in accordance with the accounting guidance for derivatives. The accounting guidance provides a scope exception from classifying and measuring as a financial liability a contract that would otherwise meet the definition of a derivative if the contract is both (i) indexed to the entity's own stock and (ii) classified in the stockholders' deficit section of the balance sheet. The Company determined that the warrants for shares of common stock issued in connection with the debt arrangement are required to be classified in equity. Warrants classified as equity are recorded as additional paid-in capital on the consolidated balance sheet and no further adjustments to their valuation are made.

Convertible Preferred Stock Warrant Liability

Warrants and other similar instruments related to shares that are contingently redeemable are classified as liabilities on the balance sheet at their estimated fair value because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances such as a deemed liquidation event. The warrants are exercisable into the Company's convertible preferred stock and are classified as liabilities on the balance sheet. The warrants, measured at fair value, are subject to re-measurement at each balance sheet date and the change in fair value, if any, is recognized as other income (expense), net. The Company will continue to adjust the liability for changes in fair value until the earlier of (i) exercise of the warrants, (ii) conversion into equity classified warrants to purchase common stock, or (iii) expiration of the warrants.

The Company estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants on the valuation date, as well as assumptions for future financings, expected volatility, expected life, yield, and risk-free interest rate.

Revenue Recognition

The Company's revenue is derived from the sale of its products to medical groups and hospitals through its direct sales force and distributors throughout the United States and Europe.

The Company recognizes revenue when persuasive evidence of an arrangement exists, title and risk of loss has transferred to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. Accordingly, for the majority of product sales where the Company's sales representative delivers the product at the point of implantation at hospitals or other medical facilities, the Company recognizes revenue related to product sales upon delivery of the product and receipt of a purchase agreement or agreement on pricing terms

with the customer. For the remaining sales to European distributors, where the product is ordered in advance of implantation and a valid purchase order has been received, the Company recognizes revenue upon the delivery of product and when all other revenue recognition criteria are met.

Medical Device Excise Tax

In accordance with the Patient Protection and Affordable Care Act, effective January 1, 2013, the Company began to incur an excise tax on sales of medical devices in the United States. The medical device excise tax is included in cost of goods sold in the consolidated statements of operations and comprehensive loss for all the periods presented.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and are included in cost of goods sold.

Research and Development

Research and development costs are charged to operations as incurred. These amounts include, but are not limited to, direct costs and research related overhead expenses.

Advertising Expenditures

The cost of advertising is expensed as incurred. Advertising costs totaled $1.1 million, $1.0 million and $1.2 million, respectively for the years ended December 31, 2012, 2013 and 2014, and $273,000 (unaudited) and $215,000 (unaudited) and for the three months ended March 31, 2014 and 2015 respectively.

Stock-Based Compensation

The Company measures its stock-based awards made to employees based on the estimated fair values of the awards as of the grant date using the Black-Scholes option-pricing model. The model requires management to make a number of assumptions including expected volatility, expected life, risk-free interest rate and expected dividends. Stock-based compensation expense is recognized over the requisite service period using the straight-line method and is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As such, the Company's stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Equity instruments issued to nonemployees are recorded at their fair value on the measurement date and are subject to periodic adjustments as the underlying equity instruments vest. The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services received. Stock based compensation related to stock options granted to nonemployees is recognized as the stock options are earned.

Income Taxes

The Company accounts for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

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The Company adopted the accounting guidance for uncertainties in income taxes, which prescribes a recognition threshold and measurement process for recording uncertain tax positions taken, or expected to be taken, in a tax return in the financial statements. The guidance also prescribes new, treatment for derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The Company accrues for the estimated amount of taxes for uncertain tax positions if it is more likely than not that the Company would be required to pay such additional taxes. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained.

Changes to Previously Issued Financial Statements

The Company has reclassified certain amounts from its previously issued consolidated financial statements to conform to the presentation for 2014. Specifically, in 2013 the Company reclassified its presentation of the medical device excise tax of $697,000 from general and administrative expense to cost of goods sold. This change had no impact on the results of operations or net loss.

During the preparation of the consolidated financial statements as of and for the year ended December 31, 2014, the Company identified errors within the consolidated statements of operations for the year ended December 31, 2013, which financial statements were revised to correct the errors. The Company revised the consolidated statement of operations for the year ended December 31, 2013 to reclassify clinical study expenses of $182,000 from sales and marketing expense to research and development expense, and to reclassify $307,000 legal expenses related to patents from research and development expense to general and administrative expense. The Company evaluated the errors and concluded that they were not material to the 2013 financial statements.

Net Loss per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, convertible preferred stock and common stock options and warrants are considered to be potentially dilutive securities. Because the Company has reported a net loss in all periods presented, the convertible preferred stock and common stock options and warrants are anti-dilutive and therefore diluted net loss per common share is the same as basic net loss per common share for those periods.

Unaudited Pro Forma Net Loss per Common Share

The unaudited pro forma basic and diluted net loss per common share has been computed to give effect to the conversion of all outstanding shares of convertible preferred stock, common and preferred stock warrants, as if such conversion had occurred at the earlier of the beginning of the period or the date of issuance, if later. Also, the numerator in the pro forma basic and diluted net loss per common share calculation has been adjusted to remove changes in fair value resulting from the remeasurement of the convertible preferred stock warrant liability as it will be reclassified to common stock and additional paid-in capital immediately prior to the closing of an IPO of the Company’s common stock. The unaudited pro forma net loss per common share does not include the shares to be sold and related proceeds to be received from an IPO.

Comprehensive Loss

Comprehensive loss represents all changes in the stockholders’ equity (deficit) except those resulting from distributions to stockholders. The Company’s unrealized foreign currency translation income (losses) represents

the only component of other comprehensive income (loss) that is excluded from the reported net loss for each of the reporting periods and has been presented in the consolidated statements of operations and comprehensive loss.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 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 January 1, 2018. The Company has not determined the potential effects of this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, companies will have reduced diversity in the timing and content of footnote disclosures than under today's guidance. ASU 2014-15 is effective for the Company in the first quarter of 2016 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2014-15 on its consolidated financial statements and related disclosures

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest ("ASU No. 2015-03"). ASU No. 2015-03 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 that debt liability, consistent with debt discounts. The recognition and measurement guidance of debt issuance costs is not affected by the amendments in this update. The standard will be effective for the Company beginning in the first quarter of 2016 and requires the Company to apply the new guidance on a retrospective basis on adoption. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"). ASU 2015-11 simplifies the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, in scope inventory should be measured at the lower of cost and net realizable value. The new standard will become effective for the Company in fiscal year 2017, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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3. Fair Value Measurement

The following table sets forth the fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis based on the three-tier fair value hierarchy (in thousands):

	Balance as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds[1]	$ 6,001	$ —	$ —	$ 6,001
Liabilities				
Convertible preferred stock warrant liability	$ —	$ —	$ 357	$ 357

	Balance as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds[1]	$12,755	$ —	$ —	$12,755
Liabilities				
Convertible preferred stock warrant liability	$ —	$ —	$ 325	$ 325

	Balance as of March 31, 2015 (unaudited)			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds[1]	$ 8,257	$ —	$ —	$ 8,257
Liabilities				
Convertible preferred stock warrant liability	$ —	$ —	$ 469	$ 469

[1] Included in cash and cash equivalents on the consolidated balance sheets

The following table sets forth a summary of the changes in the fair value of the convertible preferred stock warrant liability, the Company's Level 3 financial liability, which is measured on a recurring basis (in thousands):

Balances at January 1, 2012	$ —
Fair value of convertible preferred stock warrant issued	255
Balances at December 31, 2012	255
Fair value of convertible preferred stock warrants issued	121
Change in fair value recorded in other income (expense), net	(19)
Balances at December 31, 2013	357
Fair value of convertible preferred stock warrants issued	49
Change in fair value recorded in other income (expense), net	(81)
Balances at December 31, 2014	325
Change in fair value recorded in other income (expense), net (unaudited)	144
Balances at March 31, 2015 (unaudited)	$469

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4. Balance Sheet Components

Property and Equipment, net (in thousands):

	December 31, 2013	December 31, 2014	March 31, 2015 (unaudited)
Machinery and equipment	$ 39	$1,522	$ 1,773
Construction in progress	1,107	784	757
Computer and office equipment	136	398	519
Leasehold improvements	9	254	254
Furniture and fixtures	7	7	20
	1,298	2,965	3,323
Less: Accumulated depreciation and amortization	(98)	(358)	(530)
	$1,200	$2,607	$ 2,793

Accrued Liabilities and Other (in thousands):

	December 31, 2013	December 31, 2014	March 31, 2015 (unaudited)
Accrued compensation and related expenses	$2,567	$2,702	$ 1,934
Sales tax payable	329	321	318
Stock repurchase rights	209	445	492
Accrued interest	393	228	307
Accrued clinical services	323	74	70
Accrued professional services	96	276	455
Accrued marketing fees	—	—	113
Deferred rent	26	57	63
Others	306	235	395
	$4,249	$4,338	$ 4,147

5. Commitments and Contingencies

Operating Leases

In August 2012, the Company entered into a new four year non-cancelable operating lease for its existing office building space in San Jose which commenced in January 2013. In February 2014, the Company extended the lease terms through June 2017 and also expanded the existing lease facility, the term of which is from the expansion date (date on which possession is given by landlord) through 2017. There is no renewal option under the operating lease.

In January 2011, the Company entered into a five year non-cancelable operating lease for its office building space in Milan, Italy. Unless sufficient notice has been provided to terminate the lease twelve month prior to expiration, the lease will automatically extend for another five year term.

In November 2014, the Company entered into a five year non-cancelable operating lease for its office building space in Mannheim, Germany.

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The Company also leases vehicles under operating lease arrangement for the Company's sales personnel in Italy. Operating leases under such arrangements expire during various times in 2015 and 2016.

Rent expense is recorded over the lease terms on a straight-line basis. Rental expense charged to operations under operating leases for fiscal years 2012, 2013 and 2014 totaled approximately $380,000, $470,000 and $681,000, respectively and $124,000 (unaudited) and $221,000 (unaudited) for the three months ended March 31, 2014 and 2015 respectively.

The aggregate future minimum lease payments under all leases are as follows (in thousands):

Year Ending December 31,	
2015	$ 968
2016	973
2017	551
2018	61
2019	38
Thereafter	—
	$2,591

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Indemnification

The Company enters into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third-party with respect to the Company's technology. The term of these indemnification agreements is generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future, but have not yet been made.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual.

The Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements. No liability associated with such indemnifications has been recorded to date.

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6. Borrowings

The Company has the following outstanding debt which includes debt discounts as of December 31, 2013 and 2014, and March 31, 2015 (unaudited) (in thousands):

	December 31,		March 31,
	2013	2014	2015 (unaudited)
Line of Credit	$ —	$ —	$ —
Mezzanine Loan	4,796	4,827	4,850
Growth Loan	4,888	10,323	10,335
Convertible notes payable	2,000	—	—
Total borrowings	11,684	15,150	15,185
Less: Short-term borrowings	2,223	—	—
Long-term borrowings	$ 9,461	$15,150	$ 15,185

Line of Credit

In September 2012, the Company entered into a revolving line of credit with Silicon Valley Bank for $5.0 million. The line of credit accrued interest on any outstanding balance at a rate of 0.75% above prime, payable monthly (4.0% as of December 31, 2013 and 2012). As of December 31, 2012, the Company had drawn down $2 million under this financing line. As of December 31, 2013, the Company fully paid off the balance of $2 million outstanding and any related accrued interest. In 2013, the Company entered into an amendment to extend the maturity date of the line of credit from September 2014 to July 2017.

In November 2014, the Company amended its existing line of credit agreement. The amendment increased the available amount from $5.0 million to $7.5 million and extended its maturity to November 2018. The line of credit accrues interest on any outstanding balance at a rate of 0.75% above prime, payable monthly.

The amount of funds that the Company can draw on this line of credit is limited to 80% of certain customer receivable balances. As of December 31, 2014 and March 31, 2015, $3.7 million and $3.4 million (unaudited), respectively, of funds were available. However, no draws have been made on this facility as of December 31, 2014 and March 31, 2015 (unaudited). Borrowings under this agreement were collateralized by all of the Company's assets, excluding any intellectual properties.

Mezzanine and Growth Loan

In July 2013, the Company entered into a debt financing arrangement, or Mezzanine Loan and Growth Loan, with Silicon Valley Bank that, combined, provided for funds available to the Company of up to $18.0 million, subject to certain contingencies.

The first financing, or Mezzanine Loan, was for $5.0 million which was available without contingency. Interest is paid monthly on any outstanding balance at a rate of 11% per annum, with a 3% prepayment fee from zero-12 months or a 2% prepayment fee from 13-24 months from the closing date, and final fees on 6% of the advanced amount. As of December 31, 2013, the Company had drawn down $5.0 million under the arrangement. The amount drawn along with a final payment of 6% on the outstanding balance is payable on maturity in September 2016. The effective interest rate for the loan as of December 31, 2013 is 12.55%.

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As part of the Mezzanine Loan financing, an additional $3.0 million was available if the Company did not receive favorable reimbursement coverage as defined in the loan agreement among other conditions. The Company received favorable reimbursement coverage in 2013, and therefore $3.0 million was not available for the Company to draw down.

The second financing, or Growth Loan, was for $10.0 million of which $5.0 million is available without contingency. The remaining $5.0 million was available in 2014 if the Company receives favorable reimbursement coverage as defined in the agreement and subject to meeting minimum revenue levels. Interest was paid monthly on any outstanding balance at a rate of the 3-year U.S. Treasury Note interest rate plus 5.14%. The interest rate shall have a floor of 5.50%. As of December 2013, the Company had drawn down $5 million under this loan. The interest rate on the loan is 5.50% per annum, with a 3% prepayment fee from zero-12 months or a 2% prepayment fee from 13-24 months from the closing date, and final fees on 9% of the advanced amount. Principal payments were due in 30 equal monthly payments, starting on the first month after the interest-only period from July 2013 through October 2014 and a final payment of 9% of the original principal amount was due upon maturity in April 2017. The effective interest rate for the loan as of December 31, 2013 was 8.43%.

In November 2014, the debt financing arrangements were amended to allow for total advances of $25.5 million, of which the ability to borrow $5.0 million of the available balance was subject to meeting minimum revenue levels. The Company accounted for the amendments to the debt financing agreements as a modification due to the lender analysis yielding less than a 10% change in cash flows. As such, a new effective interest rate was established based on the carrying value of the debt and the revised cash flows.

The amendment to the Mezzanine Loan provides for draws of an additional $5.0 million against the facility through December 2015 and requires interest only payments on the outstanding balance over the term of the loan, with the outstanding balance due and payable in January 2018 along with a final fee of 6% of any outstanding balance. There was no change in the term, the interest rate or any fees on the original mezzanine loan. The Company has not drawn the additional loan. As of December 31, 2014 and March 31, 2015, the Company has $5.0 million and $5.0 million (unaudited) outstanding under this arrangement. The effective interest rate for the loan as of December 31, 2014 was 12.55%.

The amendment to the Growth Loan provides for borrowings of $15.5 million of which the Company borrowed a total of $10.5 million. Of these borrowings, $5.5 million was used to refinance the existing term loan from July 2013 and associated final fees of $450,000 and $5.1 million was advanced immediately upon the effective date of the amendment. The loan requires interest only payments through May 2016 and then interest and principal payments for the next 30 months, with all unpaid principal due and payable in November 2018, along with a final fee of 9% of any outstanding balance. Interest on the loan is fixed as of the date of each advance based on the greater of prime plus 0.50% or 3.75%. The interest rate for the loan equals 3.75% per annum, with a 3% prepayment fee from 0-12 months or a 2% prepayment fee from 13-24 months from the closing date, and final fees on 9% of the advanced amount. The remaining borrowing capacity of $5.0 million is available to be drawn in the second half of 2015 if the Company can demonstrate a trailing three month revenue of at least $16.0 million. In the event that the remaining $5.0 million is drawn upon in 2015, the Company is subject to a financial covenant of minimum quarterly revenue of $16.0 million. As of December 31, 2014 and March 31, 2015, the Company had $10.5 million and $10.5 million (unaudited) outstanding under this facility, respectively. The effective interest rate for the amended Growth Loan is 6.51%. Borrowings under the above agreements were collateralized by all of the Company’s assets except intellectual property.

In conjunction with the above loan agreements, the Company issued common and convertible preferred stock warrants (Note 9).

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Convertible Notes Payable

In July 2012, the Company entered into a note and warrant purchase agreement with related parties and issued $2.0 million of convertible notes and warrants to purchase convertible preferred stock. The notes accrue interest at 8% per annum and automatically convert into equity shares upon the earlier of the closing of a convertible preferred stock or common stock financing with proceeds of at least $15.0 million, the merger or sale of the Company, an initial public offering, or the maturity of the notes in July 2013. If the notes are converted due to an eligible convertible preferred stock or common stock financing, the conversion price shall be equal to the issue price of the equity financing, with investors receiving a variable number of shares. If the notes are converted due to a merger or sale, initial public offering or their maturity, the conversion price shall be based on the Series 5 convertible preferred stock issue price of $0.51 per share, with the investors receiving a fixed number of shares, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series 5 convertible preferred stock.

In July 2013, the Company amended the note and warrant purchase agreement to extend the maturity date of the notes to July 2014 and to allow the note holders to elect to convert the outstanding principal and accrued interest on notes into shares of Series 5 convertible preferred stock at any time after July 2013. The Company accounted for the amendment to the notes as a modification. As such, the new effective interest rate was established based on the carrying value of the debt and the revised cash flows.

In April 2014, note holders elected to convert the outstanding principal of $2.0 million and the outstanding interest of $274,000 into 4,501,808 shares of Series 5 convertible preferred stock. As the conversion was considered to be pursuant to the original terms of the agreement, the settlement of the debt was accounted for as a conversion, with no recognized gains or losses.

In conjunction with the above note, the Company issued convertible preferred stock warrants (Note 9).

Approximate annual future minimum principal payments under the loan agreements as of December 31, 2014 are as follows (in thousands):

Year Ending at December 31,	
2015	$ —
2016	7,438
2017	4,180
2018	3,832
2019	—
Thereafter	—
Total future minimum payments	15,450
Less:	
Amount representing debt discount	(300)
Total minimum payments	$15,150

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7. Common Stock

The Company's amended Articles of Incorporation authorize the Company to issue 255,000,000 shares of $0.0001 par value common stock, of which 90,000,000 has been designated as Series 1 common stock and 165,000,000 has been designated as Series 2 common stock (Note 15). The holders of Series 1 common stock shall have no voting rights; the holders of Series 2 common stock shall have the right to one vote for each such share. The holders of common stock are also entitled to receive dividends whenever funds are legally available, as, when, and if declared by the Board of Directors. There have been no dividends declared to date.

The Company has reserved shares of common stock, on an as-converted basis, for future issuance as follows:

	March 31, 2015 (unaudited)
Common stock	56,968,503
Convertible preferred stock	143,556,724
Stock options outstanding	31,880,496
Stock options available for grant	1,265,005
Common stock warrants	2,212,918
Convertible preferred stock warrants	1,497,913
	237,381,559

8. Convertible Preferred Stock

Convertible preferred stock ("preferred stock") at December 31, 2013 consisted of the following:

Series	Shares Issued		Carrying Value	Liquidation Value
	Authorized	Outstanding	(in thousands)	
Series 1	4,411,731	4,411,731	$ 154	$ 154
Series 2	12,773,107	12,773,107	1,489	1,520
Series 3	8,981,250	8,981,250	2,862	2,874
Series 4	45,162,853	45,162,853	15,656	15,807
Series 5	32,000,000	31,664,350	15,853	16,000
	103,328,941	102,993,291	$36,014	$ 36,355

Convertible preferred stock ("preferred stock") at December 31, 2014 and March 31, 2015 (unaudited) consisted of the following:

Series	Shares Issued		Carrying Value	Liquidation Value
	Authorized	Outstanding	(in thousands)	
Series 1	4,411,731	4,411,731	$ 154	$ 154
Series 2	12,773,107	12,773,107	1,489	1,520
Series 3	8,981,250	8,981,250	2,862	2,874
Series 4	45,162,853	45,162,853	15,656	15,807
Series 5	38,000,000	36,166,158	18,127	18,275
Series 6	36,500,000	36,061,625	32,912	32,999
	145,828,941	143,556,724	$71,200	$ 71,629

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The holders of preferred stock have various rights and preferences as follows:

Voting Rights

The holders of Series 1, Series 2, Series 3, Series 4, Series 5 and Series 6 convertible preferred stock shares are entitled to vote on all matters on which the common stockholders are entitled to vote. The holders of Series 1, Series 2, Series 3 shall have the right to 0.352941 votes for each share of Series 2 common stock into which such preferred stock would convert and the holders of Series 4, Series 5 and Series 6 shall have the right to one vote for each share of Series 2 common stock into which such preferred stock would convert. As long as there are any shares of Series 4, Series 5 and Series 6 shares are outstanding, the holders of such Series 4, Series 5 and Series 6 shall, at each respective series, be entitled to elect one member of the Board of Directors each; the holders of Series 2 common stock shall be entitled to elect two members of the Board of Directors; and the holders of the preferred stock and Series 2 common stock, voting together as a single class shall be entitled to elect the remaining members of the Board of Directors, as determined at each annual meeting of the Board of Directors.

As long as at least 5,000,000 convertible preferred stock shares remain outstanding, the Company must obtain approval from a majority of the holders of the then outstanding shares of convertible preferred stockholders and a majority of the voting power of all outstanding shares of Series 5 preferred stock in order to (i) consummate or agree to consummate a Liquidation Event (as defined in the Company's certificate of incorporation); (ii) amend, alter, restate or repeal any provision of the Company's certificate of incorporation or bylaws so as to adversely alter, affect or change the powers, preferences, rights or privileges of the shares of preferred stock; (iii) increase or decrease (other than by redemption or conversion) the total number of authorized shares of common stock or preferred stock or designated shares of any series of preferred stock; (iv) authorize or issue, or obligate itself to issue, any equity security (including any other security convertible into or exercisable for any such equity security) having a preference over, or being on a parity with, any series of preferred stock with respect to dividends, liquidation or redemption, other than the issuance of any authorized but unissued shares of Series 6 preferred stock designated in the Company's certificate of incorporation (including any security convertible into or exercisable for such shares of preferred stock); (v) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of preferred stock or common stock; provided, however, that this restriction shall not apply to the repurchase of shares of common stock from employees, officers, directors, consultants or other persons performing services for the Company or any subsidiary pursuant to agreements under which the Company has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment or service, or pursuant to an agreement providing for a right of first refusal in favor of the Company, in each case, provided that such agreement has been approved by the Company's board of directors; or (vi) pay or declare any dividend on any shares of capital stock of the Company.

Dividends

The holders of preferred stock are entitled to receive noncumulative dividends, when and if declared by the Board of Directors, out of any assets legally available, prior to and in preference to any declaration or payment of dividends on the common stock of the Company. Dividend rates, on a per annum basis, for Series 1, Series 2, Series 3, Series 4, Series 5 and Series 6 preferred stocks are $0.002784, $0.00952, $0.0256, $0.028, $0.04043 and $0.073208, respectively, (adjusted to reflect subsequent stock dividends, stock splits or recapitalization).

After payment of such dividends, any additional dividends shall be distributed to the holders of all preferred stock and common stock on a pro rata basis in proportion to the number of common stock held by each shareholder as if the preferred stock had been converted at the effective conversion rate. No dividends on preferred stock or common stock have been declared as of December 31, 2014 and March 31, 2015 (unaudited).

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Liquidation

In the event of (A) the closing of the sale, lease, transfer, exclusive license or other disposition of all or substantially all of the Company's assets, in a single transaction or series of related transactions, by the Company or any subsidiary or subsidiaries of the Company, of all or substantially all the assets of the Company and its subsidiaries taken as a whole (or, if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by one or more subsidiaries, the sale or disposition (whether by consolidation, merger, conversion or otherwise) of such subsidiaries of the Company or all or substantially all of the assets of such subsidiaries), except where such sale, lease, transfer, exclusive license or other disposition is made the Company or one or more wholly owned subsidiaries of the Company, (B) the consummation of a merger, consolidation or acquisition in which (x) the Company is a constituent party or (y) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger, consolidation or acquisition (except a merger, consolidation or acquisition involving the Company or a subsidiary in which the capital stock of the Company outstanding immediately prior to such merger, consolidation or acquisition continue to represent or are converted or exchanged for shares of capital stock which represent, immediately following such merger, consolidation or acquisition at least a majority of the voting power of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger, consolidation or acquisition, the parent corporation of such surviving or resulting corporation); (C) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred; provided that it shall not include any transaction or series of related transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof occurs, or (D) a liquidation, dissolution or winding up of the Company, the holders of the convertible preferred stock are entitled to receive prior to and in preference to any distribution to holders of the common stock, an amount equal to their respective original issuance price per share, plus any declared but unpaid dividends on such shares. Should the Company's legally available assets be insufficient to satisfy the full liquidation preference, the funds will be distributed ratably among the holders of the convertible preferred stock in proportion to the preferential amount each holder is otherwise entitled to receive. Upon the completion of the distribution as above, the remaining proceeds shall be distributed among the holders of series 6, series 5, series 4 preferred stock and common stock pro rata based on the number of shares of common stock held by each until the holders of the preferred stock have received the "participation cap". The Company has a per share "Participation Cap" of $1.8302 for the Series 6 preferred stock, $1.0106 for the Series 5 Preferred Stock, and $0.70 for the Series 4 Preferred Stock (each as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to such series of Preferred Stock).

Conversion

Each share of Series 1, Series 2, Series 3 and Series 4, Series 5 and Series 6 preferred stock is convertible at the option of the holder, into the number of shares of Series 2 common stock into which such shares are at the then effective conversion ratio. The conversion price per share for Series 1, Series 2, Series 3, Series 4, Series 5 and Series 6 preferred stock shall be the respective issuance price per share, respectively. The initial conversion price is subject to adjustment from time to time.

Each share of preferred stock shall automatically be converted into Series 2 common stock shares upon the earlier of (i) immediately before the closing of a firm commitment underwritten public offering in which the aggregate gross proceeds of not less than $50.0 million and a per share public offering of not less than two times the original issue price of the Series 6 preferred stock, or (ii) the Company's receipt of a written request for such conversion from the holders of at least the voting majority of all outstanding preferred stock (voting as a single class and on an as-converted basis).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Matters

The Company has classified the preferred stock as temporary equity on the balance sheets as the shares can be redeemed upon the occurrence of certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company. The Company has not adjusted the carrying values of the preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate the Company to pay the liquidation preferences to holders of shares of preferred stock. Subsequent adjustments to the carrying values to the liquidation preferences will be made only when it becomes probable that such a liquidation event will occur.

9. Warrants

Warrants issued in connection with the debt financing and notes payable are as follows (in thousands, except per share data):

Warrants to purchase	Series	In Connection With	Dates		Number of Shares Underlying Warrants	Price per share	Fair Value at the Date of Issuance
			Issuance	Expiration			
Common stock	Series 2	Mezzanine Loan	7/22/2013	7/22/2023[a]	1,818,182	$ 0.22	$ 244
Common stock	Series 2	Mezzanine Loan	11/26/2014	11/26/2024[a]	394,736	$ 0.19	$ 47
Total common stock warrants					2,212,918		
Convertible preferred stock	Series 5	Convertible notes	7/25/2012	7/25/2019[b]	988,522	$ 0.51	$ 255
Convertible preferred stock	Series 5	Growth Loan	7/22/2013	7/22/2023[c]	395,804	$ 0.51	$ 121
Convertible preferred stock	Series 6	Growth Loan	11/26/2014	11/26/2024[c]	113,587	$ 0.92	$ 49
Total convertible preferred stock warrants					1,497,913		
Total outstanding common and convertible preferred stock warrants					3,710,831		

[a] The Silicon Valley, or SVB, common stock warrants will remain outstanding until exercised by the holder.
[b] These warrants terminate upon the earlier of (i) their expiration, (ii) immediately prior to the closing of the Company's initial public offering, or (iii) a corporate transaction.
[c] The Silicon Valley Bank, or SVB, convertible preferred stock warrants will remain outstanding until exercised by the holder and will automatically convert to common stock warrants upon an IPO and the convertible preferred stock warrant liability will be re-measured through the date of the IPO and if these warrants on common stock subsequently qualify for equity classification, no further re-measurement will be required thereafter.

In connection with the first financing or Mezzanine Loan issued in July 2013 (see Note 6), the Company issued 1,818,182 warrants to purchase Series 2 common shares of the Company at an exercise price of $0.22 cents per share. An additional 1,090,910 warrants to purchase Series 2 common shares are issuable if additional funding is provided under the Mezzanine Loan. The additional warrants were no longer issuable as the additional funding was no longer available.

In conjunction with the second financing, or Growth Loan, the Company issued 395,804 warrants to purchase series 5 convertible preferred stock of the Company. An additional 395,804 warrants to purchase series 5 convertible preferred stock of the Company are issuable if the additional funding is provided under second financing.

In conjunction with the amendments to the debt financing agreements, or Mezzanine and Growth Loan, in November 2014 (see Note 6), the Company issued warrants to purchase an additional 394,736 shares of Series 2 common stock at an exercise price of $0.19 cents per share. The number of shares for which this warrant is exercisable shall, upon funding of the additional amount be automatically increased by an additional 1,184,210 shares exercisable pursuant to this warrant. The Company accounts for its warrants to purchase shares of common stock in stockholders' deficit. The Company determined that its warrants to purchase shares of common stock meet the requirements for equity classification.

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In connection with the amendments to the debt financing arrangements in November 2014 (see Note 6), the Company issued warrants to purchase an additional 113,587 shares of Series 6 convertible preferred stock. An additional 217,391 warrants to purchase Series 6 convertible preferred stock of the Company are issuable if additional funding is provided under the amended loan. The fair value of the warrants at the date of issuance was recorded as a discount to the note payable which is amortized to interest expense over the term of the note.

In conjunction with the convertible notes (see Note 6), the Company issued warrants to purchase an aggregate of 988,522 shares of Series 5 preferred stock of the Company. The number of shares each warrant is convertible into is based on 25% of the principal amount of the convertible note issued divided by the share price in the next equity financing or $0.51. The fair value of the warrants at the date of issuance was recorded as a discount to the convertible note payable and amortized to interest expense over the term of the note. The debt discount is being amortized to interest expense over the term of the Convertible Notes under the effective interest method. The Company estimated the fair value of these warrants at issuance using the Black-Scholes option pricing model.

Assumptions used in computation of the fair value of the common stock warrants at the date of issuance are summarized in the table below:

	Years Ended December 31	
	2013	2014
Remaining contractual term (in years)	10	10
Expected volatility	48.23%	50.73%
Risk-free interest rate	2.50%	2.24%
Dividend yield	0%	0%

Weighted average assumptions used in computation of the fair value of the convertible preferred stock warrants are summarized in the table below:

	December 31,		March 31,
	2013	2014	2015 (unaudited)
Remaining contractual term (in years)	9.5	7.9	7.5
Expected volatility	48.23%	45.93%	47.28%
Risk-free interest rate	2.50%	2.16%	1.94%
Dividend yield	0%	0%	0%

10. Stock Option Plan

In April 2008, the Company adopted the 2008 Stock Option Plan (the “Plan”), as amended, under which the Board of Directors may issue incentive and nonqualified stock options to employees, directors and consultants. The Board of Directors has the authority to determine to whom options will be granted, the number of shares, the term and the exercise price. If an individual owns stock representing more than 10% of the outstanding shares, the price of each share shall be at least 110% of the fair market value, as determined by the Board of Directors. The exercise price of an incentive stock option and a nonqualified stock option shall not be less than 100% and 85%, respectively, of the fair market value on the date of grant. As of December 31, 2014, a total of 66,584,773 shares of common stock have been reserved for issuance under the Plan. Options granted have a term of ten years, except, options granted to individuals holding more than 10% of the outstanding shares have a term of five years. Options generally vest over a four-year period. Certain shares issued under the Plan are exercisable immediately, but subject to a right of repurchase by the Company of any unvested shares.

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The following table summarizes activity under the Plan for the years ended December 31, 2012, 2013 and 2014 and March 31, 2015 (unaudited):

	Options Outstanding				
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Balances at December 31, 2011	5,028,115	24,639,241	$ 0.08		
Options granted	(5,692,193)	5,692,193	0.12		
Options exercised	—	(915,645)	0.06		$ 50
Options cancelled	6,751,598	(6,751,598)	0.08		
Options repurchased	249,716	—			
Balances at December 31, 2012	6,337,236	22,664,191	0.09		$ 704
Options granted	(5,986,500)	5,986,500	0.22		
Options exercised	—	(4,683,989)	0.06		$ 720
Options cancelled	2,274,024	(2,274,024)	0.10		
Balances at December 31, 2013	2,624,760	21,692,678	0.13		$ 1,382
Options granted	(21,085,595)	21,085,595	0.19		
Options exercised	—	(6,336,980)	0.13		$ 320
Options cancelled	1,518,239	(1,518,239)	0.15		
Additions to the Pool	18,765,858	—			
Balances at December 31, 2014	1,823,262	34,923,054	0.16		$ 1,139
Options granted (unaudited)	(731,085)	731,085	0.19		
Options exercised (unaudited)	—	(3,600,815)	0.15		$ 373
Options cancelled (unaudited)	172,828	(172,828)	0.18		
Balances at March 31, 2015 (unaudited)	1,265,005	31,880,496	$ 0.16	8.2	$ 4,982
Options exercisable—December 31, 2014		21,194,100	$ 0.15	7.7	$ 1,058
Options vested and expected to vest—December 31, 2014		33,251,341	$ 0.16	8.2	$ 1,129
Options exercisable—March 31, 2015 (unaudited)		18,681,327	$ 0.15	7.6	$ 3,216
Options vested and expected to vest—March 31, 2015 (unaudited)		30,375,947	$ 0.16	8.2	$ 4,786

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the estimated fair value of the Company's common stock, as determined by the board of directors, as of December 31, 2014 and March 31, 2015 (unaudited). The total grant date fair value of options that vested during 2012, 2013, 2014, was $409,000, $488,000, $698,000, respectively and $125,000 (unaudited) and $209,000 (unaudited) for the three months ended March 31, 2014 and 2015 respectively.

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The following table summarizes information about stock options outstanding under the Plan at December 31, 2014:

Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Number Vested	Weighted Average Exercise Price
$0.012 - $0.09	3,827,473	5.7	3,828,473	$0.04
$0.10 - $0.15	7,575,052	7.0	6,534,101	$0.12
$0.16 - $0.21	18,348,501	9.4	6,212,269	$0.19
$0.22	5,172,028	8.1	4,619,257	$0.22
	34,923,054		21,194,100	

The following table summarizes information about stock options outstanding under the Plan at March 31, 2015 (unaudited):

Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Number Vested	Weighted Average Exercise Price
$0.012 - $0.09	3,791,959	5.4	3,792,959	$0.04
$0.10 - $0.15	5,306,169	6.8	4,491,884	$0.12
$0.16 - $0.21	18,414,693	9.2	6,511,282	$0.19
$0.22	4,367,675	7.9	3,885,202	$0.22
	31,880,496		18,681,327	

Early Exercise of Stock Options

Early exercises of stock options are subject to a right of repurchase by the Company of any unvested shares. The repurchase rights lapse over the original vesting period of the options. The Company accounts for the cash received in consideration for the early exercised options as a liability included in accrued liabilities, which is then reclassified to stockholders' equity (deficit) as the options vest. At December 31, 2013 and 2014 and March 31, 2015, the Company had a total of 3,100,196, 2,814,690 and 2,829,250 (unaudited) shares of common stock, respectively, subject to repurchase under the Plan and $209,000, $445,000 and $492,000 (unaudited), respectively, of associated liabilities for the repurchase.

Stock-Based Compensation

Employee Stock-Based Compensation

During the years ended December 31, 2012, 2013, 2014 and the three months ended March 31, 2014 and 2015, the Company granted stock options to employees to purchase 5,418,193, 5,436,500, 20,975,595, 3,823,248 and 726,085, shares of common stock, respectively, with a weighted-average grant date fair value of $0.06, $0.11, $0.10, $0.09 and $0.09, respectively. As of December 31, 2014 there was a total unrecognized compensation cost of $1.8 million. These costs are expected to be recognized over a period of approximately 2.95 years.

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The following table sets forth stock-based compensation expense related to options granted to employees for the periods presented (in thousands):

	Year Ended December 31,			Three Months Ended March 31, (unaudited)	
	2012	2013	2014	2014	2015
Cost of goods sold	$ 6	$ 9	$ 11	$ 1	$ 5
Research and development	22	64	109	18	29
Sales and marketing	168	232	314	53	72
General and administrative	237	210	370	65	106
	$ 433	$ 515	$ 804	$ 137	$ 212

The Company estimates the fair value of stock options using the Black-Scholes option valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of employee stock options was estimated using the assumptions below. Each of these inputs is subjective and its determination generally requires significant judgment.

Fair Value of Common Stock

The fair value of the shares of the Company's common stock underlying the stock options has historically been determined by the Company's Board of Directors. Because there has been no public market for the Company's common stock, its Board of Directors has determined the fair value of the Company's common stock at the time of grant of the option by considering a number of objective and subjective factors, including the Company's stage of development, sales of the Company's convertible preferred stock, the Company's operating and financial performance, equity market conditions affecting comparable public companies, the lack of liquidity of the Company's capital stock, and the general and industry-specific economic outlooks.

Expected Term

The expected term represents the period that the share-based awards are expected to be outstanding. The Company used the simplified method to determine the expected term, which is calculated as the average of the time to vesting and the contractual life of the options.

Expected Volatility

As the Company's common stock has never been publicly traded, the expected volatility is derived from the average historical volatilities of publicly traded companies within its industry that the Company considers to be comparable to its business over a period approximately equal to the expected term for its stock options.

Risk-Free Interest Rate

The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

Dividend Yield

The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

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Expected Forfeiture Rate

The Company is required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. 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. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period that the estimates are revised.

The grant date fair value of the stock option awards granted to employees was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31,			Three-Months Ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Expected term (in years)	6.17	5.96	6.25	6.25	6.25
Expected volatility	42% - 54%	48% - 53%	44% - 52%	51.64%	49.89%
Risk-free interest rate	0.60 - 1.98%	0.76% - 1.89%	1.79% - 2.46%	2.05%	1.54%
Dividend yield	0%	0%	0%	0%	0%

Non-Employee Stock-Based Compensation

During the years ended December 31, 2012, 2013 and 2014 and for the three months ended March 31, 2014 and 2015, the Company granted 274,000, 550,000, 110,000, 50,000 (unaudited) and 5,000 (unaudited) stock options, respectively, to nonemployees, at an average exercise price of $0.12, $0.22, $0.19, $0.18 (unaudited) and $0.19 (unaudited) per share, respectively, and a grant date fair value of $0.07, $0.10, $0.15, $0.20 (unaudited) and $0.09 (unaudited), respectively. The stock based compensation expenses was insignificant for the all periods presented.

11. Employee Benefit Plan

The Company sponsors a 401(k) plan covering all employees. Contributions made by the Company are discretionary and are determined annually by the Board of Directors. The Company has made no contributions to the 401(k) plan since its inception.

12. Income Taxes

The components of the Company's loss before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2012	2013	2014
Domestic	$ (9,366)	$(4,882)	$(25,955)
Foreign	(1,537)	(1,262)	(1,849)
Loss before income taxes	(10,903)	(6,144)	(27,804)

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The components of income tax expense are as follows (in thousands):

	Year Ended December 31,		
	2012	2013	2014
Current:			
Federal	$ —	$ —	$ —
State	—	10	2
Foreign	—	—	—
Total current	—	10	2
Deferred:			
Federal	3,526	2,198	9,326
State	816	471	1,276
Foreign	—	—	—
Total deferred	4,342	2,669	10,602
Change in deferred tax valuation allowance	(4,342)	(2,669)	(10,602)
Net deferred	—	—	—
Provision for income taxes	$ —	$ 10	$ 2

Income tax expense differs from the amount computed by applying the statutory federal income tax rate due to the following:

	Year Ended December 31,		
	2012	2013	2014
Tax at statutory federal rate	(34.0)%	(34.0)%	(34.0)%
State tax, net of federal benefit	(6.9)%	(6.1)%	(4.2)%
Foreign tax differential	0.0%	0.0%	0.0%
Tax credits	(0.9)%	(13.3)%	(2.6)%
Change in deferred tax valuation allowance	37.7%	41.6%	38.0%
Other	4.1%	12.0%	2.8%
Total income tax expense	0.0%	0.2%	0.0%

The tax effects of temporary differences and carry forwards that give rise to significant portions of the deferred tax assets are presented below (in thousands):

	December 31,	
	2013	2014
Net operating loss carry forwards	$ 12,518	$ 22,428
Research and development credits	758	1,262
Depreciation and amortization	718	424
Accruals and reserves	830	1,316
	14,824	25,430
Less: Valuation allowance	(14,824)	(25,430)
Total deferred tax assets	$ —	$ —

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The Company has established a full valuation allowance against its deferred tax assets due to the uncertainty surrounding realization of such assets.

As of December 31, 2014, the Company had net operating loss ("NOL") carryforwards of approximately $58.3 million and $48.6 million available to reduce future taxable income, if any, for federal and state income tax purposes, respectively. If not utilized, the Company's federal and State net operating loss carryforwards begin to expire in 2029 and 2016, respectively, and valuation allowances have been established, where necessary.

As of December 31, 2014, the Company had credit carryforwards of approximately $1.2 million and $0.9 million available to reduce future taxable income, if any, for both Federal and California state income tax purposes, respectively. The Federal credits begin to expire in 2031, and the California credits have no expiration date.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a company. The Company has determined that it experienced Section 382 ownership changes in 2010 and $1.4 million of its NOLs are limited.

On January 1, 2009, the Company adopted the provisions of FASB Accounting Standards Codification (ASC 740-10), "Accounting for Uncertainty in Income Taxes." ASC 740-10 prescribes a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken or expected to be taken on a tax return. The Company accounts for the uncertainty in income taxes by utilizing a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of any uncertain tax positions that have been taken or are expected to be taken on an income tax return. The changes in the Company's uncertain income tax positions for the years ended December 31, 2012, 2013 and 2014 consisted of the following (in thousands):

Balances as of January 1, 2012	$ 56
Increases in balances related to tax positions taken during 2012	44
Balances as of January 1, 2013	100
Increases in balances related to tax positions taken during 2013	223
Increases in balances related to prior year tax positions	57
Balances as of December 31, 2013	380
Increases in balances related to tax positions taken during 2014	255
Balances as of December 31, 2014	$635

The Company has elected to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. The Company has accrued zero at December 31, 2014 and 2013 for payment of interest related to unrecognized tax benefits. None of the Company's unrecognized tax benefits that, if recognized, would affect its effective tax rate at December 31, 2014.

The Company currently has no federal or state tax examinations in progress nor has it had any federal or state examinations since inception. As a result of the Company's net operating loss carry forwards, all of its tax years are subject to federal and state tax examinations.

13. Related Party Transactions

In March 2008, the Company granted a loan to its President and Chief Executive Officer ("the borrower") to assist with the exercise of his stock option grants in the form of a full recourse promissory note with an aggregate

principal amount of $13,000. The notes are collateralized by the common stock issuable upon the exercise of the stock options as well as personal assets of the borrower. Interest under this note will accrue at the rate of 2.25% per annum. The loan was partially paid in 2014 and the remainder including all accrued interest, was repaid in full in July 2015 (unaudited).

In March 2008, the Company granted a loan to its Chief Medical Officer ("the borrower") to assist with the exercise of his stock option grants in the form of a full recourse promissory note with an aggregate principal amount of $13,000. The notes are collateralized by the common stock issuable upon the exercise of the stock options as well as personal assets of the borrower. Interest under this note will accrue at the rate of 2.25% per annum. As of March 31, 2015, the outstanding balance of this loan was $13,000 (unaudited) including interest of $2,000 (unaudited). This loan, including all accrued interest, was repaid in full in July 2015 (unaudited).

In March 2013, the Company granted a loan to its previous Chief Financial Officer ("the borrower") to assist with the exercise of his stock option grants in the form of a full recourse promissory note with an aggregate principal amount of $200,000. The notes are collateralized by the common stock issuable upon the exercise of the stock options as well as personal assets of the borrower. Interest under this note will accrue at the rate of 1.09% per annum. The principal balance of this Note, together with all interest accrued and unpaid to date is due on March 13, 2018.

In February 2014, the Company granted a loan to its Chief Executive Officer ("the borrower") to assist with the exercise of his stock option grants in the form of a full recourse promissory note with an aggregate principal amount of $437,000. The notes are collateralized by the common stock issuable upon the exercise of the stock options as well as personal assets of the borrower. Interest under this note will accrue at the rate of 1.97% per annum. The principal balance of this Note, together with all interest accrued and unpaid to date is due on February 11, 2019.

14. Net Loss Per Share Attributable to Common Stockholders and Unaudited Pro Forma Net Loss Per Share of Common Stock

Net Loss Per Share Attributable to Common Stockholders

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company (in thousands, except share and per share data):

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net loss	$ (10,903)	$ (6,154)	$ (27,806)	$ (3,762)	$ (7,593)
Weighted-average shares used to compute basic and diluted net loss per share	34,076,263	41,201,966	48,035,918	45,190,957	52,592,709
Net loss per share, basic and diluted	$ (0.32)	$ (0.15)	$ (0.58)	$ (0.08)	$ (0.14)

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Weighted average unvested shares of 5,964,084, 2,942,793 and 1,903,393 for the years ended December 31, 2012, 2013 and 2014, respectively, and 3,491,785 and 2,638,605 for the three months ended March 31, 2014 and 2015, respectively, were excluded from the weighted-average shares used to compute basic and diluted net loss per share. The following common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented because including them would have been antidilutive:

	December 31,			March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
Stock options	22,664,191	21,692,678	34,923,054	21,617,524	31,880,496
Unvested shares	5,964,084	3,100,196	2,814,690	4,698,677	2,829,250
Convertible preferred stock	102,993,291	102,993,291	143,556,724	102,993,291	143,556,724
Convertible preferred stock warrants	988,522	1,384,326	1,497,913	1,384,326	1,497,913
Common stock warrants	—	1,818,182	2,212,918	1,818,182	2,212,918

Unaudited Pro Forma Net Loss Per Share of Common Stock

Unaudited pro forma basic and diluted loss per share is computed as follows (in thousands, except per share data):

	Year Ended December 31, 2014	Three Months Ended March 31, 2015
		(unaudited)
Numerator:		
Net loss	$ (27,806)	$ (7,593)
Change in fair value of convertible preferred stock warrant liability		
Pro forma net loss attributable to common shareholder—basic and diluted	$	$
Denominator:		
Weighted-average shares used to compute basic and diluted net loss per share		
Adjustments to reflect the assumed conversion of convertible preferred stock		
Pro forma weighted average common shares used to compute net loss per share, basic and diluted preferred stock outstanding		
Net loss per share, basic and diluted	$	$

15. Subsequent Events

Between April and June 2015, the Company completed the second round of the Series 6 convertible preferred stock issuance in a $21.6 million financing and issued a total of 23,652,869 shares of Series 6 at $0.92 per share.

In April 2015, the Board of Directors approved an increase to the stock option pool of 12,228,260 shares available for grant, an increase to the total authorized common stock to 290,000,000 and an increase to the total authorized convertible preferred stock to 176,328,941.

In May 2015, the Company granted stock options to purchase 9,307,891 shares of common stock with an exercise price of $0.44 per share.

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Shares

Common Stock

Prospectus

Morgan Stanley **BofA Merrill Lynch**

Canaccord Genuity **JMP Securities**

, 2015

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the various expenses expected to be incurred and payable by us in connection with the sale and distribution of our common stock, other than underwriting discounts and commissions. All amounts are estimates except for the Securities and Exchange Commission (SEC) registration fee, the Financial Industry Regulatory Authority (FINRA) filing fee and the Nasdaq Global Market listing fee.

	Payable by us
SEC registration fee	$ *
FINRA filing fee	*
Nasdaq Global Market listing fee	*
Blue sky fees and expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Printing and engraving expenses	*
Registrar and transfer agent fees and expenses	*
Miscellaneous fees and expenses	*
Total	$ *

* To be filed by amendment

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act.

As permitted by the Delaware General Corporation Law, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions relating to the limitation of liability and indemnification of directors and officers. The amended and restated certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- in respect of unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derives any improper personal benefit.

Our amended and restated certificate of incorporation also provides that if Delaware law is amended after the approval by our stockholders of the certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law.

Our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with their service for or on our behalf. Our amended and restated bylaws provide that we shall advance the expenses incurred by a director or officer in advance of the final disposition of an action or proceeding, and permit us to secure insurance on behalf of any director, officer, employee, or other enterprise agent for any liability arising out of his or her action in that capacity, whether or not Delaware law would otherwise permit indemnification.

We intend to enter into indemnification agreements with each of our directors and executive officers and certain other key employees, a form of which is attached as Exhibit 10.1. The form of agreement provides that we will indemnify each of our directors, executive officers and such other key employees against any and all expenses incurred by that director, executive officer, or other key employee because of his or her status as one of our directors, executive officers or other key employees, to the fullest extent permitted by Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws. In addition, the form agreement provides that, to the fullest extent permitted by Delaware law, we will advance all expenses incurred by our directors, executive officers and other key employees in connection with a legal proceeding.

Reference is made to the underwriting agreement contained in Exhibit 1.1 to this registration statement, indemnifying our directors and officers against limited liabilities. In addition, Section 1.9 of our amended and restated investors' rights agreement, or IRA, contained in Exhibit 4.2 to this registration statement provides for indemnification of certain of our stockholders against liabilities described in our IRA.

We maintain insurance policies that indemnify our directors and officers against various liabilities under the Securities Act and the Exchange Act of 1934, as amended, that might be incurred by any director or officer in his or her capacity as such.

Item 15. Recent Sales of Unregistered Securities

The following sets forth information regarding all unregistered securities sold from January 1, 2012 through June 30, 2015:

On July 25, 2012, we issued and sold an aggregate of $2,000,000 in principal of convertible promissory notes and warrants to two accredited investors, with such convertible promissory notes accruing interest at a rate of 8% per annum. On April 21, 2014, all outstanding principal and unpaid accrued interest in connection with such convertible promissory notes were converted into shares of our Series 5 preferred stock at $0.51 per share.

From April 15, 2014 to June 19, 2015, we issued and sold an aggregate of 59,714,494 shares of our Series 6 preferred stock at $0.92 per share to 37 accredited investors for an aggregate consideration of approximately $54,644,733.

On July 25, 2012, we issued warrants to purchase an aggregate of 988,522 shares of Series 5 preferred stock at an exercise price of $0.51 per share in connection with a bridge loan financing entered into with our investors, Montreux Equity Partners and Skyline Ventures. As of June 30, 2015, the warrants were exercisable for an aggregate of 988,522 shares of Series 5 preferred stock at an exercise price of $0.51 per share until the earliest to occur of (i) their expiration on July 25, 2019, (ii) an initial public offering, or (iii) a corporate transaction.

In connection with the Loan and Security Agreement we entered into with Silicon Valley Bank, or SVB, on July 18, 2013, we issued to each of SVB and Westriver Mezzanine Loans, LLC, or Westriver, a warrant to purchase, in the aggregate, 1,818,182 shares of our common stock at an exercise price of $0.22 per share. As of June 30, 2015, the warrants were exercisable for an aggregate of 1,818,182 shares of common stock at an

exercise price of $0.22 per share until their expiration on July 17, 2023. In addition, we issued to SVB a warrant to purchase 395,804 shares of our Series 5 Preferred Stock at an exercise price of $0.51 per share. As of June 30, 2015, the warrant was exercisable for an aggregate of 395,804 shares of Series 5 preferred stock at an exercise price of $0.51 per share until their expiration on July 17, 2023.

In connection with the Amended and Restated Loan and Security Agreement we entered into with SVB, on November 26, 2014, we issued to each of SVB and Westriver, a warrant to purchase, in the aggregate, 394,736 shares of our common stock at an exercise price of $0.19 per share. As of June 30, 2015, the warrants were exercisable for an aggregate of 394,736 shares of common stock at an exercise price of $0.19 per share until their expiration on November 25, 2024. In addition, we issued to SVB, a warrant to purchase 113,587 shares of our Series 6 preferred stock at an exercise price of $0.92 per share. As of June 30, 2015, the warrant was exercisable for an aggregate of 113,587 shares of Series 6 preferred stock at an exercise price of $0.92 per share until their expiration on November 25, 2024.

Under our 2008 Stock Plan, we have (i) granted options to purchase 42,758,264 shares of common stock with per share exercise prices ranging from $0.12 to $0.44, (ii) issued 16,356,363 shares of common stock upon exercise of options for aggregate consideration of $1,850,123, at exercise prices ranging from $0.02 to $0.22, and (iii) granted 25,000 shares of common stock with a per share fair value of $0.19 as of the date of grant to our directors, officers, employees, and consultants.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. The Registrant believes that each transaction was exempt from the registration requirements of the Securities Act in reliance on the following exemptions:

(1) These transactions were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients made representations to us that such recipient was an “accredited investor,” as defined under Rule 501 of the Securities Act, and that such recipient had adequate information about us or had adequate access, through their relationships with us, to information about us.

(2) These transactions were deemed to be exempt from registration under the Securities Act in reliance upon Rule 701 promulgated under Section 3(b) of the Securities Act pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate information about us or had adequate access, through their relationships with us, to information about us.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits. We have filed the exhibits listed on the accompanying Exhibit Index, which is incorporated herein by reference.

(b) Financial Statement Schedules. All schedules have been omitted because the information required to be presented in them is not applicable or is shown in the financial statements or related notes, which is incorporated herein by reference.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Jose, State of California, on the day of , 2015.

SI-BONE, INC.

By: _____

Jeffrey W. Dunn
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Jeffrey W. Dunn, Laura Francis and Robert E. Johnson, and each of them, his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this registration statement, and any registration statement relating to the offering covered by this registration statement and filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorney-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
Jeffrey W. Dunn	President, Chief Executive Officer (Principal Executive Officer), and Director	, 2015
Laura Francis	Chief Financial Officer (Principal Financial and Accounting Officer)	, 2015
David Bonita	Director	, 2015
Timothy E. Davis, Jr.	Director	, 2015
John G. Freund	Director	, 2015
Gregory K. Hinckley	Director	, 2015
Mark A. Reiley	Director	, 2015
John J. Savarese	Director	, 2015

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of Registrant, as amended.
3.2*	Form of Amended and Restated Certificate of Incorporation of Registrant, to be effective upon completion of this offering.
3.3	Second Amended and Restated Bylaws of Registrant.
3.4*	Form of Amended and Restated Bylaws of Registrant, to be effective upon completion of this offering.
4.1*	Form of Registrant's common stock certificate.
4.2	Amended and Restated Investors' Rights Agreement, dated April 21, 2014, by and among the Registrant and the parties thereto.
4.3*	Form of Warrant to Purchase Stock.
5.1*	Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP.
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.
10.2	2008 Stock Plan and forms of agreements thereunder.
10.3	Office Lease Agreement, dated August 9, 2012, by and among the Registrant and the other party thereto, as amended on December 19, 2013 and February 27, 2014.
10.4*	Loan and Security Agreement, dated September 13, 2012, between the Registrant and Silicon Valley Bank, as amended on July 22, 2013 and November 26, 2014.
10.5*	Loan and Security Agreement, dated July 22, 2013 between the Registrant and Silicon Valley Bank, as amended on November 26, 2014.
10.6*	Offer Letter, dated December 15, 2009, between the Registrant and Jeffrey W. Dunn.
10.7*	Offer Letter, dated April 27, 2015, between the Registrant and Laura Francis.
10.8*	Offer Letter, dated March 24, 2010, between the Registrant and Jason H. Cauble, as amended on June 28, 2013.
10.9*	Letter Agreement, dated May 29, 2015, between the Registrant and Daniel P. Murray.
10.10*	Independent Contractor Agreement, dated June 2, 2015, between the Registrant and Daniel P. Murray.
10.11*	Offer Letter, dated September 16, 2013, between the Registrant and Timothy E. Davis, Jr.
10.12*	Offer Letter, dated December 14, 2010, between the Registrant and Gregory K. Hinckley.
21.1	List of Subsidiaries of Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP (contained in Exhibit 5.1).
24.1	Power of Attorney (contained in the signature page to this registration statement).

* To be filed by amendment.

RESTATED CERTIFICATE OF INCORPORATION
OF
SI-BONE INC.

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware)

SI-BONE INC., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "General Corporation Law"),

DOES HEREBY CERTIFY:

FIRST: That the name of this corporation is **SI-BONE INC.** and that this corporation was originally incorporated pursuant to the General Corporation Law on March 18, 2008 under the name SI-Bone Inc.

SECOND: That the Board of Directors duly adopted resolutions proposing to amend and restate the Certificate of Incorporation of this corporation, declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended and restated in its entirety as follows:

ARTICLE I

The name of this corporation is SI-BONE, Inc.

ARTICLE II

The address of the registered office of this corporation in the State of Delaware is 3500 South Dupont Highway, in the City of Dover, County of Kent, 19901. The name of its registered agent at such address is Incorporating Services, Ltd.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

ARTICLE IV

A. Authorization of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, common stock and preferred stock. The total number of

shares that this corporation is authorized to issue is Four Hundred Million Eight Hundred Twenty Eight Thousand Nine Hundred Forty One (400,828,941). The total number of shares of common stock authorized to be issued is Two Hundred Fifty Five Million (255,000,000), par value $0.0001 per share (the "Common Stock"), of which Ninety Million (90,000,000) shares are designated as "Series 1 Common Stock" and One Hundred Sixty Five Million (165,000,000) shares are designated as "Series 2 Common Stock". The total number of shares of preferred stock authorized to be issued is One Hundred Forty Five Million Eight Hundred Twenty Eight Thousand Nine Hundred Forty One (145,828,941), par value $0.0001 per share (the "Preferred Stock"), of which Four Million Four Hundred Eleven Thousand Seven Hundred Thirty One (4,411,731) shares are designated as "Series 1 Preferred Stock," Twelve Million Seven Hundred Seventy Three Thousand One Hundred Seven (12,773,107) shares are designated as "Series 2 Preferred Stock", Eight Million Nine Hundred Eighty One Thousand Two Hundred Fifty (8,981,250) shares are designated as "Series 3 Preferred Stock", Forty Five Million One Hundred Sixty Two Thousand Eight Hundred Fifty Three (45,162,853) shares are designated as "Series 4 Preferred Stock", Thirty Eight Million (38,000,000) shares are designated as "Series 5 Preferred Stock" and Thirty Six Million Five Hundred Thousand (36,500,000) are designated as "Series 6 Preferred Stock".

B. Rights, Preferences and Restrictions of Preferred Stock. The rights, preferences, privileges and restrictions granted to and imposed on the Preferred Stock are as set forth below in this Article IV(B).

1. Dividend Provisions.

(a) The holders of shares of Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of this corporation) on the Common Stock of this corporation, at the applicable Dividend Rate (as defined below), payable when, as and if declared by the Board of Directors. Such dividends shall not be cumulative. The holders of the outstanding Preferred Stock can waive any dividend preference that such holders shall be entitled to receive under this Section 1 upon the affirmative vote or written consent of the holders of a majority of the shares of Preferred Stock then outstanding (voting together as a single class and not as separate series, and on an as-converted basis). For purposes of this subsection 1(a), "Dividend Rate" shall mean $0.002784 per annum for each share of Series 1 Preferred Stock, $0.00952 per annum for each share of Series 2 Preferred Stock, $0.0256 per annum for each share of Series 3 Preferred Stock, $0.028 per annum for each share of Series 4 Preferred Stock, $0.04043 per annum for each share of Series 5 Preferred Stock and $0.073208 per annum for each share of Series 6 Preferred Stock (each as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like).

(b) After payment of such dividends, any additional dividends or distributions shall be distributed among all holders of Common Stock and Preferred Stock in proportion to the number of shares of Common Stock that would be held by each such holder if all shares of Preferred Stock were converted to Common Stock at the then effective conversion rate.

2. Liquidation Preference.

(a) In the event of any Liquidation Event (as defined below), either voluntary or involuntary, the holders of each series of Preferred Stock shall be entitled to receive, prior and in preference to any distribution of the proceeds of such Liquidation Event (the "Proceeds") to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of the applicable Original Issue Price (as defined below) for such series of Preferred Stock, plus declared but unpaid dividends on such share. If, upon the occurrence of any Liquidation Event, the Proceeds thus distributed among the holders of the Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire Proceeds legally available for distribution shall be distributed ratably among the holders of the Preferred Stock in proportion to the full preferential amount that each such holder is otherwise entitled to receive under this subsection (a), on a pari passu, equal priority basis. For purposes of this Restated Certificate of Incorporation, "Original Issue Price" shall mean $0.0348 per share for each share of the Series 1 Preferred Stock, $0.119 per share for each share of the Series 2 Preferred Stock, $0.32 per share for each share of the Series 3 Preferred Stock, $0.35 per share for each share of the Series 4 Preferred Stock, $0.5053 per share for each share of the Series 5 Preferred Stock and $0.9151 per share for each share of the Series 6 Preferred Stock (in each case, as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to such series of Preferred Stock).

(b) Upon the completion of the distribution required by subsection (a) of this Section 2, the remaining Proceeds available for distribution to stockholders shall be distributed among the holders of Series 6 Preferred Stock, Series 5 Preferred Stock, Series 4 Preferred Stock and Common Stock pro rata based on the number of shares of Common Stock held by each (assuming full conversion of all such Preferred Stock) until, with respect to the Series 6 Preferred Stock, Series 5 Preferred Stock and Series 4 Preferred Stock, such holders shall have received the Participation Cap (as defined below); thereafter, if Proceeds remain, the holders of the Common Stock of this corporation shall receive all of the remaining Proceeds pro rata based on the number of shares of Common Stock held by each. For purposes of this Restated Certificate of Incorporation, "Participation Cap" shall mean $1.8302 for the Series 6 Preferred Stock, shall mean $1.0106 for the Series 5 Preferred Stock and shall mean $0.70 for the Series 4 Preferred Stock (each as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to such series of Preferred Stock), which includes amounts paid pursuant to subsection (a) of this Section 2.

(c) Notwithstanding the above, for purposes of determining the amount each holder of shares of Preferred Stock is entitled to receive with respect to a Liquidation Event, each such holder of shares of a series of Preferred Stock shall be deemed to have converted (regardless of whether such holder actually converted) such holder's shares of such series into shares of Common Stock immediately prior to the Liquidation Event if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such series of Preferred Stock into shares of Common Stock. If any such holder shall be deemed to have converted shares of Preferred Stock into Common Stock pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of Preferred Stock that have not converted (or have not been deemed to have converted) into shares of Common Stock.

(d) In the event of a Liquidation Event, if any portion of the consideration payable to the stockholders of the Corporation is placed into escrow and/or is payable to the stockholders of this corporation subject to contingencies (such consideration collectively referred to herein as "Contingent Consideration"), the definitive agreement with respect to Liquidation Event shall provide that (i) the portion of such consideration that is not placed in escrow and not subject to any contingencies (the "Initial Consideration") shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a) and 2(b) as if the Initial Consideration were the only consideration payable in connection with such Liquidation Event, after taking into account the application of Section 2(c), and (ii) any Contingent Consideration which becomes payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Sections 2(a) and 2(b) after taking into account (x) the previous payment of (1) the Initial Consideration and (2) any other Contingent Consideration as part of the same transaction and (y) the application of Section 2(c). For the avoidance of doubt, holders of the Preferred Stock shall not be deemed to have converted such Preferred Stock into Common Stock pursuant to Section 2(c) until such time such holders of Preferred Stock actually receive as a result of such deemed conversion an amount greater than the amount to which such holders of Preferred Stock would otherwise be entitled pursuant to Sections 2(a) and 2(b) above had the Preferred Stock had not been converted to Common Stock; provided that for the purposes of the application of Section 2(c), the value of the Initial Consideration and any Contingent Consideration shall be determined at the time such Initial Consideration or Contingent Consideration, as applicable, are to be legally distributed to this corporation's stockholders as a result of such Liquidation Event.

(e) (i) For purposes of this Section 2, a "Liquidation Event" shall include (A) the closing of the sale, lease, transfer, exclusive license or other disposition of all or substantially all of this corporation's assets, in a single transaction or series of related transactions, by this corporation or any subsidiary or subsidiaries of this corporation, of all or substantially all the assets of this corporation and its subsidiaries taken as a whole (or, if substantially all of the assets of this corporation and its subsidiaries taken as a whole are held by one or more subsidiaries, the sale or disposition (whether by consolidation, merger, conversion or otherwise) of such subsidiaries of this corporation or all or substantially all of the assets of such subsidiaries), except where such sale, lease, transfer, exclusive license or other disposition is made to this corporation or one or more wholly owned subsidiaries of this corporation, (B) the consummation of a merger, consolidation or acquisition in which (x) this corporation is a constituent party or (y) a subsidiary of this corporation is a constituent party and this corporation issues shares of its capital stock pursuant to such merger, consolidation or acquisition (except a merger, consolidation or acquisition involving this corporation or a subsidiary in which the capital stock of this corporation outstanding immediately prior to such merger, consolidation or acquisition continue to represent or are converted or exchanged for shares of capital stock which represent, immediately following such merger, consolidation or acquisition at least a majority of the voting power of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger, consolidation or acquisition, the parent corporation of such surviving or resulting corporation); (C) any transaction or series of related transactions to which

this corporation is a party in which in excess of fifty percent (50%) of this corporation's voting power is transferred; provided that a Liquidation Event shall not include any transaction or series of related transactions principally for bona fide equity financing purposes in which cash is received by this corporation or any successor or indebtedness of this corporation is cancelled or converted or a combination thereof occurs, or (D) a liquidation, dissolution or winding up of this corporation; provided, however, that a transaction shall not constitute a Liquidation Event if its sole purpose is to change the state of this corporation's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held this corporation's securities immediately prior to such transaction. The treatment of any particular transaction or series of related transactions as a Liquidation Event may be waived by the vote or written consent of the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of all then outstanding Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis).

(ii) In any Liquidation Event, if Proceeds received by this corporation or its stockholders is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability which are not covered by clause (B) below:

(1) If traded on a securities exchange, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the twenty (20) trading-day period ending three (3) trading days prior to the closing of the Liquidation Event;

(2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the twenty (20) trading-day period ending three (3) trading days prior to the closing of the Liquidation Event; and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by this corporation and the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of all then outstanding shares of Preferred Stock.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to take an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by this corporation and the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of all then outstanding shares of such Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis).

(C) The foregoing methods for valuing non-cash consideration to be distributed in connection with a Liquidation Event shall, upon approval by the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of all then outstanding shares of Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis), be superseded by any determination of such value set forth in the definitive agreements governing such Liquidation Event.

(iii) In the event the requirements of this Section 2 are not complied with, this corporation shall forthwith either:

(A) cause the closing of such Liquidation Event to be postponed until such time as the requirements of this Section 2 have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 2(d)(iv) hereof.

(iv) This corporation shall give each holder of record of Preferred Stock written notice of such impending Liquidation Event not later than twenty (20) days prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and this corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after this corporation has given the first notice provided for herein or sooner than ten (10) days after this corporation has given notice of any material changes provided for herein; provided, however, that subject to compliance with the General Corporation Law such periods may be shortened or waived upon the written consent of the holders of Preferred Stock that represent at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of all then outstanding shares of such Preferred Stock (voting together as a single class, and on an as-converted basis).

3. Redemption. The Preferred Stock is not redeemable at the option of the holder.

4. Conversion. The holders of the Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of this corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Series 2 Common Stock as is determined by dividing the applicable Original Issue Price for such series by the applicable Conversion Price for such series (the conversion rate for a series of Preferred Stock into Series 2 Common Stock is referred to herein as the "Conversion Rate" for such series), determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for each series of Preferred Stock shall be the Original Issue Price applicable to such series; provided, however, that the Conversion Price for the Preferred Stock shall be subject to adjustment as set forth in subsection 4(d).

(b) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Series 2 Common Stock at the Conversion Rate at the time in effect for such series of Preferred Stock immediately upon this corporation's sale of its Common Stock in a firm commitment underwritten public offering pursuant to a registration statement on Form S-1 or Form SB-2 under the Securities Act of 1933, as amended, resulting in aggregate gross proceeds to the Company of not less than $50,000,000 and a per share public offering of not be less than two times the Original Issue Price of the Series 6 Preferred Stock (a "Qualified Public Offering"). Each share of Series 1 Preferred Stock, Series 2 Preferred Stock, Series 3 Preferred Stock, Series 4 Preferred Stock, Series 5 Preferred Stock and Series 6 Preferred Stock shall automatically be converted into shares of Series 2 Common Stock at the Conversion Rate at the time in effect for such shares of Preferred Stock immediately upon the date specified by written consent or agreement of the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of all then outstanding shares of Series 1 Preferred Stock, Series 2 Preferred Stock, Series 3 Preferred Stock, Series 4 Preferred Stock, Series 5 Preferred Stock and Series 6 Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis).

(c) Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to voluntarily convert the same into shares of Series 2 Common Stock, he or she shall surrender the certificate or certificates therefor, duly endorsed, at the office of this corporation or of any transfer agent for the Preferred Stock, and shall give written notice to this corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Series 2 Common Stock are to be issued. This corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Series 2 Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Series 2 Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Series 2 Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Series 2 Common Stock upon conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities. If the conversion is in connection with the last sentence of the automatic conversion provision of subsection 4(b) above, such conversion shall be deemed to have been made on the conversion date described in the stockholder consent approving such conversion, and the persons entitled to receive shares of Series 2 Common Stock issuable upon such conversion shall be treated for all purposes as the record holders of such shares of Series 2 Common Stock as of such date.

(d) Conversion Price Adjustments of Preferred Stock for Certain Dilutive Issuances, Splits and Combinations. The Conversion Price of the Preferred Stock shall be subject to adjustment from time to time as follows:

(i) (A) If this corporation shall issue, on or after the date upon which this Restated Certificate of Incorporation is accepted for filing by the Secretary of State of the State of Delaware (the "Filing Date"), any Additional Stock (as defined below) without consideration or for a consideration per share less than the Conversion Price applicable to a series of Preferred Stock in effect immediately prior to the issuance of such Additional Stock, the Conversion Price for such series in effect immediately prior to each such issuance shall forthwith (except as otherwise provided in this clause (i)) be adjusted to a price (calculated to the nearest one-thousandth of a cent) determined by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock Outstanding (as defined below) immediately prior to such issuance plus the number of shares of Common Stock that the aggregate consideration received by this corporation for such issuance would purchase at such Conversion Price; and the denominator of which shall be the number of shares of Common Stock Outstanding (as defined below) immediately prior to such issuance plus the number of shares of such Additional Stock. For purposes of this Section 4(d)(i)(A), the term "Common Stock Outstanding" shall mean and include the following: (1) outstanding Common Stock, (2) Common Stock issuable upon conversion of outstanding Preferred Stock, (3) Common Stock issuable upon exercise of outstanding stock options and other rights to purchase shares of capital stock and (4) Common Stock issuable upon exercise (and, in the case of warrants to purchase Preferred Stock, conversion) of outstanding warrants. Shares described in (1) through (4) above shall be included whether vested or unvested, whether contingent or non-contingent and whether exercisable or not yet exercisable.

(B) No adjustment of the Conversion Price for the Preferred Stock shall be made in an amount less than one-tenth of one cent per share. Except to the limited extent provided for in subsections (E)(3) and (E)(4), no adjustment of such Conversion Price pursuant to this subsection 4(d)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(C) In the case of the issuance of Additional Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by this corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(D) In the case of the issuance of the Additional Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the Board of Directors irrespective of any accounting treatment.

(E) In the case of the issuance of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for purposes of determining the number of shares of Additional Stock issued and the consideration paid therefor:

(1) The aggregate maximum number of shares of Common Stock deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation, the passage of time, but without taking into account potential antidilution adjustments) of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subsections 4(d)(i)(C) and (d)(i)(D)), if any, received by this corporation upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights (without taking into account potential antidilution adjustments) for the Common Stock covered thereby.

(2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of, or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) for, any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by this corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by this corporation (without taking into account potential antidilution adjustments) upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subsections 4(d)(i)(C) and (d)(i)(D)).

(3) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to this corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, the Conversion Price of the Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

(4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price of the Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities or options or rights related to such securities, shall be recomputed to reflect the issuance of only the number of shares of Common Stock (and convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.

(5) The number of shares of Additional Stock deemed issued and the consideration deemed paid therefor pursuant to subsections 4(d)(i)(E)(1) and (2) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either subsection 4(d)(i)(E)(3) or (4).

(ii) “Additional Stock” shall mean any shares of Common Stock issued (or deemed to have been issued pursuant to subsection 4(d)(i)(E)) by this corporation on or after the Filing Date other than:

(A) Common Stock issued pursuant to a transaction described in subsection 4(d)(iii) hereof;

(B) Shares of Common Stock issued to employees, officers, directors, consultants and other service providers for the primary purpose of soliciting or retaining their services pursuant to plans or agreements approved by this corporation’s Board of Directors (which approval shall include the affirmative vote of one of the Series 4 Director, the Series 5 Director or the Series 6 Director, each as defined below (collectively, the “Preferred Directors”));

(C) Common Stock issued pursuant to a Qualified Public Offering;

(D) Common Stock issued upon conversion of the Preferred Stock issued upon conversion or exercise of those certain convertible promissory notes and warrant issued pursuant to that certain Note and Warrant Purchase Agreement, by and between the corporation and certain of its stockholders, dated as of July 25, 2013;

(E) Common Stock issued pursuant to the conversion or exercise of convertible or exercisable securities outstanding on the Filing Date;

(F) Common Stock issued in connection with a bona fide business acquisition of or by this corporation, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, approved by the Board of Directors (which approval shall include the vote of a Preferred Director) and entered into primarily for a purpose other than for financing purposes, which financing purposes include without limitation, providing a corporation with access to another corporation’s cash or financing opportunities to finance a corporation’s operations;

(G) Common Stock issued or deemed issued pursuant to subsection 4(d)(i)(E) as a result of a decrease in the Conversion Price of any series of Preferred Stock resulting from the operation of Section 4(d);

(H) Common Stock issued upon conversion of (1) the Preferred Stock outstanding on the Filing Date and (2) the Preferred Stock issued pursuant to that certain Series 6 Preferred Stock Purchase Agreement, dated on or about the Filing Date, by and among the Company and the Investors set forth on Schedule A thereto;

(I) Shares of Common Stock issued pursuant to any equipment leasing arrangement or debt financing arrangement, which arrangement is approved by the Board of Directors (which approval shall include the affirmative vote of a Preferred Director) and is primarily for non-equity financing purposes; or

(J) Common Stock issued to persons or entities with which this corporation has business relationships, provided such issuances are approved by the Board of Directors (which approval shall include the affirmative vote of a Preferred Director) and are primarily for non-equity financing purposes.

(iii) In the event this corporation should at any time or from time to time after the date upon which this Certificate of Incorporation is accepted for filing by the Secretary of State of the State of Delaware (the "Filing Date") fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Preferred Stock shall be appropriately decreased so that the number of shares of Series 2 Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents with the number of shares issuable with respect to Common Stock Equivalents determined from time to time in the manner provided for deemed issuances in subsection 4(d)(i)(E).

(iv) If the number of shares of Common Stock outstanding at any time after the Filing Date is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Preferred Stock shall be appropriately increased so that the number of shares of Series 2 Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(e) Other Distributions. In the event this corporation shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by this corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in subsection 4(d), then, in each such case for the purpose of this subsection 4(e), the holders of the Preferred Stock shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of shares of Common Stock of this corporation into which their shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of this corporation entitled to receive such distribution.

(f) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or in Section 2) provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to

receive upon conversion of the Preferred Stock the number of shares of stock or other securities or property of this corporation or otherwise, to which a holder of Series 2 Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Preferred Stock after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Preferred Stock) shall be applicable after that event as nearly equivalently as may be practicable.

(g) In the event of Financing Acquisition Transaction, pursuant to which this corporation's stockholders are to receive securities of another corporation (the "Issuing Corporation") and the Effective Consideration Per Share is less than the Conversion Price of the Series 6 Preferred Stock in effect immediately prior to the consummation of the Financing Acquisition Transaction (the "Closing"), the Conversion Price for the Series 6 Preferred Stock in effect immediately prior to the Closing shall be adjusted in a manner consistent with subsection (4)(d)(i)(A); provided that (i) the number of shares of "Additional Stock" issued shall be deemed to be equal to the number of the Issuing Corporation's Merger Shares, (ii) the aggregate consideration per share received by this corporation shall be deemed to be equal to the Effective Consideration Per Share and (iii) the number of shares of "Common Stock Outstanding" shall be deemed to be equal to the number of Consideration Merger Shares, with appropriate corresponding adjustments to the Original Issue Price and Conversion Price of the Series 6 Preferred Stock (including, without limitation, for purposes of determining (x) if the Effective Consideration Per Share is less than the Conversion Price of the Series 6 Preferred Stock and (y) the resulting Conversion Rate of the Series 6 Preferred Stock). For purposes of this subsection 4(g):

(i) "Combined Entity" shall mean the corporation issuing shares to the former stakeholders (including, without limitation, stockholders and other equityholders) of this corporation pursuant to the Financing Acquisition Transaction.

(ii) "Consideration Merger Shares" shall mean all Outstanding Stock of the Combined Entity to be issued to all former stakeholders (including, without limitation, stockholders and other equityholders) of this corporation, as of immediately prior to the Closing, upon the Closing as a result of their holdings in this corporation immediately prior to the Closing.

(iii) "Effective Consideration Per Share" shall mean the fair market value of all Outstanding Stock of the Issuing Corporation (calculated immediately prior to the Financing Acquisition Transaction), which shall be determined in a manner consistent with subsection 2(e)(ii), divided by the number of Issuing Corporation's Merger Shares.

(iv) "Financing Acquisition Transaction" means a bona fide business acquisition of or by this corporation, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, which does not constitute a Liquidation Event and is entered into primarily for the purpose of financing this corporation, which financing purposes include without limitation, providing this corporation with access to the Issuing Corporation's cash or financing opportunities.

(v) “Issuing Corporation’s Merger Shares” shall mean all Outstanding Stock of the Combined Entity to be held by all former stakeholders (including, without limitation, stockholders and other equityholders) of the Issuing Corporation, as of immediately prior to the Closing, upon the Closing as a result of their holdings in the Issuing Corporation immediately prior to the Closing.

(vi) “Outstanding Stock” shall mean and include the following: (1) outstanding common stock, (2) common stock issuable upon conversion of outstanding preferred stock, (3) common stock issuable upon exercise of outstanding stock options and other rights to purchase shares of capital stock and (4) common stock issuable upon exercise (and, in the case of warrants to purchase preferred stock, conversion) of outstanding warrants. Shares described in (1) through (4) above shall be included whether vested or unvested, whether contingent or non-contingent and whether exercisable or not yet exercisable.

(h) No Fractional Shares and Certificate as to Adjustments.

(i) No fractional shares shall be issued upon the conversion of any share or shares of the Preferred Stock and the aggregate number of shares of Series 2 Common Stock to be issued to particular stockholders, shall be rounded down to the nearest whole share and the corporation shall pay in cash the fair market value of any fractional shares as of the time when entitlement to receive such fractions is determined. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Series 2 Common Stock and the number of shares of Series 2 Common Stock issuable upon such conversion.

(ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of Preferred Stock pursuant to this Section 4, this corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. This corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Preferred Stock at the time in effect, and (C) the number of shares of Series 2 Common Stock and the amount, if any, of other property that at the time would be received upon the conversion of a share of Preferred Stock.

(i) Notices of Record Date. In the event of any taking by this corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, this corporation shall mail to each holder of Preferred Stock, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution, and the amount and character of such dividend or distribution.

(j) Reservation of Stock Issuable Upon Conversion. This corporation shall at all times reserve and keep available out of its authorized but unissued shares of Series 2 Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Series 2 Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Series 2 Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Series 2 Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Certificate of Incorporation.

(k) Notices. Any notice required by the provisions of this Section 4 to be given to the holders of shares of Preferred Stock shall be deemed given four (4) business days after being deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this corporation.

(l) Waiver of Adjustment to Conversion Price. Notwithstanding anything herein to the contrary, any downward adjustment of the Conversion Price of any series of Preferred Stock may be waived, either prospectively or retroactively and either generally or in a particular instance, by the written consent or vote of the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a) below) of the then outstanding shares of Preferred Stock (voting together as a single class and on an as-converted basis); provided, that, such waiver applies to all series of Preferred Stock. Any such waiver shall bind all future holders of shares of such series of Preferred Stock.

5. Voting Rights.

(a) General Voting Rights. The holder of (i) each share of Series 1 Preferred Stock, Series 2 Preferred Stock and Series 3 Preferred Stock shall have the right to 0.352941 votes for each share of Series 2 Common Stock into which such Preferred Stock could then be converted and (ii) each share of Series 4 Preferred Stock, Series 5 Preferred Stock and Series 6 Preferred Stock, shall have the right to one vote for each share of Series 2 Common Stock into which such Preferred Stock could then be converted, and with respect to such votes, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock, and shall be entitled, notwithstanding any provision hereof, to notice of any stockholders' meeting in accordance with the Bylaws of this corporation, shall be entitled to vote, together with holders of Common Stock (except as otherwise provided below), with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

(b) Voting for the Election of Directors. As long as any shares of Series 2 Common Stock remain outstanding, the holders of outstanding Series 2 Common Stock shall be entitled to elect two (2) directors of this corporation at any election of directors. As long as any shares of Series 4 Preferred Stock remain outstanding, the holders of outstanding Series 4 Preferred Stock shall be entitled to elect one (1) director of this corporation at any election of directors (the "Series 4 Director"). As long as any shares of Series 5 Preferred Stock remain outstanding, the holders of outstanding Series 5 Preferred Stock shall be entitled to elect one (1) director of this corporation at any election of directors (the "Series 5 Director"). The holders of outstanding Series 6 Preferred Stock shall be entitled to elect one (1) director of this corporation at any election of directors (the "Series 6 Director"). The holders of Preferred Stock and Series 2 Common Stock (voting together as a single class and not as separate series, and on an as-converted basis, with voting power determined in accordance with subsection (5)(a) below) shall be entitled to elect any remaining directors of this corporation. Each committee of the Company's Board of Directors shall include the directors elected by the holders of Series 4 Preferred Stock, Series 5 Preferred Stock and Series 6 Preferred Stock.

Notwithstanding the provisions of Section 223(a)(1) and 223(a)(2) of the General Corporation Law, any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of this Certificate of Incorporation, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided, however, that where such vacancy occurs among the directors elected by the holders of a class or series of stock, the holders of shares of such class or series may override the Board's action to fill such vacancy by (i) voting for their own designee to fill such vacancy at a meeting of this corporation's stockholders or (ii) written consent, if the consenting stockholders hold a sufficient number of shares to elect their designee at a meeting of the stockholders. Any director may be removed during his or her term of office, either with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to written consent.

6. Protective Provisions.

(a) So long as 5,000,000 shares of Preferred Stock remain outstanding, this corporation shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of (i) the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a)) of all then outstanding shares of Series 1 Preferred Stock, Series 2 Preferred Stock, Series 3 Preferred Stock, Series 4 Preferred Stock, Series 5 Preferred Stock and Series 6 Preferred Stock (voting together as a single class and not as separate series, and on an as-converted basis) and (ii) the holders of at least a majority of the voting power (as determined in accordance with subsection (5)(a)) of all then outstanding shares of Series 5 Preferred Stock:

(i) consummate or agree to consummate a Liquidation Event;

(ii) amend, alter, restate or repeal any provision of this corporation's Certificate of Incorporation or Bylaws so as to adversely alter, affect or change the powers, preferences, rights or privileges of the shares of Preferred Stock;

(iii) increase or decrease (other than by redemption or conversion) the total number of authorized shares of Common Stock or Preferred Stock or designated shares of any series of Preferred Stock;

(iv) authorize or issue, or obligate itself to issue, any equity security (including any other security convertible into or exercisable for any such equity security) having a preference over, or being on a parity with, any series of Preferred Stock with respect to dividends, liquidation or redemption, other than the issuance of any authorized but unissued shares of Series 6 Preferred Stock designated in this Restated Certificate of Incorporation (including any security convertible into or exercisable for such shares of Preferred Stock);

(v) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of Preferred Stock or Common Stock; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock from employees, officers, directors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which this corporation has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment or service, or pursuant to an agreement providing for a right of first refusal in favor of this corporation, in each case, provided that such agreement has been approved by this corporation's Board of Directors; or

(vi) pay or declare any dividend on any shares of capital stock of this corporation.

(b) So long as 5,000,000 shares of Series 6 Preferred Stock remain outstanding, this corporation shall not (by amendment, merger, consolidation or otherwise), without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least seventy percent (70%) of the Series 6 Preferred Stock:

(i) amend, alter, waive or repeal the rights, preferences, restrictions or privileges of the Series 6 Preferred Stock where the effect of such amendment, alteration, waiver or repeal is materially adverse to the rights, preferences, restrictions or privileges of the Series 6 Preferred Stock and is different from and disproportionate to the holders of the Series 6 Preferred Stock as compared to the effect of such amendment, alteration, waiver or repeal to the holders of the Series 1 Preferred Stock, Series 2 Preferred Stock, Series 3 Preferred Stock, Series 4 Preferred Stock or Series 5 Preferred Stock; provided however, that the authorization, designation and/or issuance of any new class or series of stock (whether or not the

voting powers (provided that such authorization does not reduce or diminish any voting rights of the holders of Series 6 Preferred Stock pursuant to this Restated Certificate of Incorporation), preferences or other special rights or privileges or restrictions of such new shares or series are senior to, pari passu or junior to those of the Series 6 Preferred Stock) shall not be deemed to be materially adverse to the rights, preferences, restrictions or privileges of the Series 6 Preferred Stock for the purposes of this Section 6(b);

(ii) redeem, purchase or otherwise acquire any share or shares of Preferred Stock; provided, however, that this restriction shall not apply to the repurchase of shares of Preferred Stock that are offered to holders of Preferred Stock on a pro rata basis; or

(iii) pay or declare any dividend on shares of Preferred Stock other than any dividends paid or declared ratably across all series of Preferred Stock pursuant to the terms of Article IV(B)(1) of this Restated Certificate of Incorporation.

7. Status of Converted Stock. In the event any shares of Preferred Stock shall be converted pursuant to Section 4 hereof, the shares so converted shall be cancelled and shall not be issuable by this corporation. The Certificate of Incorporation of this corporation shall be appropriately amended to effect the corresponding reduction in this corporation's authorized capital stock.

C. Common Stock. The rights, preferences, privileges and restrictions granted to and imposed on the Common Stock are as set forth below in this Article IV(C).

1. Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of this corporation legally available therefor, any dividends as may be declared from time to time by the Board of Directors.

2. Liquidation Rights. Upon the liquidation, dissolution or winding up of this corporation, the assets of this corporation shall be distributed as provided in Section 2 of Article IV(B) hereof.

3. Redemption. The Common Stock is not redeemable at the option of the holder.

4. Voting Rights.

(a) Series 1 Common Stock. Shares of Series 1 Common Stock shall have no voting rights, except as otherwise required by law.

(b) Series 2 Common Stock. The holder of each share of Series 2 Common Stock shall have the right to one vote for each such share, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of this corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law.

Notwithstanding the foregoing, the number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of this corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

ARTICLE V

Except as otherwise provided in this Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of this corporation.

ARTICLE VI

A. The number of directors of this corporation shall be determined in the manner set forth in the Bylaws of this corporation.

ARTICLE VII

Elections of directors need not be by written ballot unless the Bylaws of this corporation shall so provide.

ARTICLE VIII

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of this corporation may provide. The books of this corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of this corporation.

ARTICLE IX

A director of this corporation shall not be personally liable to this corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to this corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law is amended after approval by the stockholders of this Article IX to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of this corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article IX by the stockholders of this corporation shall not adversely affect any right or protection of a director of this corporation existing at the time of, or increase the liability of any director of this corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

ARTICLE X

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner provided herein and as now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE XI

To the fullest extent permitted by applicable law, this corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "Indemnified Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnified Person in such Proceeding, subject only to limits created by applicable General Corporation Law (statutory or non-statutory), with respect to actions for breach of duty to this corporation, its stockholders, and others.

The corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article XI or otherwise.

Any amendment, repeal or modification of the foregoing provisions of this Article XI shall not adversely affect any right or protection of a director, officer, agent, or other person existing at the time of, or increase the liability of any director of this corporation with respect to any acts or omissions of such director, officer or agent occurring prior to, such amendment, repeal or modification.

ARTICLE XII

In connection with repurchases by this corporation of its Common Stock from employees, officers, directors, advisors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which the corporation has the option to repurchase such shares at cost upon the occurrence of certain events, such as the termination of employment, Sections 502 and 503 of the California Corporations Code shall not apply in all or in part with respect to such repurchases.

* * *

THIRD: The foregoing amendment and restatement was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the General Corporation Law.

FOURTH: That said Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of this corporation's Restated Certificate of Incorporation, has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 21st day of April, 2014.

/s/ Jeffrey Dunn

Jeffrey Dunn, President

CERTIFICATE OF AMENDMENT OF THE

RESTATED CERTIFICATE OF INCORPORATION
OF
SI-BONE, INC.

SI-BONE, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "General Corporation Law"),

DOES HEREBY CERTIFY:

FIRST: That the name of this corporation is SI-BONE, Inc. and that this corporation was originally incorporated pursuant to the General Corporation Law on March 18, 2008 under the name "SI-BONE Inc."

SECOND: That the Board of Directors duly adopted resolutions proposing to amend the Restated Certificate of Incorporation of this corporation, declaring said amendment to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolutions setting forth the proposed amendment is as follows:

RESOLVED, that the Restated Certificate of Incorporation of the corporation be amended by deleting Section A of Article IV of the Restated Certificate of Incorporation of the corporation and inserting the following in lieu thereof:

A. "A. Authorization of Stock. This corporation is authorized to issue two classes of stock to be designated, respectively, common stock and preferred stock. The total number of shares that this corporation is authorized to issue is Four Hundred Sixty Six Million Three Hundred Twenty Eight Thousand Nine Hundred Forty One (466,328,941). The total number of shares of common stock authorized to be issued is Two Hundred Ninety Million (290,000,000), par value $0.0001 per share (the "Common Stock"), of which One Hundred Million (100,000,000) shares are designated as "Series 1 Common Stock" and One Hundred Ninety Million (190,000,000) shares are designated as "Series 2 Common Stock". The total number of shares of preferred stock authorized to be issued is One Hundred Seventy Six Million Three Hundred Twenty Eight Thousand Nine Hundred Forty One (176,328,941), par value $0.0001 per share (the "Preferred Stock"), of which Four Million Four Hundred Eleven Thousand Seven Hundred Thirty One (4,411,731) shares are designated as "Series 1 Preferred Stock," Twelve Million Seven Hundred Seventy Three Thousand One Hundred Seven (12,773,107) shares are designated as "Series 2 Preferred Stock", Eight Million Nine Hundred Eighty One Thousand Two Hundred Fifty (8,981,250) shares are designated as "Series 3 Preferred Stock", Forty Five Million One Hundred Sixty Two Thousand Eight Hundred Fifty Three (45,162,853) shares are designated as "Series 4 Preferred Stock", Thirty Eight Million (38,000,000) shares are designated as "Series 5 Preferred Stock" and Sixty Seven Million (67,000,000) are designated as "Series 6 Preferred Stock".

THIRD: That thereafter said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law by written consent of the stockholders holding the requisite number of shares required by statute given in accordance with and pursuant to Section 228 of the General Corporation Law.

IN WITNESS WHEREOF, this Certificate of Amendment of the Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 14th day of April, 2015.

/s/ Jeffrey Dunn

Jeffrey Dunn, President

Exhibit 3.3

SECOND AMENDED AND RESTATED BYLAWS OF

SI-BONE, INC.

(A DELAWARE CORPORATION)

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SECOND AMENDED AND RESTATED BYLAWS
OF
SI-BONE, INC.

ARTICLE I
OFFICES

1.1 **Registered Office.** The registered office shall be in the City of Dover, County of Kent, State of Delaware.

1.2 **Offices.** SI-BONE, Inc. (the "Company") may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

2.1 **Location.** All meetings of the stockholders for the election of directors shall be held in the City of Dover, State of Delaware, at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting; provided, however, that the Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211 of the Delaware General Corporations Law ("DGCL"). Meetings of stockholders for any other purpose may be held at such time and place, if any, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof, or a waiver by electronic transmission by the person entitled to notice.

2.2 **Timing.** Annual meetings of stockholders, commencing with the year 2008, shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

2.3 **Notice of Meeting.** Written notice of any stockholder meeting stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given to each stockholder entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting.

2.4 **Stockholders' Records.** The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address (but not the electronic address or other electronic contact information) of each stockholder and the number of shares registered in the name of each

stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

2.5 **Special Meetings.** Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning at least fifty percent (50%) in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

2.6 **Notice of Meeting.** Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting. The means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting shall also be provided in the notice.

2.7 **Business Transacted at Special Meeting.** Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

2.8 **Quorum; Meeting Adjournment; Presence by Remote Means.**

(a) *Quorum; Meeting Adjournment*. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

(b) *Presence by Remote Means*. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication:

(1) participate in a meeting of stockholders; and

(2) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

2.9 **Voting Thresholds.** When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

2.10 **Number of Votes Per Share.** Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote by such stockholder or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

2.11 **Action by Written Consent of Stockholders; Electronic Consent; Notice of Action.**

(a) *Action by Written Consent of Stockholders.* Unless otherwise provided by the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing setting forth the action so taken, is signed in a manner permitted by law by the holders of outstanding stock having not less than the number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Written stockholder consents shall bear the date of signature of each stockholder who signs the consent in the manner permitted by law and shall be delivered to the corporation as provided in subsection (b) below. No written consent shall be effective to take the action set forth therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner provided above, written consents signed by a sufficient number of stockholders to take the action set forth therein are delivered to the corporation in the manner provided above.

(b) *Electronic Consent*. A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the corporation can determine (1) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (2) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by telegram, cablegram or other electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded if, to the extent and in the manner provided by resolution of the Board of Directors of the corporation.

(c) *Notice of Action*. Prompt notice of any action taken pursuant to this Section 2.11 shall be provided to the stockholders in accordance with Section 228(e) of the DGCL.

ARTICLE III
DIRECTORS

3.1 **Authorized Directors.** The number of directors that shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting of the stockholders, except as provided in Section 3.2 of this Article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

3.2 **Vacancies.** Unless otherwise provided in the corporation's certificate of incorporation, as it may be amended, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of

the whole Board of Directors (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

3.3 **Board Authority.** The business of the corporation shall be managed by or under the direction of its Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

3.4 **Location of Meetings.** The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

3.5 **First Meeting.** The first meeting of each newly elected Board of Directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected Board of Directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

3.6 **Regular Meetings.** Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 **Special Meetings.** Special meetings of the Board of Directors may be called by the president upon notice to each director; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two (2) directors unless the Board of Directors consists of only one director, in which case special meetings shall be called by the president or secretary in like manner and on like notice on the written request of the sole director. Notice of any special meeting shall be given to each director at his business or residence in writing, or by telegram, facsimile transmission, telephone communication or electronic transmission (provided, with respect to electronic transmission, that the director has consented to receive the form of transmission at the address to which it is directed). If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by telegram, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company at least twenty-four (24) hours before such meeting. If by facsimile transmission or other electronic transmission, such notice shall be transmitted at least twenty-four (24) hours before such meeting and shall only be deemed to be adequately delivered to the recipient upon the Company’s receipt of a confirmation sent via electronic mail or other electronic transmission or twenty-four (24) hours after a copy of such notice is sent via overnight courier. If by telephone, the notice shall be given at least twelve (12) hours prior to the time set

for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these Bylaws as provided under Section 8.1 of Article VIII hereof. A meeting may be held at any time without notice if all the directors are present (except as otherwise provided by law) or if those not present waive notice of the meeting in writing, either before or after such meeting.

3.8 **Quorum.** At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business and any act of a majority of the directors present at any meeting at which there is a quorum shall be an act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.9 **Action Without a Meeting.** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing, writings, electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee.

3.10 **Telephonic Meetings.** Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or any committee, by means of conference telephone or other means of communication by which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting.

3.11 **Committees.** Subject to the Company's Certificate of Incorporation then in effect, he Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it, but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval or (ii) adopting, amending or repealing any provision of these bylaws.

3.12 **Minutes of Meetings.** Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

3.13 **Compensation of Directors.** Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.14 **Removal of Directors.** Unless otherwise provided by the certificate of incorporation or these bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV
NOTICES

4.1 **Notice.** Unless otherwise provided in these bylaws, whenever, under the provisions of the statutes or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram, facsimile transmission, or electronic transmission (provided, with respect to electronic transmission, that the director has consented to receive the form of transmission at the address to which it is directed).

4.2 **Waiver of Notice.** Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

4.3 **Electronic Notice.**

(a) *Electronic Transmission*. Without limiting the manner by which notice otherwise may be given effectively to stockholders and directors, any notice to stockholders or directors given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder or director to whom the notice is given. Any such consent shall be revocable by the stockholder or director by written notice to the corporation. Any such consent shall be deemed revoked if (1) the corporation is unable to deliver by

electronic transmission two consecutive notices given by the corporation in accordance with such consent and (2) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(b) *Effective Date of Notice*. Notice given pursuant to subsection (a) of this section shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder or director has consented to receive notice and upon the Company's receipt of a confirmation sent via electronic mail or other electronic transmission or twenty-four (24) hours after a copy of such notice is sent via overnight courier; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder or director has consented to receive notice and upon the Company's receipt of a confirmation sent via electronic mail or other electronic transmission or twenty-four (24) hours after a copy of such notice is sent via overnight courier; (3) if by a posting on an electronic network together with separate notice to the stockholder or director of such specific posting, upon the later of (i) such posting and (ii) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder or director shall only be deemed to be adequately delivered to the recipient upon the Company's receipt of a confirmation sent via electronic mail or other electronic transmission or twenty-four (24) hours after a copy of such notice is sent via overnight courier. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) *Form of Electronic Transmission*. For purposes of these bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

ARTICLE V
OFFICERS

5.1 **Required and Permitted Officers.** The officers of the corporation shall be chosen by the Board of Directors and shall be a president, treasurer and a secretary. The Board of Directors may elect from among its members a Chairman of the Board and a Vice-Chairman of the Board. The Board of Directors may also choose one or more vice-presidents, assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

5.2 **Appointment of Required Officers.** The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a president, a treasurer, and a secretary and may choose vice-presidents.

5.3 **Appointment of Permitted Officers.** The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.4 **Officer Compensation.** The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

5.5 **Term of Office; Vacancies.** The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

5.6 **Chairman Presides.** The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. he or she shall have and may exercise such powers as are, from time to time, assigned to him by the Board of Directors and as may be provided by law.

5.7 **Absence of Chairman.** In the absence of the Chairman of the Board, the Vice-Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. He or she shall have and may exercise such powers as are, from time to time, assigned to him by the Board of Directors and as may be provided by law.

THE PRESIDENT AND VICE-PRESIDENTS

5.8 **Powers of President.** The president shall be the chief executive officer of the corporation; in the absence of the Chairman and Vice-Chairman of the Board he or she shall preside at all meetings of the stockholders and the Board of Directors; he or she shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect.

5.9 **President's Signature Authority.** The president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

5.10 **Absence of President.** In the absence of the president or in the event of his inability or refusal to act, the vice-president, if any, (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

5.11 **Duties of Secretary.** The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He or she shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or president, under whose supervision he or she shall be. He or she shall have custody of the corporate seal of the corporation and he or she, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

5.12 **Duties of Assistant Secretary.** The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

5.13 **Duties of Treasurer.** The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

5.14 **Disbursements and Financial Reports.** He or she shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and the Board of Directors, at its regular meetings or when the Board of Directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

5.15 **Treasurer's Bond.** If required by the Board of Directors, the treasurer shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

5.16 **Duties of Assistant Treasurer.** The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the treasurer or in the event of the treasurer's inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VI
CERTIFICATE OF STOCK

6.1 **Stock Certificates.** Every holder of stock in the corporation shall be entitled to have a certificate, signed by or in the name of the corporation by, the Chairman or Vice-Chairman of the Board of Directors, or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

6.2 **Facsimile Signatures.** Any or all of the signatures on the certificate may be facsimile. In the event that any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the corporation with the same effect as if such officer, transfer agent or registrar were still acting as such at the date of issue.

6.3 **Lost Certificates.** The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

6.4 **Transfer of Stock.** Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

(a) Notwithstanding anything to the contrary, a stockholder shall not transfer, whether by sale, gift, pledge or otherwise, Restricted Shares (as such term is defined below) to any third-party transferee unless such transfer is approved by the Board of Directors prior to such transfer, which approval may be granted or withheld in the Board of Directors' sole and absolute discretion. For clarity, the Board of Directors may reject such transfer if the third-party transferee is a Healthcare Provider (as such term is defined below). "Restricted Shares" are shares of the corporation's Common Stock (including Common Stock issued or issuable upon the conversion of Preferred Stock): (1) that were issued prior to or in conjunction with the approval of these bylaws and are owned by stockholders who voted in favor of the approval of these bylaws (the date of such approval, the "Approval Date"); or (2) that were issued after the Approval Date. Any purported transfer of any Restricted Shares effected in violation of this Section 6.4 shall be null and void and shall have no force or effect and the corporation shall not register any such purported transfer; provided, however, approval by the Board of Directors shall not be required to effect (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer for no consideration to one or more members of a stockholder's Immediate Family or to a trust established by the stockholder for the benefit of the stockholder and/or one or more members of the stockholder's Immediate Family, provided in either case that the transferee agrees in writing on a form prescribed by the corporation to be bound by all provisions of all agreements applicable to the Restricted Shares. For purposes of this Section 6.4, "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships. "Healthcare Provider" shall mean any person who has a National Provider Identifier (NPI) Number under the National Plan & Provider Enumeration System, including such person's Immediate Family members and affiliates.

(b) Any stockholder seeking the approval of the Board of Directors of a transfer of some or all of its shares to a third-party transferee shall give written notice (the "Transfer Notice") thereof 60 days prior to the desired transfer date to the Secretary of the corporation that shall include: (1) the name of the stockholder; (2) the proposed transfer; (3) the number of shares the transfer of which approval is thereby requested; (4) the purchase price, if any, of the shares proposed for transfer; (5) the name, address, and primary occupation or profession of the proposed transferee; (6) proof satisfactory to the corporation that the proposed sale or transfer will not violate any applicable federal, state or foreign securities laws; and (7) representations by the stockholder that (i) the proposed transferee has been made aware that the proposed transfer is non-binding until written notice is provided by the Company that the Board of Directors has approved the proposed transfer pursuant to this Section 6.4 and (ii) that the stockholder has not provided any confidential information of the Company, either orally or in writing, to the proposed transferee, unless the stockholder has obtained the prior written consent of the Company. The corporation may require the stockholder to supplement its notice with such additional information as the corporation may request. The Company shall use reasonable efforts to respond to the Transfer Notice regarding the approval or disapproval of the Board of Directors within 45 days of the receipt of the Transfer Notice; provided, however, that the Company's failure to approve or disapprove of such transfer within such 45 day period shall not constitute an approval of such transfer.

(c) Certificates representing shares of stock issued after the Approval Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

THE TRANSFER OF SECURITIES REPRESENTED HEREBY IS SUBJECT TO RESTRICTIONS REQUIRING APPROVAL OF THE BOARD OF DIRECTORS PURSUANT TO AND IN ACCORDANCE WITH SECTION 6.4 OF THE BYLAWS OF THE COMPANY, COPIES OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS. THE COMPANY SHALL NOT REGISTER OR OTHERWISE RECOGNIZE OR GIVE EFFECT TO ANY PURPORTED TRANSFER OF SHARES OF STOCK THAT DOES NOT COMPLY WITH SECTION 6.4 OF THE BYLAWS OF THE COMPANY.

This corporation shall take all such actions as are practicable to cause the certificates representing shares issued prior to the Approval Date that are subject to the restrictions on transfer set forth in this Section 6.4 to contain the foregoing legend.

(d) The foregoing transfer restrictions shall terminate upon the earliest to occur of the following:

(1) immediately prior to the closing of a Liquidation Event (as defined in the Company's certificate of incorporation, as amended from time to time); or

(2) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, covering the offer and sale of the Company's common stock.

6.5 **Fixing a Record Date.** In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

6.6 **Registered Stockholders.** The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, to vote as such owner, to hold liable for calls and assessments a person registered on its books as the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII
GENERAL PROVISIONS

7.1 **Dividends.** Dividends upon the capital stock of the corporation, if any, subject to the provisions of the certificate of incorporation, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

7.2 **Reserve for Dividends.** Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their sole discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors think conducive to the interests of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

7.3 **Checks.** All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

7.4 **Fiscal Year.** The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

7.5 **Corporate Seal.** The Board of Directors may adopt a corporate seal having inscribed thereon the name of the corporation, the year of its organization and the words “Corporate Seal, Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

7.6 **Indemnification.** The corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time, indemnify any director made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being a director of the corporation or a predecessor corporation or a director or officer of another corporation, if such person served in such position at the request of the corporation; provided, however, that the corporation shall indemnify any such director or officer in connection with a proceeding initiated by such director or officer only if such proceeding was authorized by the Board of Directors of the corporation. The indemnification provided for in this Section 7.6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under these bylaws, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and administrators of a person who has ceased to be a director. The corporation’s obligation to provide indemnification under this Section 7.6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the corporation or any other person.

Expenses incurred by a director of the corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he or she is or was a director of the corporation (or was serving at the corporation's request as a director or officer of another corporation) shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as authorized by relevant sections of the DGCL. Notwithstanding the foregoing, the corporation shall not be required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by the corporation and approved by a majority of the Board of Directors of the corporation that alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or contractual obligations to the corporation or any other willful and deliberate breach in bad faith of such agent's duty to the corporation or its stockholders.

The foregoing provisions of this Section 7.6 shall be deemed to be a contract between the corporation and each director who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its sole discretion shall have power on behalf of the corporation to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that he or she, his testator or intestate, is or was an officer or employee of the corporation.

To assure indemnification under this Section 7.6 of all directors, officers and employees who are determined by the corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the corporation that may exist from time to time, Section 145 of the DGCL shall, for the purposes of this Section 7.6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the corporation that is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time; the corporation shall be deemed to have requested a person to serve the corporation for purposes of Section 145 of the DGCL, as administrator of an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

CERTIFICATE OF INCORPORATION GOVERNS

7.7 **Conflicts with Certificate of Incorporation.** In the event of any conflict between the provisions of the corporation's certificate of incorporation and these bylaws, the provisions of the certificate of incorporation shall govern.

ARTICLE VIII
AMENDMENTS

8.1 These bylaws may be altered, amended or repealed, or new bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate of incorporation, it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

ARTICLE IX
RIGHT OF FIRST REFUSAL

9.1 In addition to the applicable restrictions set forth in Section 6.4 of Article VI hereof, no stockholder shall sell, assign, pledge, or in any manner transfer any of the shares of Common Stock of the corporation or any right or interest therein (excluding, however, any Preferred Stock of the corporation and any Common Stock issued upon the conversion of such Preferred Stock), whether voluntarily or by operation of law, or by gift or otherwise, except by a transfer which meets the requirements hereinafter set forth in this Article IX:

(a) *Notice of Proposed Transfer*. If the stockholder desires to sell or otherwise transfer any of his shares of Common Stock, then the stockholder shall first give written notice thereof to the corporation. The notice shall name the proposed transferee and state the number of shares to be transferred, the proposed consideration and all other terms and conditions of the proposed transfer.

(b) *Corporate Option to Purchase*. For forty-five (45) days following receipt of such notice, the corporation shall have the option to purchase all or any part of the shares specified in the notice at the price and upon the terms set forth in such notice. In the event the corporation elects to purchase all the shares, it shall give written notice to the selling stockholder of its election and settlement for said shares shall be made as provided below in paragraph (d).

(c) *Stockholder Option to Purchase*. In the event the corporation does not elect to acquire all of the shares specified in the selling stockholder's notice, the corporation may, at its discretion, within forty-five (45) days of receipt of said selling stockholder's notice, give written notice thereof to other stockholders of the corporation other than the selling stockholder. Said written notice shall state the number of shares that the corporation has elected to purchase (if any) and the number of shares remaining available for purchase (which shall be the same as the number contained in said selling stockholder's notice, less any such shares that

the corporation has elected to purchase). Each of the other stockholders shall have the option to purchase that proportion of the shares available for purchase as the number of shares owned by each of said other stockholders (calculated on an as-converted basis) bears to the total issued and outstanding shares of the corporation (calculated on an as-converted basis), excepting those shares owned by the selling stockholder. A stockholder electing to exercise such option shall, within ten (10) days after receipt of the corporation's notice, give notice to the corporation specifying the number of shares such stockholder will purchase. Within such ten (10) day period, each of said other stockholders shall give written notice stating how many additional shares such stockholder will purchase if additional shares are available. Failure to respond in writing to the notice given by the corporation within such ten (10) day period shall be deemed a waiver of such stockholder's right to acquire its proportionate part of the shares of the selling stockholder. In the event one or more stockholders do not elect to acquire the shares available to them, said shares shall be allocated on a pro rata basis to the stockholders who requested shares in addition to their pro rata allotment.

(d) *Closing of Corporate or Stockholder Purchase.* In the event the corporation and/or stockholders, other than the selling stockholder, elect to acquire any of the shares of the selling stockholder as specified in said selling stockholder's notice, the corporation shall so notify the selling stockholder and settlement thereof shall be made in cash within thirty (30) days after the corporation receives said selling stockholder's notice; provided that if the terms of payment set forth in said selling stockholder's notice were other than cash against delivery, the corporation and/or its other stockholders shall pay for said shares on the same terms and conditions set forth in said selling stockholder's notice.

(e) *Sale by Selling Stockholder.* In the event the corporation and/or its other stockholders do not elect to acquire all of the shares specified in the selling stockholder's notice, said selling stockholder may, within the thirty (30) day period following the expiration of the option rights granted to the corporation and other stockholders herein, sell elsewhere the shares specified in said selling stockholder's notice which were not acquired by the corporation and/or its other stockholders, in accordance with the provisions of paragraph (d) of this Section 9.1, provided that said sale shall not be on terms and conditions more favorable to the purchaser than those contained in said selling stockholder's notice. All shares so sold by said selling stockholder shall continue to be subject to the provisions of this bylaw in the same manner as before said transfer. Notwithstanding the foregoing, (i) unless and until the corporation and/or its other stockholders have elected not to purchase the shares, no stockholder shall enter into a legally binding obligation to sell, transfer or assign the shares to a third party, and (ii) the selling stockholder shall comply and abide by any confidentiality obligations it has with the corporation.

(f) *Permitted Transactions.* Anything to the contrary contained herein notwithstanding, the following transactions shall be exempt from the provisions of this bylaw:

(1) A stockholder's transfer of any or all shares held either during such stockholder's lifetime or on death by will or intestacy to such stockholder's immediate family or to any custodian or trustee for the account of such stockholder or such stockholder's immediate family. "Immediate family" as used herein shall mean spouse, lineal descendant, father, mother, brother, or sister of the stockholder making such transfer;

(2) A stockholder's bona fide pledge or mortgage of any shares with a commercial lending institution, provided that any subsequent transfer of said shares by said institution shall be conducted in the manner set forth in this bylaw;

(3) A stockholder's transfer of any or all of such stockholder's shares to the corporation;

(4) A stockholder's transfer of any or all of such stockholder's shares to a person who at the time of such transfer is an officer or director of the corporation;

(5) A corporate stockholder's transfer of any or all of its shares pursuant to and in accordance with the terms of any merger, consolidation, reclassification of shares or capital reorganization of the corporate stockholder or pursuant to a sale of all or substantially all of the stock or assets of a corporate stockholder;

(6) A corporate stockholder's transfer of any or all of its shares to any or all of its stockholders;

(7) A transfer by a stockholder which is a limited or general partnership to any or all of its partners or former partners; or

(8) A distribution by INBONE Technologies, Inc. ("INBONE") of the shares of Series 1 Common Stock held by INBONE to the stockholders of INBONE.

In any such case, the transferee, assignee or other recipient shall receive and hold such stock subject to the provisions of this bylaw, and there shall be no further transfer of such stock except in accord with this bylaw.

(g) *Waiver of Right of First Refusal*. The provisions of this bylaw may be waived with respect to any transfer either by the corporation upon duly authorized action of the Board of Directors, or by the stockholders upon the express written consent of the owners of a majority of the voting power of the corporation (excluding the votes represented by those shares to be transferred by the transferring stockholder). This bylaw may be amended or repealed either by a duly authorized action of the Board of Directors or by the stockholders, upon the express written consent of the owners of a majority of the voting power of the corporation.

(h) *Void Transfers*. Any sale or transfer, or purported sale or transfer, of securities of the corporation shall be null and void unless the terms, conditions and provisions of this bylaw are strictly observed and followed.

(i) *Termination of Right of First Refusal*. The foregoing right of first refusal shall terminate on either of the following dates, whichever shall first occur:

(1) Upon the date of (i) the consummation of the corporation's first firm commitment underwritten public offering of its common stock registered under the Securities Act of 1933, as amended or (ii) the consummation of a Liquidation Event, as that term is defined in the Company's Restated Certificate of Incorporation (as amended from time to time).

(j) *Legends*. The certificates representing shares of stock of the corporation shall bear on their face the following legend so long as the foregoing right of first refusal remains in effect:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE CORPORATION AND/OR ITS ASSIGNEE(S), AS PROVIDED IN THE BYLAWS OF THE CORPORATION."

ARTICLE X
LOANS TO OFFICERS

10.1 The corporation may lend money to, or guarantee any obligation of or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE XI
RECORDS AND REPORTS

11.1 The application and requirements of Section 1501 of the California General Corporation Law are hereby expressly waived to the fullest extent permitted thereunder.

CERTIFICATE OF SECRETARY OF

SI-BONE, INC.

The undersigned, Robert E. Johnson, hereby certifies that he is the duly elected and acting Secretary of **SI-BONE, Inc.**, a Delaware corporation (the "Corporation"), and that the Bylaws attached hereto constitute the Second Amended and Restated Bylaws of said Corporation as duly adopted at a meeting of the Corporation's Board of Directors on March 20, 2014.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his name this 20th day of March, 2014.

/s/ Robert E. Johnson

Robert E. Johnson, Secretary

Exhibit 4.2

SI-BONE, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

April 21, 2014

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AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT (the "Agreement") is made as of the 21st day of April, 2014, by and among SI-BONE, Inc., a Delaware corporation (the "Company") and the investors listed on Schedule A hereto, each of which is herein referred to as an "Investor".

RECITALS

WHEREAS, the Company and certain of the Investors (the "Prior Investors") have previously entered into that certain Amended and Restated Investors' Rights Agreement dated as of September 21, 2011 (the "Prior Rights Agreement"), pursuant to which the Company granted the Prior Investors certain rights;

WHEREAS, the Prior Agreement may be amended, and any provision therein waived, with the consent of the Company and the holders of at least a majority of the voting power of the Company's Series 1, 2, 3, 4, 5 Preferred Stock (collectively with the Series 6 Preferred Stock, the "Preferred Stock") outstanding (voting together as a single class and on an as-converted to common basis);

WHEREAS, the Company and certain of the Investors (the "Series 6 Investors") are parties to that certain Series 6 Preferred Stock Purchase Agreement of even date herewith (the "Series 6 Purchase Agreement") by and among the Company and certain of the Investors, pursuant to which the Series 6 Investors are purchasing shares of the Company's Series 6 Preferred Stock (the "Series 6 Preferred Stock"); and

WHEREAS, in order to induce the Series 6 Investors to purchase Series 6 Preferred Stock pursuant to the Series 6 Purchase Agreement, the Prior Investors and the Company hereby agree that this Agreement shall govern certain rights of the Investors as they relate to the shares Common Stock of the Company (the "Common Stock") issued or issuable to them, including registration rights, financial information rights, rights of first refusal, and certain other matters as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Prior Investors and the Company hereby agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement, and the parties hereto further agree as follows:

1. Registration Rights. The Company covenants and agrees as follows:

1.1 Definitions. For purposes of this Agreement:

(a) The term "Act" means the Securities Act of 1933, as amended.

(b) The term "Affiliate" means, with respect to any specified person, any other person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified person, including, without limitation, any general partner, officer, director or manager of such person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such person.

(c) The term "Form S-3" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(d) The term "Free Writing Prospectus" means a free-writing prospectus, as defined in Rule 405.

(e) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof.

(f) The term "Initial Offering" means the Company's first firm commitment underwritten public offering of its Common Stock under the Act.

(g) The term "1934 Act" means the Securities Exchange Act of 1934, as amended.

(h) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(i) The term "Registrable Securities" means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock and (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) above, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his rights under this Section 1 are not assigned. In addition, the number of shares of Registrable Securities outstanding shall equal the aggregate of the number of shares of Common Stock outstanding that are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities that are, Registrable Securities.

(j) The term "Restated Certificate" shall mean the Company's Restated Certificate of Incorporation, as amended and/or restated from time to time.

(k) The term "Rule 144" shall mean Rule 144 under the Act.

(l) The term "Rule 144(b)(1)(i)" shall mean subsection (b)(1)(i) of Rule 144 under the Act as it applies to persons who have held shares for more than one (1) year.

(m) The term "Rule 405" shall mean Rule 405 under the Act.

(n) The term "SEC" shall mean the Securities and Exchange Commission.

1.2 Request for Registration.

(a) Subject to the conditions of this Section 1.2, if the Company shall receive at any time after the earlier of (i) five (5) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the Initial Offering, a written request from the Holders of forty percent (40%) or more of the Registrable Securities then outstanding (for purposes of this Section 1.2, the "Initiating Holders") that the Company file a registration statement under the Act covering the registration of at least twenty percent (20%) of the then outstanding Registrable Securities (or a lesser percentage provided that the anticipated aggregate offering price is at least $10,000,000 (net of any underwriters' discounts or commissions)), then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 1.2, use best efforts to effect, as soon as practicable, the registration under the Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 1.2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2, and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Company that marketing factors require a limitation on the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) Notwithstanding the foregoing, the Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(ii) after the Company has effected two (2) registration pursuant to this Section 1.2, and such registrations have been declared or ordered effective; or

(iii) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of and ending on a date one hundred eighty (180) days following the effective date of a Company initiated registration subject to Section 1.3 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(iv) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form S 3 pursuant to Section 1.4 hereof;

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered); or

(vi) if the Company, within thirty (30) days of receipt of the request for registration pursuant to this Section 1.2, gives notice to the requesting Holders of its bona fide intention to effect the filing of a registration statement with the SEC within ninety (90) days of receipt of such request (other than a registration effected solely to qualify an employee benefit plan or to effect a business combination pursuant to Rule 145), provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective.

1.3 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities (other than (i) a registration relating to a demand pursuant to Section 1.2 or (ii) a registration relating solely to the sale of securities of participants in a Company stock

plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. In such event, if the Company intends to distribute the securities covered by the registration by means of an underwriting, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company (which underwriter or underwriters shall be reasonably acceptable to those Initiating Holders holding a majority of the Registrable Securities held by all Initiating Holders). Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.3(c), use all commercially reasonable efforts to cause to be registered under the Act all of the Registrable Securities that each such Holder requests to be registered.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

(c) Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under this Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company (or by other persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with such underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering. In no event shall any Registrable Securities be excluded from such offering unless all other stockholders' securities have been first excluded. In the event that the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned pro rata among the selling Holders based on the number of Registrable Securities held by all selling Holders or in such other proportions as shall mutually be agreed to by all such selling Holders. Notwithstanding the foregoing, in no event shall the amount of securities of the selling Holders included in the offering be reduced below fifteen percent (15%) of the total amount of

securities included in such offering, unless such offering is the Initial Offering, in which case the selling Holders may be excluded if the underwriters make the determination described above and no other stockholder's securities (other than the Initiating Holders) are included in such offering. For purposes of the preceding sentence concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

1.4 Form S-3 Registration. After the Initial Offering, the Company shall use its commercially reasonable efforts to qualify for registration on Form S-3 or any comparable or successor form or forms. In case the Company shall receive from the Holders of at least 5,000,000 Registrable Securities (for purposes of this Section 1.4, the "S-3 Initiating Holders") a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) use all commercially reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company, provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4:

(i) if Form S-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $3,000,000;

(iii) if the Company shall furnish to all Holders requesting a registration statement pursuant to this Section 1.4 a certificate signed by the Company's Chief Executive Officer or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the S-3 Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided

further that the Company shall not register any securities for the account of itself or any other stockholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered);

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected one (1) registration on Form S-3 pursuant to this Section 1.4;

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance;

(vi) if the Company, within thirty (30) days of receipt of the request of such S-3 Initiating Holders, gives notice of its bona fide intention to effect the filing of a registration statement with the SEC within ninety (90) days of receipt of such request (other than a registration effected solely to qualify an employee benefit plan or to effect a business combination pursuant to Rule 145), provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(vii) during the period starting with the date thirty (30) days prior to the Company's good faith estimate of the date of the filing of and ending on a date ninety (90) days following the effective date of a Company-initiated registration subject to Section 1.3 above, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective.

(c) If the S-3 Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.4 and the Company shall include such information in the written notice referred to in Section 1.4(a). The provisions of Section 1.2(b) shall be applicable to such request (with the substitution of Section 1.4 for references to Section 1.2).

(d) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the S-3 Initiating Holders.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred eighty (180) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus and any Free Writing Prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use all commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus or Free Writing Prospectus (to the extent prepared by or on behalf of the Company) relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and, at the request of any such Holder, the Company will, as soon as reasonably practicable, file and furnish to all such Holders a supplement or amendment to such prospectus or Free Writing Prospectus (to the extent prepared by or on behalf of the Company) so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(g) cause all such Registrable Securities registered pursuant to this Section 1 to be listed on a national exchange or trading system and on each securities exchange and trading system on which similar securities issued by the Company are then listed;

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(i) use all reasonable efforts to prevent the issuance of any stop order ("Stop Order") suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any securities included in such registration statement for sale in any jurisdiction, and, in the event of such issuance, the Company shall immediately notify the Holders of Registrable Securities covered by such registration statement of the receipt by the Company of such notification and shall use all reasonable efforts promptly to obtain the withdrawal of such order, and, in the event of the withdrawal of such order, the Company shall immediately notify such Holders thereof;

(j) use its commercially reasonable efforts to obtain one or more "cold comfort" letters, dated the effective date of the related registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), signed by the Company's independent public accountants in customary form and covering such matters of the type customarily covered by "cold comfort" letters as the Holders holding a majority of the Registrable Securities being sold reasonably request;

(k) use its commercially reasonable efforts to provide, at the request of any Holder participating in such registration, on the date such securities are delivered to the underwriters for sale pursuant to such registration or, if such securities are not being sold through underwriters, on the date the registration statement with respect to such securities becomes effective, a legal opinion of the Company's outside counsel, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), with respect to the registration statement, each amendment and supplement thereto, the prospectus included therein (including the preliminary prospectus) and such other documents relating thereto in customary form and covering such matters of the type customarily covered by legal opinions of such nature;

(l) to the extent the Company is a well-known seasoned issuer (as defined in Rule 405) (a "WKSI") at the time any request for registration is submitted to the Company in accordance with Section 1.4, (i) if so requested, file an automatic shelf registration statement (as defined in Rule 405) (an "Automatic Shelf Registration Statement") to effect such registration, and (ii) remain a WKSI (and not become an ineligible issuer (as defined in Rule 405)) during the period during which such Automatic Shelf Registration Statement is required to remain effective in accordance with this Agreement;

(m) if at any time when the Company is required to re-evaluate its WKSI status for purposes of an Automatic Shelf Registration Statement used to effect a request for registration in accordance with Section 1.4 (i) the Company determines that it is not a WKSI, (ii) the registration statement is required to be kept effective in accordance with this Agreement and (iii) the registration rights of the applicable Holders have not terminated, promptly amend the registration statement onto a form the Company is then eligible to use or file a new registration statement on such form, and keep such registration statement effective in accordance with the requirements otherwise applicable under this Agreement; and

(n) if (A) a registration made pursuant to a shelf registration statement is required to be kept effective in accordance with this Agreement after the third anniversary of the initial effective date of the shelf registration statement and (B) the registration rights of the

applicable Holders have not terminated, file a new registration statement with respect to any unsold Registrable Securities subject to the original request for registration prior to the end of the three (3) year period after the initial effective date of the shelf registration statement, and keep such registration statement effective in accordance with the requirements otherwise applicable under this Agreement.

Notwithstanding the provisions of this Section 1, the Company shall be entitled to postpone or suspend, for a reasonable period of time, not to exceed ninety (90) days in any one (1) year period, the filing, effectiveness or use of, or trading under, any registration statement if the Company shall determine that any such filing or the sale of any securities pursuant to such registration statement would in the good faith judgment of the Board of Directors of the Company:

(i) materially impede, delay or interfere with any material pending or proposed financing, acquisition, corporate reorganization or other similar transaction involving the Company for which the Board of Directors of the Company has authorized negotiations;

(ii) materially adversely impair the consummation of any pending or proposed material offering or sale of any class of securities by the Company; or

(iii) require disclosure of material nonpublic information that, if disclosed at such time, would be materially harmful to the interests of the Company and its stockholders; provided, however, that during any such period all executive officers and directors of the Company are also prohibited from selling securities of the Company (or any security of any of the Company's subsidiaries or affiliates).

In the event of the suspension of effectiveness of any registration statement pursuant to this Section 1.5, the applicable time period during which such registration statement is to remain effective shall be extended by that number of days equal to the number of days the effectiveness of such registration statement was suspended.

1.6 Information from Holder. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of such Holder's Registrable Securities.

1.7 Expenses of Registration. All expenses other than underwriting discounts and commissions incurred in connection with registrations filings or qualifications of (i) up to two (2) registrations pursuant to Section 1.2, (ii) all registrations pursuant to Section 1.3 and (ii) up to four (4) registrations pursuant to Section 1.4, including, without limitation, all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Sections 1.2

or 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless, in the case of a registration requested under Section 1.2, the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2 and provided, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 1.4.

1.8 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers, directors and stockholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus, final prospectus, or Free Writing Prospectus contained therein or any amendments or supplements thereto, any issuer information (as defined in Rule 433 of the Act) filed or required to be filed pursuant to Rule 433(d) under the Act or any other document incident to such registration prepared by or on behalf of the Company or used or referred to by the Company, (ii) the omission or alleged omission to state in such registration statement a material fact required to be stated therein, or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, and the Company will reimburse each such Holder, underwriter, controlling person or other aforementioned person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this subsection l.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter, controlling person or other aforementioned person.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any person intended to be indemnified pursuant to this subsection l.8(b) for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this subsection l.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), and provided that in no event shall any indemnity under this subsection l.8(b) exceed the gross proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one (1) separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.8 to the extent of such prejudice, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.8.

(d) If the indemnification provided for in this Section 1.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of

indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations; provided, however, that (i) no contribution by any Holder, when combined with any amounts paid by such Holder pursuant to Section 1.8(b), shall exceed the gross proceeds from the offering received by such Holder and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 1.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 1.8(b), exceed the proceeds from the offering received by such Holder (net of any expenses paid by such Holder). The relative fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.8 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1 and otherwise.

1.10 Reports Under the 1934 Act. With a view to making available to the Holders the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after the effective date of the Initial Offering;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and (iii) such other information as may be reasonably requested to avail any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.11 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (a) is an Affiliate, subsidiary, parent, partner, limited partner, retired partner or stockholder of a Holder, (b) is a Holder's family member or trust for the benefit of an individual Holder, or (c) after such assignment or transfer, holds at least one million (1,000,000) shares of Registrable Securities (appropriately adjusted for any stock split, dividend, combination or other recapitalization), provided: (i) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (ii) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including, without limitation, the provisions of Section 1.12 below; and (iii) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.

1.12 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders holding a majority of the voting power (as determined in accordance with Section IV(B)(5)(a) of the Restated Certificate) represented by the Registrable Securities then held by all Holders (voting together as a single class and on an as-converted basis), enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) any registration rights the terms of which are equal to or more favorable than the registration rights granted to Holders hereunder or (b) to demand registration of their securities.

1.13 "Market Stand-Off" Agreement.

(a) Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's Initial Offering and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (l80) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired) held immediately prior to the effectiveness of the Registration Statement for such offering, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise. The foregoing provisions of this Section 1.13 shall apply only to the Company's initial offering of equity securities, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holders if all officers, directors and greater than one percent (1%) stockholders of the Company enter into

similar agreements. The underwriters in connection with the Company's Initial Offering are intended third-party beneficiaries of this Section 1.13 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in the Company's Initial Offering that are consistent with this Section 1.13 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply to all Holders subject to such agreements pro rata based on the number of shares subject to such agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period. Notwithstanding the foregoing, if (i) during the last seventeen (17) days of the one hundred eighty (180)-day restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (ii) prior to the expiration of the one hundred eighty (180)-day restricted period, the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the one hundred eighty (180)-day period, the restrictions imposed by this Section 1.13 shall continue to apply until the expiration of the eighteen (18)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

(b) Each Holder agrees that a legend reading substantially as follows shall be placed on all certificates representing all Registrable Securities of each Holder (and the shares or securities of every other person subject to the restriction contained in this Section 1.13):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD AFTER THE EFFECTIVE DATE OF THE ISSUER'S REGISTRATION STATEMENT FILED UNDER THE ACT, AS AMENDED, AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.

1.14 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 1 (a) after four (4) years following the consummation of the Initial Offering, (b) as to any Holder, such earlier time after the Initial Offering at which such Holder (i) can sell all shares held by it in compliance with Rule 144(b)(1)(i) or (ii) holds one percent (1%) or less of the Company's outstanding Common Stock and all Registrable Securities held by such Holder (together with any Affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any three (3) month period without registration in compliance with Rule 144 or (c) after the consummation of a Liquidation Event, as that term is defined in the Restated Certificate.

2. Covenants of the Company.

2.1 Delivery of Financial Statements. The Company shall, upon request, deliver to each Investor (or transferee of an Investor) that holds at least 4,000,000 shares of Registrable Securities (appropriately adjusted for any stock split, dividend, combination or other recapitalization) (a "Major Investor"):

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholders' equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, and audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement, statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(c) within thirty (30) days of the end of each month, an unaudited income statement and statement of cash flows for such month, and an unaudited balance sheet as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP) and with a comparison to plan;

(d) as soon as practicable, but in any event prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets, income statements and statements of cash flows for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company; and

(e) as soon as practicable but in any event within thirty (30) days after the end of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the recipient to calculate their respective percentage equity ownership in the Company.

2.2 Inspection. The Company shall permit each Major Investor, at such Major Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information that it reasonably considers to be a trade secret or similar confidential information until the Major Investor signs a confidentiality agreement in a form reasonably acceptable to the Company.

2.3 Termination of Information and Inspection Covenants. The covenants set forth in Sections 2.1 and 2.2 shall terminate and be of no further force or effect upon the earlier to occur of (i) the consummation of a Qualified Public Offering (as defined in the Restated Certificate) or (ii) the consummation of a Liquidation Event, (as defined in Restated Certificate).

2.4 Right of First Offer. Subject to the terms and conditions specified in this Section 2.4, the Company hereby grants to each Major Investor a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.4, the term "Major Investor" includes any general partners and affiliates of a Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted it among itself and its partners and Affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, its capital stock (including, without limitation, any unit of debt or equity securities) ("Shares"), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice in accordance with Section 3.5 ("Notice") to the Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered and (iii) the price and terms upon which it proposes to offer such Shares.

(b) By written notification received by the Company within twenty (20) calendar days after the giving of Notice, each Major Investor may elect to purchase, at the price and on the terms specified in the Notice, up to that portion of such Shares that equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion of Preferred Stock then held, by such Investor bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion and exercise of all convertible and exercisable securities then outstanding). The Company shall promptly, in writing, inform each Major Investor that elects to purchase all the shares available to it (a "Fully-Exercising Major Investor") of any other Major Investor's failure to do likewise. During the ten (10) day period commencing after such information is given, each Fully-Exercising Major Investor may elect to purchase that portion of the Shares for which Major Investors were entitled to subscribe, but which were not subscribed for by the Major Investors, that is equal to the proportion that the number of shares of Common Stock held by such Fully-Exercising Major Investor (assuming full conversion and exercise of all convertible and exercisable securities then outstanding) bears to the number of shares of Common Stock held by all Fully-Exercising Major Investors (assuming full conversion and exercise of all convertible and exercisable securities then outstanding).

(c) If all Shares that Major Investors are entitled to obtain pursuant to subsection 2.4(b) are not elected to be obtained as provided in subsection 2.4(b) hereof, the Company may, during the ninety (90) day period following the expiration of the period provided in subsection 2.4(b) hereof, offer the remaining unsubscribed portion of such Shares to any person or persons at a price not less than that, and upon terms no more favorable to the offeree than those, specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within sixty (60) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this Section 2.4 shall not be applicable to (i) the issuance or sale of shares of Common Stock (or options therefor) to employees, directors, consultants and other service providers for the primary purpose of soliciting or retaining their services pursuant to plans or agreements approved by the Company's Board of Directors (which approval shall include the affirmative vote of the Series 4 Director, Series 5 Director or Series 6 Director (each as defined in that certain Amended and Restated Voting Agreement, by and between the Company and certain stockholders, dated as of the date hereof, collectively, the "Preferred Directors"); (ii) the issuance of securities pursuant to a bona fide, firmly underwritten public offering of shares of Common Stock registered under the Act, (iii) the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities outstanding as of the date hereof, (iv) the issuance of securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, approved by the Company's Board of Directors (which approval shall include the vote of a Preferred Director), (v) the issuance and sale of Series 6 Preferred Stock pursuant to the Series 6 Purchase Agreement, (vi) the issuance of stock, warrants or other securities or rights to persons or entities with which the Company has business relationships, provided such issuances are primarily for non-equity financing purposes (which approval shall include the affirmative vote of a Preferred Director), or (vii) the issuance of securities to non-Affiliates that are specifically deemed not to be subject to the right of first offer in this Section 2.4 by the written consent or affirmative vote of the Major Investors holding greater than fifty percent (50%) of the Registrable Securities then held by all Major Investors. In addition to the foregoing, the right of first offer in this Section 2.4 shall not be applicable with respect to any Investor in any subsequent offering of Shares if (i) at the time of such offering, the Investor is not an "accredited investor," as that term is then defined in Rule 501(a) of the Act and (ii) such offering of Shares is otherwise being offered only to accredited investors.

(e) The rights provided in this Section 2.4 may not be assigned or transferred by any Major Investor; provided, however, that a Major Investor that is a venture capital fund may assign or transfer such rights to its Affiliates.

(f) The covenants set forth in this Section 2.4 shall terminate and be of no further force or effect upon the consummation of (i) a Qualified Public Offering or (ii) a Liquidation Event.

2.5 D&O Insurance. The Company shall have in place at all times at least $5,000,000 in directors and officers insurance policies or an amount approved by the Board of Directors, including a majority of the Preferred Directors.

2.6 Proprietary Information and Inventions Agreements. The Company shall require all employees and consultants with access to confidential information to execute and deliver a Proprietary Information and Inventions Agreement in substantially the form approved by the Company's Board of Directors.

2.7 Employee Agreements. Unless approved by the Board of Directors of the Company, all future employees of the Company who shall purchase, or receive options to purchase, shares of Common Stock following the date hereof shall be required to execute stock purchase or option agreements providing for (a) vesting of shares over a four (4) year period with the first twenty five percent (25%) of such shares vesting following twelve (12) months of continued employment or services, and the remaining shares vesting in equal monthly installments over the following thirty six (36) months thereafter and (b) a one hundred and eighty (180)-day lockup period (plus an additional period of up to eighteen (18) days) in connection with the Company's initial public offering; provided, however, that all future equity issuances to current employees of the Company may vest in equal monthly installments over a forty eight (48) month period; provided further, however, that all future equity issuances to current employees of the Company that have not provided twelve (12) months of continued employment or services to the Company shall provide for vesting of shares over a four (4) year period with the first twenty five percent (25%) of such shares following twelve (12) months of continued employment or services. The Company shall retain a right of first refusal on transfers until the Company's initial public offering and the right to repurchase unvested shares at cost. Notwithstanding the foregoing, any future grants of Common Stock equivalents to Jeffrey Dunn, Leonard Rudolf or Mark Reiley (collectively, the "Founders") shall provide that all of such unvested Common Stock equivalents held by a Founder shall vest immediately upon a change of control transaction where the stockholders of the Company immediately prior to the consummation of such transaction do not own 50% of the shares of capital stock of the surviving entity, provided that the Founder agrees to work for the acquirer or the surviving entity to facilitate an integration of the Company into the acquirer or surviving entity for a period not to exceed six (6) months unless otherwise agreed to by the Founder, the Company and the acquirer or surviving entity.

2.8 Preservation of Qualified Small Business Stock Status. The Company shall use commercially reasonable efforts to not take, or fail to take, any action which would cause the Preferred Stock (or Common Stock issuable upon conversion of Preferred Stock (the "IOC Common")) to fail to qualify as "qualified small business stock" within the meaning of Sections 1045 and 1202 of the Code and Sections 18152.5 and 18038.5 of the California Revenue and Taxation Code; provided that, notwithstanding the foregoing, the Company shall not be obligated to take any action, or refrain from any action, which the Board of Directors, including at least one Preferred Director, approves after taking into consideration the relevant "qualified small business stock" issues. In the event that the Company is or becomes aware that the Preferred Stock and/or IOC Common will or may fail to qualify as "qualified small business stock" within the meaning of Sections 1045 and 1202 of the Code or Sections 18152.5 and 18038.5 of the California Revenue and Taxation Code, the Company will promptly notify the holders of the Preferred Stock and/or IOC Common and will take such action as may be reasonably requested by such holders to avoid any loss of benefit attributable to such change.

2.9 Board Expenses. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors.

2.10 Termination of Certain Covenants. The covenants set forth in Sections 2.5, 2.6, 2.7, 2.8 and 2.9 shall terminate and be of no further force or effect upon the consummation of (i) a Qualified Public Offering or (ii) a Liquidation Event.

3. Miscellaneous.

3.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents entered into and to be performed entirely within Delaware.

3.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt and (ii) for persons located outside the United States, two (2) business days after deposit with an internationally recognized overnight courier, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 3.5).

3.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 Entire Agreement; Amendments and Waivers. This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof. Any term of this Agreement (other than Section 2.1, Section 2.2, Section 2.3, Section 2.4 and 3.10) may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of at least a majority of the voting power (as determined in accordance with Section IV(B)(5)(a) of the Restated Certificate) of Preferred Stock outstanding (voting together as a single class and on an as-converted to common basis). The provisions of Section 2.1, Section 2.2, Section 2.3 and Section 2.4 may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of (i) at least a majority of the voting power (as determined in accordance with Section IV(B)(5)(a) of the Restated Certificate) of Preferred Stock outstanding that is held by all of the Major Investors (voting together as a single class and on an as-converted to common basis) and (ii) 70% of the Series 6 Preferred Stock then outstanding (voting as a separate class and on an as-converted to common basis). The provisions of Section 3.10 may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of Novo A/S. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Major Investor without the written consent of such Major Investor, unless such amendment, termination, or waiver applies to all Major Investors in the same fashion (it being agreed that a waiver of the provisions of Section 2.4 with respect to a particular transaction shall be deemed to apply to all Major Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Major Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities, each future holder of all such securities, and the Company.

3.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision(s) shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

3.9 Aggregation of Stock. All securities held or acquired by affiliated entities (including affiliated venture capital funds) or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

3.10 Limitation of Liability; Freedom to Operate Affiliates. The total 3.10 liability, in the aggregate, of any of Novo A/S and its respective officers, directors, employees and agents, for any and all monetary claims, losses, costs or damages, including attorneys' and accountants' fees and expenses and costs of any nature whatsoever or claims or expenses resulting from or in any way related to this Agreement from any cause or causes shall be several and not joint with the other Stockholders and shall not exceed the total purchase price paid to the Company by Novo A/S for Shares (as defined in the Purchase Agreement) under the Purchase Agreement. It is intended that this limitation apply to any and all monetary liabilities or causes of action however alleged or arising, unless otherwise prohibited by law; provided, however, that this Section 3.10 shall in no way limit the Company's right to equitable relief, including injunctive relief and specific performance from Novo A/S. Nothing in this Agreement or the Ancillary Agreements (as defined in the Purchase Agreement) shall restrict Novo A/S's freedom to operate any of its affiliates (including any such affiliate that is a potential competitor of the Company).

3.11 Termination of Prior Agreement. Upon the effectiveness of this Agreement, the Prior Rights Agreement shall terminate and be of no further force and effect, and shall be superseded and replaced in its entirety by this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

SI-BONE, INC.

By: /s/ Jeffery Dunn
Name: Jeffrey Dunn
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

INVESTOR:

SKYLINE VENTURE PARTNERS V, L.P.

By: Skyline Venture Management V, LLC
Its: General Partner

By: /s/ John G. Freund
John G. Freund
Its: Managing Director

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

MONTREUX EQUITY PARTNERS IV, LP

By: Montreux Equity Management IV, LLC, its General Partner

By: /s/ John Savarese
Name: John Savarese
Title: Managing Member

MONTREUX IV ASSOCIATES, L.L.C.

By: Montreux Equity Management IV, LLC, its General Partner

By: /s/ Daniel K. Turner
Name: Daniel K. Turner
Title: Managing Member

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

G&H PARTNERS

By: /s/ Jonathan Gleason
Name: Jonathan Gleason

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

ISAAC APPLBAUM

/s/ Isaac Applbaum

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

RICHARD W. DUNN

/s/ Richard W. Dunn

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

NOVO A/S

By: /s/ Thomas Dyrberg
Name: Thomas Dyrberg
Title: Senior Partner

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

OrbiMed Private Investments V, LP

By: OrbiMed Capital GP V LLC,
its General Partner

By: OrbiMed Advisors LLC,
its Managing Member

By: /s/ Carl Gordon
Name: Carl Gordon
Title: Member

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

GREGORY K. HINCKLEY AND MARY C. HINCKLEY AS COMMUNITY PROPERTY WITH THE RIGHT OF SURVIVORSHIP

By: /s/ Mary C. Hinckley

By: /s/ Gregory K. Hinckley

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

TIMOTHY E. DAVIS, JR.

/s/ Timothy E. Davis, Jr.

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

THE DENNIS M. VAUGHAN REVOCABLE TRUST, DENNIS M. VAUGHAN TTEE

By: /s/ Dennis M. Vaughn
Name: Dennis M. Vaughn
Title: TTEE

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

ANNETTE BLANDFORD & TERESA E. JOHNSON

/s/ Annette Blandford

/s/ Teresa E. Johnson

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first above written.

JAY CHATHAM

/s/ Jay Chatham

Exhibit 10.2

SI-BONE, INC.

2008 STOCK PLAN

ADOPTED ON APRIL 2, 2008

AMENDED ON JUNE 20, 2009, DECEMBER 15, 2009, AUGUST 3, 2010, JUNE 24, 2011, SEPTEMBER 19, 2011, JANUARY 16, 2014, APRIL 21, 2014, AND APRIL 15, 2015

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SI-BONE, INC. 2008 STOCK PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares of the Company's Stock. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may include Nonstatutory Options as well as ISOs intended to qualify under Section 422 of the Code.

Capitalized terms are defined in Section 12.

SECTION 2. ADMINISTRATION.

(a) Committees of the Board of Directors. The Plan may be administered by one or more Committees. Each Committee shall consist of one or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Plan. Any reference to the Board of Directors in the Plan shall be construed as a reference to the Committee (if any) to whom the Board of Directors has assigned a particular function.

(b) Authority of the Board of Directors. Subject to the provisions of the Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all Purchasers, all Optionees and all persons deriving their rights from a Purchaser or Optionee.

SECTION 3. ELIGIBILITY.

(a) General Rule. Only Employees, Outside Directors and Consultants shall be eligible for the grant of Nonstatutory Options or the direct award or sale of Shares. Only Employees shall be eligible for the grant of ISOs.

(b) Ten-Percent Stockholders. A person who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries shall not be eligible for the grant of an ISO unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the date of grant and (ii) such ISO by its terms is not exercisable after the expiration of five years from the date of grant. For purposes of this Subsection (b), in determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 4. STOCK SUBJECT TO PLAN.

(a) Basic Limitation. Not more than 78,813,033[1] Shares may be issued under the Plan (subject to Subsection (b) below and Section 8(a)). All of these Shares may be issued upon the exercise of ISOs. The number of Shares that are subject to Options or other rights outstanding at any time under the Plan shall not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan. Shares offered under the Plan may be authorized but unissued Shares or treasury Shares.

(b) Additional Shares. In the event that Shares previously issued under the Plan are reacquired by the Company, such Shares shall be added to the number of Shares then available for issuance under the Plan. In the event that an outstanding Option or other right for any reason expires or is canceled, the Shares allocable to the unexercised portion of such Option or other right shall be added to the number of Shares then available for issuance under the Plan.

SECTION 5. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) Stock Purchase Agreement. Each award or sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Purchaser and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Purchase Agreement. The provisions of the various Stock Purchase Agreements entered into under the Plan need not be identical.

(b) Duration of Offers and Nontransferability of Rights. Any right to acquire Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days after the grant of such right was communicated to the Purchaser by the Company. Such right shall not be transferable and shall be exercisable only by the Purchaser to whom such right was granted.

(c) Purchase Price. The Board of Directors shall determine the Purchase Price of Shares to be offered under the Plan at its sole discretion. The Purchase Price shall be payable in a form described in Section 7.

(d) Withholding Taxes. As a condition to the purchase of Shares, the Purchaser shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such purchase.

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1 Reflects the adoption of 1,470,577 shares under the Plan approved by the Board of Directors on April 2, 2008, the 5,500,000-share increase approved by the Board of Directors on June 20, 2009, the 7,000,000-share increase approved by the Board of Directors on December 15, 2009, the 19,809,567-share increase approved by the Board of Directors on August 3, 2010, the 2,500,000-share increase approved by the Board of Directors on June 24, 2011, the 11,538,771-share increase approved by the Board of Directors on September 19, 2011, the 5,000,000-share increase approved by the Board of Directors on January 16, 2014, the 13,765,858-share increase approved by the Board of Directors on April 21, 2014, and the 12,228,260-share increase approved by the Board of Directors on April 15, 2015.

(e) Restrictions on Transfer of Shares. Any Shares awarded or sold under the Plan shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. The Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(c) Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of any Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant, and in the case of an ISO a higher percentage may be required by Section 3(b). Subject to the preceding sentence, the Exercise Price shall be determined by the Board of Directors at its sole discretion. The Exercise Price shall be payable in a form described in Section 7.

(d) Exercisability. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. No Option shall be exercisable unless the Optionee (i) has delivered an executed copy of the Stock Option Agreement to the Company or (ii) otherwise agrees to be bound by the terms of the Stock Option Agreement. The Board of Directors shall determine the exercisability provisions of the Stock Option Agreement at its sole discretion. All of an Optionee's Options shall become exercisable in full if Section 8(b)(iv) applies.

(e) Basic Term. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the date of grant, and in the case of an ISO a shorter term may be required by Section 3(b). Subject to the preceding sentence, the Board of Directors at its sole discretion shall determine when an Option is to expire.

(f) Termination of Service (Except by Death). If an Optionee's Service terminates for any reason other than the Optionee's death, then the Optionee's Options shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (e) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability, or such later date as the Board of Directors may determine; or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability, or such later date as the Board of Directors may determine.

The Optionee may exercise all or part of the Optionee's Options at any time before the expiration of such Options under the preceding sentence, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination). The balance of such Options shall lapse when the Optionee's Service terminates. In the event that the Optionee dies after the termination of the Optionee's Service but before the expiration of the Optionee's Options, all or part of such Options may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination).

(g) Leaves of Absence. For purposes of Subsection (f) above, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of Service for this purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

(h) Death of Optionee. If an Optionee dies while the Optionee is in Service, then the Optionee's Options shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (e) above; or

(ii) The date 12 months after the Optionee's death, or such later date as the Board of Directors may determine.

All or part of the Optionee's Options may be exercised at any time before the expiration of such Options under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's death (or became exercisable as a result of the death) and the underlying Shares had vested before the Optionee's death (or vested as a result of the Optionee's death). The balance of such Options shall lapse when the Optionee dies.

(i) Restrictions on Transfer of Shares. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(j) Transferability of Options. An Option shall be transferable by the Optionee only by (i) a beneficiary designation, (ii) a will or (iii) the laws of descent and distribution, except as provided in the next sentence. If the applicable Stock Option Agreement so provides, a Nonstatutory Option shall also be transferable by gift or domestic relations order to a Family Member of the Optionee. An ISO may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative.

(k) Withholding Taxes. As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(l) No Rights as a Stockholder. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Shares covered by the Optionee's Option until such person becomes entitled to receive such Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(m) Modification, Extension and Assumption of Options. Within the limitations of the Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee's rights or increase the Optionee's obligations under such Option.

SECTION 7. PAYMENT FOR SHARES.

(a) General Rule. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in this Section 7.

(b) Services Rendered. At the discretion of the Board of Directors, Shares may be awarded under the Plan in consideration of services rendered to the Company, a Parent or a Subsidiary prior to the award.

(c) Promissory Note. At the discretion of the Board of Directors, all or a portion of the Purchase Price or Exercise Price (as the case may be) of Shares issued under the Plan may be paid with a full-recourse promissory note. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note.

(d) Surrender of Stock. At the discretion of the Board of Directors, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when the Option is exercised.

(e) Exercise/Sale. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company.

(f) Other Forms of Payment. To the extent that a Stock Purchase Agreement or Stock Option Agreement so provides, the Purchase Price or Exercise Price of Shares issued under the Plan may be paid in any other form permitted by the Delaware General Corporation Law, as amended.

SECTION 8. ADJUSTMENT OF SHARES.

(a) General. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a reclassification, or any other increase or decrease in the number of issued shares of Stock effected without receipt of consideration by the Company, proportionate adjustments shall automatically be made in each of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option and (iii) the Exercise Price under each outstanding Option. In the event of a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Stock, a recapitalization, a spin-off, or a similar occurrence, the Board of Directors at its sole discretion may make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option or (iii) the Exercise Price under each outstanding Option; provided, however, that the Board of Directors shall in any event make such adjustments as may be required by Section 25102(o) of the California Corporations Code.

(b) Mergers and Consolidations. In the event that the Company is a party to a merger or consolidation, all Shares acquired under the Plan and all Options shall be subject to the agreement of merger or consolidation. Such agreement need not treat all Options in an identical manner, and it shall provide for one or more of the following with respect to each Option:

(i) The continuation of the Option by the Company (if the Company is the surviving corporation).

(ii) The assumption of the Option by the surviving corporation or its parent in a manner that complies with Section 424(a) of the Code (whether or not the Option is an ISO).

(iii) The substitution by the surviving corporation or its parent of a new option for the Option in a manner that complies with Section 424(a) of the Code (whether or not the Option is an ISO).

(iv) Full exercisability of the Option and full vesting of the Shares subject to the Option, followed by the cancellation of the Option. The full exercisability of the Option and full vesting of the Shares subject to the Option may be contingent on the closing of such merger or consolidation. The Optionee shall be able to exercise the Option during a period of not less than five full business days preceding the closing date of such merger or consolidation, unless (A) a shorter period is required to permit a timely closing of such merger or consolidation and (B) such shorter period still offers the Optionee a reasonable opportunity to exercise the Option. Any exercise of the Option during such period may be contingent on the closing of such merger or consolidation.

(v) The cancellation of the Option and a payment to the Optionee equal to the excess of (A) the Fair Market Value of the Shares subject to the Option (whether or not the Option is then exercisable or such Shares are then vested) as of the closing date of such merger or consolidation over (B) the Exercise Price of the Option. Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving corporation or its parent with a Fair Market Value equal to the required amount. Subject to Section 409A of the Code, such payment may be made in installments and may be deferred until the date or dates when the Option would have become exercisable or such Shares would have vested. Such payment may be subject to vesting based on the Optionee's continuing Service, provided that the vesting schedule shall not be less favorable to the Optionee than the schedule under which the Option would have become exercisable or such Shares would have vested. If the Exercise Price of the Shares subject to the Option exceeds the Fair Market Value of such Shares, then the Option may be cancelled without making a payment to the Optionee. For purposes of this Paragraph (v), the Fair Market Value of any security shall be determined without regard to any vesting conditions that may apply to such security.

(c) Reservation of Rights. Except as provided in this Section 8, an Optionee or Purchaser shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 9. SECURITIES LAW REQUIREMENTS.

Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

SECTION 10. NO RETENTION RIGHTS.

Nothing in the Plan or in any right or Option granted under the Plan shall confer upon the Purchaser or Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Purchaser or Optionee) or of the Purchaser or Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

SECTION 11. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to the approval of the Company's stockholders. If the stockholders fail to approve the Plan within 12 months after its adoption by the Board of Directors, then any grants, exercises or sales that have already occurred under the Plan shall be rescinded and no additional grants, exercises or sales shall thereafter be made under the Plan. The Plan shall terminate automatically 10 years after the later of (i) the date when the Board of Directors adopted the Plan or (ii) the date when the Board of Directors approved the most recent increase in the number of Shares reserved under Section 4 that was also approved by the Company's stockholders. The Plan may be terminated on any earlier date pursuant to Subsection (b) below.

(b) Right to Amend or Terminate the Plan. The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason; provided, however, that any amendment of the Plan shall be subject to the approval of the Company's stockholders if it (i) increases the number of Shares available for issuance under the Plan (except as provided in Section 8) or (ii) materially changes the class of persons who are eligible for the grant of ISOs. Stockholder approval shall not be required for any other amendment of the Plan. If the stockholders fail to approve an increase in the number of Shares reserved under Section 4 within 12 months after its adoption by the Board of Directors, then any grants, exercises or sales that have already occurred in reliance on such increase shall be rescinded and no additional grants, exercises or sales shall thereafter be made in reliance on such increase.

(c) Effect of Amendment or Termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

SECTION 12. DEFINITIONS.

(a) **"Board of Directors"** shall mean the Board of Directors of the Company, as constituted from time to time.

(b) **"Code**" shall mean the Internal Revenue Code of 1986, as amended.

(c) **"Committee**" shall mean a committee of the Board of Directors, as described in Section 2(a).

(d) **"Company**" shall mean SI-BONE, Inc., a Delaware corporation.

(e) **"Consultant**" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(f) **"Disability**" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(g) **"Employee**" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(h) **"Exercise Price**" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Board of Directors in the applicable Stock Option Agreement.

(i) **"Fair Market Value**" shall mean the fair market value of a Share, as determined by the Board of Directors in accordance with applicable law. Such determination shall be conclusive and binding on all persons.

(j) **"Family Member**" shall mean (i) any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, (ii) any person sharing the Optionee's household (other than a tenant or employee), (iii) a trust in which persons described in Clause (i) or (ii) have more than 50% of the beneficial interest, (iv) a foundation in which persons described in Clause (i) or (ii) or the Optionee control the management of assets and (v) any other entity in which persons described in Clause (i) or (ii) or the Optionee own more than 50% of the voting interests.

(k) **"ISO**" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(l) **"Nonstatutory Option**" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(m) **"Option**" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(n) **"Optionee**" shall mean a person who holds an Option.

(o) **"Outside Director**" shall mean a member of the Board of Directors who is not an Employee.

(p) **"Parent**" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(q) **"Plan**" shall mean this SI-BONE, Inc. 2008 Stock Plan.

(r) **"Purchase Price**" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Board of Directors.

(s) **"Purchaser**" shall mean a person to whom the Board of Directors has offered the right to acquire Shares under the Plan (other than upon exercise of an Option).

(t) **"Service**" shall mean service as an Employee, Outside Director or Consultant.

(u) **"Share**" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(v) **"Stock**" shall mean the Series 1 Common Stock of the Company.

(w) **"Stock Option Agreement**" shall mean the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to the Optionee's Option.

(x) **"Stock Purchase Agreement**" shall mean the agreement between the Company and a Purchaser who acquires Shares under the Plan that contains the terms, conditions and restrictions pertaining to the acquisition of such Shares.

(y) **"Subsidiary**" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

SI-BONE, INC. 2008 STOCK PLAN

NOTICE OF STOCK OPTION GRANT

The Optionee has been granted the following option to purchase shares of the Series 1 Common Stock of SI-BONE, Inc.:

Name of Optionee:	«Name»
Total Number of Shares:	«TotalShares»
Type of Option:	«ISO» Incentive Stock Option (ISO) «NSO» Nonstatutory Stock Option (NSO)
Exercise Price per Share:	$«PricePerShare»
Date of Grant:	«DateGrant»
Date Exercisable:	This option may be exercised with respect to the first 25% of the Shares subject to this option when the Optionee completes 12 months of continuous Service beginning with the Vesting Commencement Date set forth below. This option may be exercised with respect to an additional 1/48th of the Shares subject to this option when the Optionee completes each month of continuous Service thereafter.
Vesting Commencement Date:	«VestComDate»
Expiration Date:	«ExpDate». This option expires earlier if the Optionee's Service terminates earlier, as provided in Section 6 of the Stock Option Agreement.

By signing below, the Optionee and the Company agree that this option is granted under, and governed by the terms and conditions of, the 2008 Stock Plan and the Stock Option Agreement. Both of these documents are attached to, and made a part of, this Notice of Stock Option Grant. **Section 13 of the Stock Option Agreement includes important acknowledgements of the Optionee**.

OPTIONEE:

_____

SI-BONE, Inc.

By: _____

Title: _____

THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

SI-BONE, INC. 2008 STOCK PLAN:
STOCK OPTION AGREEMENT

SECTION 1. GRANT OF OPTION.

(a) Option. On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies). This option is intended to be an ISO or an NSO, as provided in the Notice of Stock Option Grant.

(b) $100,000 Limitation. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the $100,000 annual limitation under Section 422(d) of the Code.

(c) Stock Plan and Defined Terms. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 14 of this Agreement.

SECTION 2. RIGHT TO EXERCISE.

(a) Exercisability. Subject to Subsection (b) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant. In addition, this option shall become exercisable in full if Section 8(b)(iv) of the Plan applies.

(b) Stockholder Approval. Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company’s stockholders.

SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) Notice of Exercise. The Optionee or the Optionee's representative may exercise this option by giving written notice to the Company pursuant to Section 12(c). The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised and the form of payment. The person exercising this option shall sign the notice. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Company, at the time of giving the notice, payment in a form permissible under Section 5 for the full amount of the Purchase Price.

(b) Issuance of Shares. After receiving a proper notice of exercise, the Company shall cause to be issued one or more certificates evidencing the Shares for which this option has been exercised. Such Shares shall be registered (i) in the name of the person exercising this option, (ii) in the names of such person and his or her spouse as community property or as joint tenants with the right of survivorship or (iii) with the Company's consent, in the name of a revocable trust. The Company shall cause such certificates to be delivered to or upon the order of the person exercising this option.

(c) Withholding Taxes. In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the disposition of Shares purchased by exercising this option.

SECTION 5. PAYMENT FOR STOCK.

(a) Cash. All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) Surrender of Stock. At the discretion of the Board of Directors, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when this option is exercised.

(c) Exercise/Sale. All or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company. However, payment pursuant to this Subsection (c) shall be permitted only if (i) Stock then is publicly traded and (ii) such payment does not violate applicable law.

SECTION 6. TERM AND EXPIRATION.

(a) Basic Term. This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) Termination of Service (Except by Death). If the Optionee's Service terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability; or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable before the Optionee's Service terminated. When the Optionee's Service terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable. In the event that the Optionee dies after termination of Service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's Service terminated.

(c) Death of the Optionee. If the Optionee dies while in Service, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above; or

(ii) The date 12 months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death. When the Optionee dies, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable.

(d) Part-Time Employment and Leaves of Absence. If the Optionee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's part-time work policy or the terms of an agreement between the Optionee and the Company pertaining to his or her part-time schedule. If the Optionee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue for any purpose under this Agreement while the Optionee is on a ***bona fide*** leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Optionee immediately returns to active work.

(e) Notice Concerning ISO Treatment. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent that it is exercised:

(i) More than three months after the date when the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22(e)(3) of the Code);

(ii) More than 12 months after the date when the Optionee ceases to be an Employee by reason of permanent and total disability (as defined in Section 22(e)(3) of the Code); or

(iii) More than three months after the date when the Optionee has been on a leave of absence for 90 days, unless the Optionee's reemployment rights following such leave were guaranteed by statute or by contract.

SECTION 7. RIGHT OF FIRST REFUSAL.

(a) Right of First Refusal. In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) Transfer of Shares. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State and foreign securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) Additional or Exchanged Securities and Property. In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Shares subject to this Section 7 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 7.

(d) Termination of Right of First Refusal. Any other provision of this Section 7 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) Permitted Transfers. This Section 7 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Optionee's Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares acquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(f) Termination of Rights as Stockholder. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 7, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) Assignment of Right of First Refusal. The Board of Directors may freely assign the Company's Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company's rights and obligations under this Section 7.

SECTION 8. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

a. It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

b. Any applicable listing requirement of any stock exchange or other securities market on which Stock is listed has been satisfied; and

c. Any other applicable provision of federal, State or foreign law has been satisfied.

SECTION 9. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

SECTION 10. RESTRICTIONS ON TRANSFER OF SHARES.

(a) Securities Law Restrictions. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any State or any other law.

(b) Market Stand-Off. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee or a Transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement without the prior written consent of the Company or its managing underwriter. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act.

(c) Investment Intent at Grant. The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) Investment Intent at Exercise. In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available that requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

(e) Legends. All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) Removal of Legends. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) Administration. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 10 shall be conclusive and binding on the Optionee and all other persons.

SECTION 11. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation, this option shall be subject to the agreement of merger or consolidation, as provided in Section 8(b) of the Plan.

SECTION 12. MISCELLANEOUS PROVISIONS.

(a) Rights as a Stockholder. Neither the Optionee nor the Optionee's representative shall have any rights as a stockholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) No Retention Rights. Nothing in this option or in the Plan shall confer upon the Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) Notice. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Subsection (c).

(d) Entire Agreement. The Notice of Stock Option Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

(e) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 13. ACKNOWLEDGEMENTS OF THE OPTIONEE.

(a) Tax Consequences. The Optionee agrees that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes the Optionee's tax liabilities. The Optionee shall not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from this option or the Optionee's other compensation. In particular, the Optionee acknowledges that this option is exempt from Section 409A of the Code only if the Exercise Price is at least equal to the Fair Market Value per Share on the Date of Grant. Since Shares are not traded on an established securities market, the determination of their Fair Market Value is made by the Board of Directors or by an independent valuation firm retained by the Company. The Optionee acknowledges that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and the Optionee shall not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

(b) Electronic Delivery of Documents. The Optionee agrees that the Company may deliver by email all documents relating to the Plan or this option (including, without limitation, a copy of the Plan) and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Optionee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Optionee by email.

SECTION 14. DEFINITIONS.

(a) "Agreement" shall mean this Stock Option Agreement.

(b) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Committee" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(e) "Company" shall mean SI-BONE, Inc., a Delaware corporation.

(f) "Consultant" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(g) "Date of Grant" shall mean the date of grant specified in the Notice of Stock Option Grant, which date shall be the later of (i) the date on which the Board of Directors resolved to grant this option or (ii) the first day of the Optionee's Service.

(h) "Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(i) "Employee" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(j) "Exercise Price" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in the Notice of Stock Option Grant.

(k) "Fair Market Value" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(l) "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.

(m) "ISO" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(n) "Notice of Stock Option Grant" shall mean the document so entitled to which this Agreement is attached.

(o) "NSO" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(p) "Optionee" shall mean the person named in the Notice of Stock Option Grant.

(q) "Outside Director" shall mean a member of the Board of Directors who is not an Employee.

(r) "Parent" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) "Plan" shall mean the SI-BONE, Inc. 2008 Stock Plan, as in effect on the Date of Grant.

(t) "Purchase Price" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(u) "Right of First Refusal" shall mean the Company's right of first refusal described in Section 7.

(v) "Securities Act" shall mean the Securities Act of 1933, as amended.

(w) "Service" shall mean service as an Employee, Outside Director or Consultant.

(x) "Share" shall mean one share of Stock, as adjusted in accordance with Section 8 of the Plan (if applicable).

(y) "Stock" shall mean the Series 1 Common Stock of the Company.

(z) "Subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(aa) "Transferee" shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(bb) "Transfer Notice" shall mean the notice of a proposed transfer of Shares described in Section 7.

SI-BONE, INC. 2008 STOCK PLAN

NOTICE OF STOCK OPTION EXERCISE

You must sign this Notice on Page 3 before submitting it to the Company.

OPTIONEE INFORMATION:

Name: _____ Social Security Number: _____

Address: _____ Employee Number: _____

_____

OPTION INFORMATION:

Date of Grant: _____ ___, 20__

Exercise Price per Share: $ _____

Total number of shares of Series 1 Common Stock of SI-BONE, Inc. (the "Company") covered by the option:

_____

Type of Stock Option:

☐ Nonstatutory (NSO)

☐ Incentive (ISO)

EXERCISE INFORMATION:

Number of shares of Series 1 Common Stock of the Company for which the option is being exercised now: . (These shares are referred to below as the "Purchased Shares.")

Total Exercise Price for the Purchased Shares: $_____

Form of payment enclosed ***[check all that apply]***:

☐ Check for $, payable to "SI-BONE, Inc."

☐ Certificate(s) for shares of Series 1 Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. ***[Requires Company consent.]***

☐ Attestation Form covering shares of Series 1 Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. ***[Requires Company consent.]***

Name(s) in which the Purchased Shares should be registered ***[please review the attached explanation of the available forms of ownership, and then check one box]***:

☐ In my name only

☐ In the names of my spouse and myself as community property

☐ In the names of my spouse and myself as community property with the right of survivorship

My spouse's name (if applicable):

_____

☐ In the names of my spouse and myself as joint tenants with the right of survivorship

☐ In the name of an eligible revocable trust ***[requires Stock Transfer Agreement]***

Full legal name of revocable trust:

_____

_____

_____

The certificate for the Purchased Shares should be sent to the following address:

_____

_____

_____

_____

REPRESENTATIONS AND ACKNOWLEDGMENTS OF THE OPTIONEE:

SECTION 1. I REPRESENT AND WARRANT TO THE COMPANY THAT I AM ACQUIRING AND WILL HOLD THE PURCHASED SHARES FOR INVESTMENT FOR MY ACCOUNT ONLY, AND NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY "DISTRIBUTION" OF THE PURCHASED SHARES WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

SECTION 2. I UNDERSTAND THAT THE PURCHASED SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT BY REASON OF A SPECIFIC EXEMPTION THEREFROM AND THAT THE PURCHASED SHARES MUST BE HELD INDEFINITELY, UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OR I OBTAIN AN OPINION OF COUNSEL (IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY AND ITS COUNSEL) THAT REGISTRATION IS NOT REQUIRED.

SECTION 3. I ACKNOWLEDGE THAT THE COMPANY IS UNDER NO OBLIGATION TO REGISTER THE PURCHASED SHARES.

SECTION 4. I AM AWARE OF THE ADOPTION OF RULE 144 BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT, WHICH PERMITS LIMITED PUBLIC RESALES OF SECURITIES ACQUIRED IN A NON-PUBLIC OFFERING, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS. THESE CONDITIONS INCLUDE (WITHOUT LIMITATION) THAT CERTAIN CURRENT PUBLIC INFORMATION ABOUT THE ISSUER IS AVAILABLE, THAT THE RESALE OCCURS ONLY AFTER THE HOLDING PERIOD REQUIRED BY RULE 144 HAS BEEN SATISFIED, THAT THE SALE OCCURS THROUGH AN UNSOLICITED "BROKER'S TRANSACTION" AND THAT THE AMOUNT OF SECURITIES BEING SOLD DURING ANY THREE-MONTH PERIOD DOES NOT EXCEED SPECIFIED LIMITATIONS. I UNDERSTAND THAT THE CONDITIONS FOR RESALE SET FORTH IN RULE 144 HAVE NOT BEEN SATISFIED AND THAT THE COMPANY HAS NO PLANS TO SATISFY THESE CONDITIONS IN THE FORESEEABLE FUTURE.

SECTION 5. I WILL NOT SELL, TRANSFER OR OTHERWISE DISPOSE OF THE PURCHASED SHARES IN VIOLATION OF THE SECURITIES ACT, THE SECURITIES EXCHANGE ACT OF 1934, OR THE RULES PROMULGATED THEREUNDER, INCLUDING RULE 144 UNDER THE SECURITIES ACT.

SECTION 6. I ACKNOWLEDGE THAT I HAVE RECEIVED AND HAD ACCESS TO SUCH INFORMATION AS I CONSIDER NECESSARY OR APPROPRIATE FOR DECIDING WHETHER TO INVEST IN THE PURCHASED SHARES AND THAT I HAD AN OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS FROM THE COMPANY REGARDING THE TERMS AND CONDITIONS OF THE ISSUANCE OF THE PURCHASED SHARES.

SECTION 7. I AM AWARE THAT MY INVESTMENT IN THE COMPANY IS A SPECULATIVE INVESTMENT THAT HAS LIMITED LIQUIDITY AND IS SUBJECT TO THE RISK OF COMPLETE LOSS. I AM ABLE, WITHOUT IMPAIRING MY FINANCIAL CONDITION, TO HOLD THE PURCHASED SHARES FOR AN INDEFINITE PERIOD AND TO SUFFER A COMPLETE LOSS OF MY INVESTMENT IN THE PURCHASED SHARES.

SECTION 8. I ACKNOWLEDGE THAT THE PURCHASED SHARES REMAIN SUBJECT TO THE COMPANY'S RIGHT OF FIRST REFUSAL AND THE MARKET STAND-OFF (SOMETIMES REFERRED TO AS THE "LOCK-UP"), ALL IN ACCORDANCE WITH THE APPLICABLE NOTICE OF STOCK OPTION GRANT AND STOCK OPTION AGREEMENT.

SECTION 9. I ACKNOWLEDGE THAT I AM ACQUIRING THE PURCHASED SHARES SUBJECT TO ALL OTHER TERMS OF THE NOTICE OF STOCK OPTION GRANT AND STOCK OPTION AGREEMENT.

SECTION 10. I ACKNOWLEDGE THAT I HAVE RECEIVED A COPY OF THE COMPANY'S EXPLANATION OF THE FORMS OF OWNERSHIP AVAILABLE FOR MY PURCHASED SHARES. I ACKNOWLEDGE THAT THE COMPANY HAS ENCOURAGED ME TO CONSULT MY OWN ADVISER TO DETERMINE THE FORM OF OWNERSHIP THAT IS APPROPRIATE FOR ME. IN THE EVENT THAT I CHOOSE TO TRANSFER MY PURCHASED SHARES TO A TRUST, I AGREE TO SIGN A STOCK TRANSFER AGREEMENT. IN THE EVENT THAT I CHOOSE TO TRANSFER MY PURCHASED SHARES TO A TRUST THAT DOES NOT SATISFY THE REQUIREMENTS DESCRIBED IN THE ATTACHED EXPLANATION (I.E., A TRUST THAT IS NOT AN ELIGIBLE REVOCABLE TRUST), I ALSO ACKNOWLEDGE THAT THE TRANSFER WILL BE TREATED AS A "DISPOSITION" FOR TAX PURPOSES. AS A RESULT, THE FAVORABLE ISO TAX TREATMENT WILL BE UNAVAILABLE AND OTHER UNFAVORABLE TAX CONSEQUENCES MAY OCCUR.

SECTION 11. I ACKNOWLEDGE THAT I HAVE RECEIVED A COPY OF THE COMPANY'S EXPLANATION OF THE FEDERAL INCOME TAX CONSEQUENCES OF AN OPTION EXERCISE. I ACKNOWLEDGE THAT THE COMPANY HAS ENCOURAGED ME TO CONSULT MY OWN ADVISER TO DETERMINE THE TAX CONSEQUENCES OF ACQUIRING THE PURCHASED SHARES AT THIS TIME.

SECTION 12. I AGREE THAT THE COMPANY DOES NOT HAVE A DUTY TO DESIGN OR ADMINISTER THE 2008 STOCK PLAN OR ITS OTHER COMPENSATION PROGRAMS IN A MANNER THAT MINIMIZES MY TAX LIABILITIES. I WILL NOT MAKE ANY CLAIM AGAINST THE COMPANY OR ITS BOARD OF DIRECTORS, OFFICERS OR EMPLOYEES RELATED TO TAX LIABILITIES ARISING FROM MY OPTIONS OR MY OTHER COMPENSATION. IN PARTICULAR, I ACKNOWLEDGE THAT MY OPTIONS ARE EXEMPT FROM SECTION 409A OF THE INTERNAL REVENUE CODE ONLY IF THE EXERCISE PRICE PER SHARE IS AT LEAST EQUAL TO THE FAIR MARKET

VALUE PER SHARE OF THE COMPANY'S SERIES 1 COMMON STOCK AT THE TIME THE OPTION WAS GRANTED BY THE COMPANY'S BOARD OF DIRECTORS. SINCE SHARES OF THE COMPANY'S SERIES 1 COMMON STOCK ARE NOT TRADED ON AN ESTABLISHED SECURITIES MARKET, THE DETERMINATION OF THEIR FAIR MARKET VALUE WAS MADE BY THE COMPANY'S BOARD OF DIRECTORS OR BY AN INDEPENDENT VALUATION FIRM RETAINED BY THE COMPANY. I ACKNOWLEDGE THAT THERE IS NO GUARANTEE IN EITHER CASE THAT THE INTERNAL REVENUE SERVICE WILL AGREE WITH THE VALUATION, AND I WILL NOT MAKE ANY CLAIM AGAINST THE COMPANY OR ITS BOARD OF DIRECTORS, OFFICERS OR EMPLOYEES IN THE EVENT THAT THE INTERNAL REVENUE SERVICE ASSERTS THAT THE VALUATION WAS TOO LOW.

SECTION 13. I AGREE TO SEEK THE CONSENT OF MY SPOUSE TO THE EXTENT REQUIRED BY THE COMPANY TO ENFORCE THE FOREGOING.

SIGNATURE: _____ **DATE:** _____

SI-BONE, INC. 2008 STOCK PLAN

NOTICE OF STOCK OPTION GRANT (EARLY EXERCISE)

The Optionee has been granted the following option to purchase shares of the Series 1 Common Stock of SI-BONE, Inc.:

Name of Optionee:	«Name»
Total Number of Shares:	«TotalShares»
Type of Option:	«ISO» Incentive Stock Option (ISO) «NSO» Nonstatutory Stock Option (NSO)
Exercise Price per Share:	$«PricePerShare»
Date of Grant:	«DateGrant»
Date Exercisable:	This option may be exercised at any time after the Date of Grant for all or any part of the Shares subject to this option.
Vesting Commencement Date:	«VestComDate»
Vesting Schedule:	The Right of Repurchase shall lapse with respect to the first 25% of the Shares subject to this option when the Optionee completes 12 months of continuous Service beginning with the Vesting Commencement Date set forth above. The Right of Repurchase shall lapse with respect to an additional 1/48th of the Shares subject to this option when the Optionee completes each month of continuous Service thereafter.
Expiration Date:	«ExpDate». This option expires earlier if the Optionee's Service terminates earlier, as provided in Section 6 of the Stock Option Agreement.

By signing below, the Optionee and the Company agree that this option is granted under, and governed by the terms and conditions of, the 2008 Stock Plan and the Stock Option Agreement. Both of these documents are attached to, and made a part of, this Notice of Stock Option Grant. **Section 14 of the Stock Option Agreement includes important acknowledgements of the Optionee**.

OPTIONEE:

_____

SI-BONE, INC.

By: _____

Title: _____

THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

SI-BONE, INC. 2008 STOCK PLAN:
STOCK OPTION AGREEMENT

SECTION 1. GRANT OF OPTION.

(a) Option. On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies). This option is intended to be an ISO or an NSO, as provided in the Notice of Stock Option Grant.

(b) $100,000 Limitation. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the $100,000 annual limitation under Section 422(d) of the Code.

(c) Stock Plan and Defined Terms. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 15 of this Agreement.

SECTION 2. RIGHT TO EXERCISE.

(a) Exercisability. Subject to Subsection (b) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant. Shares purchased by exercising this option may be subject to the Right of Repurchase under Section 7.

(b) Stockholder Approval. Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company’s stockholders.

SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) Notice of Exercise. The Optionee or the Optionee's representative may exercise this option by giving written notice to the Company pursuant to Section 13(c). The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised and the form of payment. The person exercising this option shall sign the notice. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Company, at the time of giving the notice, payment in a form permissible under Section 5 for the full amount of the Purchase Price. In the event of a partial exercise of this option, Shares shall be deemed to have been purchased in the order in which they vest in accordance with the Notice of Stock Option Grant.

(b) Issuance of Shares. After receiving a proper notice of exercise, the Company shall cause to be issued one or more certificates evidencing the Shares for which this option has been exercised. Such Shares shall be registered (i) in the name of the person exercising this option, (ii) in the names of such person and his or her spouse as community property or as joint tenants with the right of survivorship or (iii) with the Company's consent, in the name of a revocable trust. In the case of Restricted Shares, the Company shall cause such certificates to be deposited in escrow under Section 7(c). In the case of other Shares, the Company shall cause such certificates to be delivered to or upon the order of the person exercising this option.

(c) Withholding Taxes. In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares purchased by exercising this option.

SECTION 5. PAYMENT FOR STOCK.

(a) Cash. All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) Surrender of Stock. At the discretion of the Board of Directors, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when this option is exercised.

(c) Exercise/Sale. All or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company. However, payment pursuant to this Subsection (c) shall be permitted only if (i) Stock then is publicly traded and (ii) such payment does not violate applicable law.

SECTION 6. TERM AND EXPIRATION.

(a) Basic Term. This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) Termination of Service (Except by Death). If the Optionee's Service terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability; or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option is exercisable for vested Shares on or before the date when the Optionee's Service terminates. When the Optionee's Service terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares. In the event that the Optionee dies after termination of Service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option was exercisable for vested Shares on or before the date when the Optionee's Service terminated.

(c) Death of the Optionee. If the Optionee dies while in Service, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above; or

(ii) The date 12 months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option is exercisable for vested Shares on or before the date of the Optionee's death. When the Optionee dies, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable and with respect to any Restricted Shares.

(d) Part-Time Employment and Leaves of Absence. If the Optionee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's part-time work policy or the terms of an agreement between the Optionee and the Company pertaining to his or her part-time schedule. If the Optionee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue for any purpose under this Agreement while the Optionee is on a ***bona fide*** leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Optionee immediately returns to active work.

(e) Notice Concerning ISO Treatment. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent that it is exercised:

(i) More than three months after the date when the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22(e)(3) of the Code);

(ii) More than 12 months after the date when the Optionee ceases to be an Employee by reason of permanent and total disability (as defined in Section 22(e)(3) of the Code); or

(iii) More than three months after the date when the Optionee has been on a leave of absence for 90 days, unless the Optionee's reemployment rights following such leave were guaranteed by statute or by contract.

SECTION 7. RIGHT OF REPURCHASE.

(a) Scope of Repurchase Right. Until they vest in accordance with the Notice of Stock Option Grant and Subsection (b) below, the Shares acquired under this Agreement shall be Restricted Shares and shall be subject to the Company's Right of Repurchase. The Company, however, may decline to exercise its Right of Repurchase or may exercise its Right of Repurchase only with respect to a portion of the Restricted Shares. The Company may exercise its Right of Repurchase only during the Repurchase Period following the termination of the Optionee's Service. The Right of Repurchase may

be exercised automatically under Subsection (d) below. If the Right of Repurchase is exercised, the Company shall pay the Optionee an amount equal to the lower of (i) the Exercise Price of each Restricted Share being repurchased or (ii) the Fair Market Value of such Restricted Share at the time the Right of Repurchase is exercised.

(b) Lapse of Repurchase Right. The Right of Repurchase shall lapse with respect to the Restricted Shares in accordance with the vesting schedule set forth in the Notice of Stock Option Grant.

(c) Escrow. Upon issuance, the certificate(s) for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any additional or exchanged securities or other property described in Subsection (f) below shall immediately be delivered to the Company to be held in escrow. All ordinary cash dividends on Restricted Shares (or on other securities held in escrow) shall be paid directly to the Optionee and shall not be held in escrow. Restricted Shares, together with any other assets held in escrow under this Agreement, shall be (i) surrendered to the Company for repurchase upon exercise of the Right of Repurchase or the Right of First Refusal or (ii) released to the Optionee upon his or her request to the extent that the Shares have ceased to be Restricted Shares (but not more frequently than once every six months). In any event, all Shares that have ceased to be Restricted Shares, together with any other vested assets held in escrow under this Agreement, shall be released within 90 days after the earlier of (i) the termination of the Optionee's Service or (ii) the lapse of the Right of First Refusal.

(d) Exercise of Repurchase Right. The Company shall be deemed to have exercised its Right of Repurchase automatically for all Restricted Shares as of the commencement of the Repurchase Period, unless the Company during the Repurchase Period notifies the holder of the Restricted Shares pursuant to Section 13(c) that it will not exercise its Right of Repurchase for some or all of the Restricted Shares. During the Repurchase Period, the Company shall pay to the holder of the Restricted Shares the purchase price determined under Subsection (a) above for the Restricted Shares being repurchased. Payment shall be made in cash or cash equivalents and/or by canceling indebtedness to the Company incurred by the Optionee in the purchase of the Restricted Shares. The certificate(s) representing the Restricted Shares being repurchased shall be delivered to the Company.

(e) Termination of Rights as Stockholder. If the Right of Repurchase is exercised in accordance with this Section 7 and the Company makes available the consideration for the Restricted Shares being repurchased, then the person from whom the Restricted Shares are repurchased shall no longer have any rights as a holder of the Restricted Shares (other than the right to receive payment of such consideration). Such Restricted Shares shall be deemed to have been repurchased pursuant to this Section 7, whether or not the certificate(s) for such Restricted Shares have been delivered to the Company or the consideration for such Restricted Shares has been accepted.

(f) Additional or Exchanged Securities and Property. In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares shall immediately be subject to the Right of Repurchase. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares. Appropriate adjustments shall also be made to the price per share to be paid upon the exercise of the Right of Repurchase, provided that the aggregate purchase price payable for the Restricted Shares shall remain the same. In the event of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, the Right of Repurchase may be exercised by the Company's successor.

(g) Transfer of Restricted Shares. The Optionee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares without the Company's written consent, except as provided in the following sentence. The Optionee may transfer Restricted Shares to one or more members of the Optionee's Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Restricted Shares, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(h) Assignment of Repurchase Right. The Board of Directors may freely assign the Company's Right of Repurchase, in whole or in part. Any person who accepts an assignment of the Right of Repurchase from the Company shall assume all of the Company's rights and obligations under this Section 7.

SECTION 8. RIGHT OF FIRST REFUSAL.

(a) Right of First Refusal. In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) Transfer of Shares. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State and foreign securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) Additional or Exchanged Securities and Property. In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Shares subject to this Section 8 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 8.

(d) Termination of Right of First Refusal. Any other provision of this Section 8 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) Permitted Transfers. This Section 8 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Optionee's Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares acquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(f) Termination of Rights as Stockholder. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 8, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) Assignment of Right of First Refusal. The Board of Directors may freely assign the Company's Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company's rights and obligations under this Section 8.

SECTION 9. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

a. It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

b. Any applicable listing requirement of any stock exchange or other securities market on which Stock is listed has been satisfied; and

c. Any other applicable provision of federal, State or foreign law has been satisfied.

SECTION 10. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

SECTION 11. RESTRICTIONS ON TRANSFER OF SHARES.

(a) Securities Law Restrictions. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any State or any other law.

(b) Market Stand-Off. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee or a Transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement without the prior written consent of the Company or its managing underwriter. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act.

(c) Investment Intent at Grant. The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) Investment Intent at Exercise. In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available that requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

(e) Legends. All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES AND CERTAIN REPURCHASE RIGHTS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) Removal of Legends. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) Administration. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on the Optionee and all other persons.

SECTION 12. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation, this option shall be subject to the agreement of merger or consolidation, as provided in Section 8(b) of the Plan.

SECTION 13. MISCELLANEOUS PROVISIONS.

(a) Rights as a Stockholder. Neither the Optionee nor the Optionee's representative shall have any rights as a stockholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) No Retention Rights. Nothing in this option or in the Plan shall confer upon the Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) Notice. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Subsection (c).

(d) Entire Agreement. The Notice of Stock Option Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

(e) Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, as such laws are applied to contracts entered into and performed in such State.

SECTION 14. ACKNOWLEDGEMENTS OF THE OPTIONEE.

(a) Tax Consequences. The Optionee agrees that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes the Optionee's tax liabilities. The Optionee shall not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from this option or the Optionee's other compensation. In particular, the Optionee acknowledges that this option is exempt from Section 409A of the Code only if the Exercise Price is at least equal to the Fair Market Value per Share on the Date of Grant. Since Shares are not traded on an established securities market, the determination of their Fair Market Value is made by the Board of Directors or by an independent valuation firm retained by the Company. The Optionee acknowledges that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and the Optionee shall not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

(b) Electronic Delivery of Documents. The Optionee agrees that the Company may deliver by email all documents relating to the Plan or this option (including, without limitation, a copy of the Plan) and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Optionee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Optionee by email.

SECTION 15. DEFINITIONS.

(a) "Agreement" shall mean this Stock Option Agreement.

(b) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Committee" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(e) "Company" shall mean SI-BONE, Inc., a Delaware corporation.

(f) "Consultant" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(g) "Date of Grant" shall mean the date of grant specified in the Notice of Stock Option Grant, which date shall be the later of (i) the date on which the Board of Directors resolved to grant this option or (ii) the first day of the Optionee's Service.

(h) "Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(i) "Employee" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(j) "Exercise Price" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in the Notice of Stock Option Grant.

(k) "Fair Market Value" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(l) "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.

(m) "ISO" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(n) "Notice of Stock Option Grant" shall mean the document so entitled to which this Agreement is attached.

(o) "NSO" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(p) "Optionee" shall mean the person named in the Notice of Stock Option Grant.

(q) "Outside Director" shall mean a member of the Board of Directors who is not an Employee.

(r) "Parent" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) "Plan" shall mean the SI-BONE, Inc. 2008 Stock Plan, as in effect on the Date of Grant.

(t) "Purchase Price" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(u) "Repurchase Period" shall mean a period of 90 consecutive days commencing on the date when the Optionee's Service terminates for any reason, including (without limitation) death or disability.

(v) "Restricted Share" shall mean a Share that is subject to the Right of Repurchase.

(w) "Right of First Refusal" shall mean the Company's right of first refusal described in Section 8.

(x) "Right of Repurchase" shall mean the Company's right of repurchase described in Section 7.

(y) "Securities Act" shall mean the Securities Act of 1933, as amended.

(z) "Service" shall mean service as an Employee, Outside Director or Consultant.

(aa) "Share" shall mean one share of Stock, as adjusted in accordance with Section 8 of the Plan (if applicable).

(bb) "Stock" shall mean the Series 1 Common Stock of the Company.

(cc) "Subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(dd) "Transferee" shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(ee) "Transfer Notice" shall mean the notice of a proposed transfer of Shares described in Section 8.

SI-BONE, INC. 2008 STOCK PLAN

NOTICE OF STOCK OPTION EXERCISE (EARLY EXERCISE)

You must sign this Notice on Page 3 before submitting it to the Company.

OPTIONEE INFORMATION:

Name: _____ Social Security Number: _____

Address: _____ Employee Number: _____

_____

OPTION INFORMATION:

Date of Grant: _____ ___, 20__

Exercise Price per Share: $_____

Total number of shares of Series 1 Common Stock of SI-BONE, Inc. (the "Company") covered by the option:

_____

Type of Stock Option:

☐ Nonstatutory (NSO)

☐ Incentive (ISO)

EXERCISE INFORMATION:

Number of shares of Series 1 Common Stock of the Company for which the option is being exercised now: . (These shares are referred to below as the "Purchased Shares.")

Total Exercise Price for the Purchased Shares: $_____

Form of payment enclosed ***[check all that apply]***:

☐ Check for $, payable to "SI-BONE, Inc."

☐ Certificate(s) for shares of Series 1 Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. ***[Requires Company consent.]***

☐ Attestation Form covering shares of Series 1 Common Stock of the Company. These shares will be valued as of the date this notice is received by the Company. ***[Requires Company consent.]***

Name(s) in which the Purchased Shares should be registered ***[please review the attached explanation of the available forms of ownership, and then check one box]***:

☐ In my name only

☐ In the names of my spouse and myself as community property

☐ In the names of my spouse and myself as community property with the right of survivorship

My spouse's name (if applicable): _____

☐ In the names of my spouse and myself as joint tenants with the right of survivorship

☐ In the name of an eligible revocable trust ***[requires Stock Transfer Agreement]***

Full legal name of revocable trust:

_____

_____

_____

The certificate for the Purchased Shares should be sent to the following address:

_____

_____

_____

_____

REPRESENTATIONS AND ACKNOWLEDGMENTS OF THE OPTIONEE:

SECTION 1. I REPRESENT AND WARRANT TO THE COMPANY THAT I AM ACQUIRING AND WILL HOLD THE PURCHASED SHARES FOR INVESTMENT FOR MY ACCOUNT ONLY, AND NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY "DISTRIBUTION" OF THE PURCHASED SHARES WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

SECTION 2. I UNDERSTAND THAT THE PURCHASED SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT BY REASON OF A SPECIFIC EXEMPTION THEREFROM AND THAT THE PURCHASED SHARES MUST BE HELD INDEFINITELY, UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OR I OBTAIN AN OPINION OF COUNSEL (IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY AND ITS COUNSEL) THAT REGISTRATION IS NOT REQUIRED.

SECTION 3. I ACKNOWLEDGE THAT THE COMPANY IS UNDER NO OBLIGATION TO REGISTER THE PURCHASED SHARES.

SECTION 4. I AM AWARE OF THE ADOPTION OF RULE 144 BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT, WHICH PERMITS LIMITED PUBLIC RESALES OF SECURITIES ACQUIRED IN A NON-PUBLIC OFFERING, SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS. THESE CONDITIONS INCLUDE (WITHOUT LIMITATION) THAT CERTAIN CURRENT PUBLIC INFORMATION ABOUT THE ISSUER IS AVAILABLE, THAT THE RESALE OCCURS ONLY AFTER THE HOLDING PERIOD REQUIRED BY RULE 144 HAS BEEN SATISFIED, THAT THE SALE OCCURS THROUGH AN UNSOLICITED "BROKER'S TRANSACTION" AND THAT THE AMOUNT OF SECURITIES BEING SOLD DURING ANY THREE-MONTH PERIOD DOES NOT EXCEED SPECIFIED LIMITATIONS. I UNDERSTAND THAT THE CONDITIONS FOR RESALE SET FORTH IN RULE 144 HAVE NOT BEEN SATISFIED AND THAT THE COMPANY HAS NO PLANS TO SATISFY THESE CONDITIONS IN THE FORESEEABLE FUTURE.

SECTION 5. I WILL NOT SELL, TRANSFER OR OTHERWISE DISPOSE OF THE PURCHASED SHARES IN VIOLATION OF THE SECURITIES ACT, THE SECURITIES EXCHANGE ACT OF 1934, OR THE RULES PROMULGATED THEREUNDER, INCLUDING RULE 144 UNDER THE SECURITIES ACT.

SECTION 6. I ACKNOWLEDGE THAT I HAVE RECEIVED AND HAD ACCESS TO SUCH INFORMATION AS I CONSIDER NECESSARY OR APPROPRIATE FOR DECIDING WHETHER TO INVEST IN THE PURCHASED SHARES AND THAT I HAD AN OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS FROM THE COMPANY REGARDING THE TERMS AND CONDITIONS OF THE ISSUANCE OF THE PURCHASED SHARES.

SECTION 7. I AM AWARE THAT MY INVESTMENT IN THE COMPANY IS A SPECULATIVE INVESTMENT THAT HAS LIMITED LIQUIDITY AND IS SUBJECT TO THE RISK OF COMPLETE LOSS. I AM ABLE, WITHOUT IMPAIRING MY FINANCIAL CONDITION, TO HOLD THE PURCHASED SHARES FOR AN INDEFINITE PERIOD AND TO SUFFER A COMPLETE LOSS OF MY INVESTMENT IN THE PURCHASED SHARES.

SECTION 8. I ACKNOWLEDGE THAT THE PURCHASED SHARES REMAIN SUBJECT TO THE COMPANY'S RIGHT OF FIRST REFUSAL AND THE MARKET STAND-OFF (SOMETIMES REFERRED TO AS THE "LOCK-UP") AND MAY REMAIN SUBJECT TO THE COMPANY'S RIGHT OF REPURCHASE AT THE EXERCISE PRICE, ALL IN ACCORDANCE WITH THE APPLICABLE NOTICE OF STOCK OPTION GRANT AND STOCK OPTION AGREEMENT.

SECTION 9. I ACKNOWLEDGE THAT I AM ACQUIRING THE PURCHASED SHARES SUBJECT TO ALL OTHER TERMS OF THE NOTICE OF STOCK OPTION GRANT AND STOCK OPTION AGREEMENT.

SECTION 10. I ACKNOWLEDGE THAT I HAVE RECEIVED A COPY OF THE COMPANY'S EXPLANATION OF THE FORMS OF OWNERSHIP AVAILABLE FOR MY PURCHASED SHARES. I ACKNOWLEDGE THAT THE COMPANY HAS ENCOURAGED ME TO CONSULT MY OWN ADVISER TO DETERMINE THE FORM OF OWNERSHIP THAT IS APPROPRIATE FOR ME. IN THE EVENT THAT I CHOOSE TO TRANSFER MY PURCHASED SHARES TO A TRUST, I AGREE TO SIGN A STOCK TRANSFER AGREEMENT. IN THE EVENT THAT I CHOOSE TO TRANSFER MY PURCHASED SHARES TO A TRUST THAT DOES NOT SATISFY THE REQUIREMENTS DESCRIBED IN THE ATTACHED EXPLANATION (I.E. A TRUST THAT IS NOT AN ELIGIBLE REVOCABLE TRUST), I ALSO ACKNOWLEDGE THAT THE TRANSFER WILL BE TREATED AS A "DISPOSITION" FOR TAX PURPOSES. AS A RESULT, THE FAVORABLE ISO TAX TREATMENT WILL BE UNAVAILABLE AND OTHER UNFAVORABLE TAX CONSEQUENCES MAY OCCUR.

SECTION 11. I ACKNOWLEDGE THAT I HAVE RECEIVED A COPY OF THE COMPANY'S EXPLANATION OF THE FEDERAL INCOME TAX CONSEQUENCES OF AN OPTION EXERCISE AND THE TAX ELECTION UNDER SECTION 83(B) OF THE INTERNAL REVENUE CODE. IN THE EVENT THAT I CHOOSE TO MAKE A SECTION 83(B) ELECTION, I ACKNOWLEDGE THAT IT IS MY RESPONSIBILITY—AND NOT THE COMPANY'S RESPONSIBILITY—TO FILE THE ELECTION IN A TIMELY MANNER, EVEN IF I ASK THE COMPANY OR ITS AGENTS TO MAKE THE FILING ON MY BEHALF. I ACKNOWLEDGE THAT THE COMPANY HAS ENCOURAGED ME TO CONSULT MY OWN ADVISER TO DETERMINE THE TAX CONSEQUENCES OF ACQUIRING THE PURCHASED SHARES AT THIS TIME.

SECTION 12. I AGREE THAT THE COMPANY DOES NOT HAVE A DUTY TO DESIGN OR ADMINISTER THE 2008 STOCK PLAN OR ITS OTHER COMPENSATION PROGRAMS IN A MANNER THAT MINIMIZES MY TAX LIABILITIES. I WILL NOT MAKE ANY CLAIM AGAINST THE COMPANY OR ITS BOARD OF DIRECTORS, OFFICERS OR EMPLOYEES RELATED TO TAX LIABILITIES ARISING FROM MY OPTIONS OR MY OTHER COMPENSATION. IN PARTICULAR, I ACKNOWLEDGE THAT MY OPTIONS ARE EXEMPT FROM SECTION 409A OF THE INTERNAL REVENUE CODE ONLY IF THE EXERCISE PRICE PER SHARE IS AT LEAST EQUAL TO THE FAIR MARKET VALUE PER SHARE OF THE COMPANY'S SERIES 1 COMMON STOCK AT THE TIME THE OPTION WAS GRANTED BY THE COMPANY'S BOARD OF DIRECTORS. SINCE SHARES OF THE COMPANY'S SERIES 1 COMMON STOCK ARE NOT TRADED ON AN ESTABLISHED SECURITIES MARKET, THE DETERMINATION OF THEIR FAIR MARKET VALUE WAS MADE BY THE COMPANY'S BOARD OF DIRECTORS OR BY AN INDEPENDENT VALUATION FIRM RETAINED BY THE COMPANY. I ACKNOWLEDGE THAT THERE IS NO GUARANTEE IN EITHER CASE THAT THE INTERNAL REVENUE SERVICE WILL AGREE WITH THE VALUATION, AND I WILL NOT MAKE ANY CLAIM AGAINST THE COMPANY OR ITS BOARD OF DIRECTORS, OFFICERS OR EMPLOYEES IN THE EVENT THAT THE INTERNAL REVENUE SERVICE ASSERTS THAT THE VALUATION WAS TOO LOW.

SECTION 13. I AGREE TO SEEK THE CONSENT OF MY SPOUSE TO THE EXTENT REQUIRED BY THE COMPANY TO ENFORCE THE FOREGOING.

SIGNATURE: **DATE:**

Exhibit 10.3

OFFICE LEASE AGREEMENT

BETWEEN

FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, LANDLORD

AND

SI-BONE, INC., TENANT

DATE: 8/09, 2012

OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT (this "Lease") is made this 9th day of August, 2012, by and between FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, a California limited liability company, by its managing member, STREET RETAIL, INC., a Maryland corporation ("Landlord"), and SI-BONE, INC., a Delaware corporation ("Tenant").

WHEREAS, pursuant to that certain sublease (the "Sublease") by and between Reardon Commerce, Inc. ("Reardon") (successor-in-interest to Ketera Technologies Inc.) (as sublandlord), Tenant (as subtenant) is occupying the Leased Premises (as defined below);

WHEREAS, that certain Office Lease Agreement dated September 14, 2009, by and between Reardon and Landlord is scheduled to expire on December 31, 2012, whereupon Tenant's right to occupy the Leased Premises as a subtenant shall simultaneously terminate; and

WHEREAS, Tenant is desirous of remaining in occupancy of the Leased Premises as a tenant pursuant to the terms of this Lease and Landlord is desirous of leasing the same to Tenant.

NOW, THEREFORE, IN CONSIDERATION of the payments of rents and other charges provided for herein and the covenants and conditions hereinafter set forth, Landlord and Tenant hereby covenant and agree as follows:

ARTICLE I

REFERENCE PROVISIONS, DEFINITIONS AND EXHIBITS

As used in this Lease, the following terms shall have the meanings set forth in Sections 1.01 and 1.02 below.

Section 1.01. Reference Provisions.

A. Leased Premises: The premises located on the second floor (designated as Suite 2200) of the Building described in Section 1.01.J, below, as shown on the floor plan attached hereto as Exhibit A, and consisting of ten thousand six hundred thirteen (10,613) square feet of rentable office space, as determined by Landlord's architect.

B. Term: Four (4) Lease Years.

C. Term Commencement Date: January 1, 2013.

D. Rent Commencement Date: January 1, 2013.

E. Termination Date: December 31, 2016.

F. Minimum Rent:

Lease Year	Annually	Monthly
1/01/2013 to 12/31/2013	$413,907.00	$34,492.25
1/01/2014 to 12/31/2014	$430,463.28	$35,871.94
1/01/2015 to 12/31/2015	$448,293.12	$37,357.76
1/01/2016 to 12/31/2016	$466,122.96	$38,843.58

G. Security Deposit: One Hundred Sixteen Thousand Five Hundred Thirty and 74/100 Dollars ($116,530.74).

H. Rent Payments: Except to the extent Tenant is required to make such payments electronically, in the manner set forth in Section 5.01 of this Lease, Rent payments due herein shall be made payable to Landlord at the following address:

FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC - Property 1668
c/o Federal Realty Investment Trust
P.O. Box 79408
City of Industry, CA 91716-9408

I. Notice Addresses:

TO LANDLORD:
FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC
c/o Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, MD 20852-4041
Attention: Legal Department

TO TENANT:

(prior to taking occupancy)
SI-BONE, INC.
3055 Olin Avenue, Suite 2200
San Jose, CA 95128
Attention: Dan Murray

(following occupancy)
SI-BONE, INC.
3055 Olin Avenue, Suite 2200
Attention: Dan Murray

J. Building: That certain building, including any Common Areas (hereinafter defined) housing the Leased Premises and identified on Exhibit A, within the commercial portion (the "Commercial Portion") of that certain mixed-use project known as Santana Row (the "Village") commonly known as Santana Row, located in the City of San Jose, County of Santa Clara, in the State of California. The Village also contains a residential portion (the "Residential Portion") to be adjacent to and/or above some of the Commercial Portion. The Residential Portion will be controlled separately from the Commercial Portion and for purposes of this Lease shall not be deemed to be a part of the Commercial Portion. It is understood and agreed that the "Commercial Portion" shall be comprised of all portions of the Village other than the Residential Portion.

K. Parking Spaces: Forty-Two (42)

L. Renewal Options: None.

M. Schedules and Exhibits: The schedules and exhibits listed below are attached to this Lease and are hereby incorporated in and made a part of this Lease.

Exhibit A	Plan
Exhibit A-1	Tenant's Sign
Exhibit B	Intentionally Deleted
Exhibit C	Rules and Regulations
Exhibit D	Tenant's Contractors Rules and Regulations
Addendum I	Asbestos Containing Material

Section 1.02. Definitions.

A. Common Areas: Any existing or future improvements, equipment, areas and/or spaces for the non-exclusive, common and joint use or benefit of Landlord, Tenant and other tenants, occupants and users of the Building or the Commercial Portion. The Common Areas include without limitation sidewalks, roofs, gutters and downspouts, parking areas, access roads, driveways, landscaped areas, service drives and service roads, traffic islands, loading and service areas, stairs, landings, ramps, elevators, escalators, utility and mechanical rooms and equipment, corridors, lobbies, public washrooms, and other similar areas and improvements.

B. Floor Area: When used with respect to the Leased Premises, the number of rentable square feet set forth in Section 1.01.A, above, which the Leased Premises shall be deemed to contain. When used with respect to any other space in the Building or the Commercial Portion, Floor Area shall mean the number of rentable square feet of such space as reasonably determined by Landlord.

C. Interest: A rate per annum of the lesser of (i) twelve percent (12%) or (ii) the maximum permitted by law.

D. Lease Year: Each twelve (12) month period beginning with the Term Commencement Date, and each anniversary thereof, provided the Term Commencement Date occurs on the first day of a month. If the Term Commencement Date occurs on a day other than the first day of a month, then the first Lease Year shall begin on the Term Commencement Date and shall terminate on the last day of the twelfth (12^{th}) full calendar month after the Term Commencement Date. Each subsequent Lease Year shall commence on the date immediately following the last day of the preceding Lease Year and shall continue for a period of twelve (12) full calendar months, except that the last Lease Year of the Term shall terminate on the date this Lease expires or is otherwise terminated.

E. Partial Lease Year: Any period during the Term which is less than a full Lease Year.

F. Operating Year: Intentionally Deleted.

G. Base Year: Intentionally Deleted.

H. Person: An individual, firm, partnership, association, corporation, limited liability company, or any other legal entity.

I. Additional Rent: All sums payable by Tenant to Landlord under this Lease, other than Minimum Rent.

J. Rent: Minimum Rent plus Additional Rent.

K. Tenant's Operating Costs Share: Intentionally Deleted.

L. Tenant's Tax Share: Intentionally Deleted.

M. Base Operating Costs: Intentionally Deleted.

N. Base Taxes: Intentionally Deleted.

O. Building Hours: At least from 7:00 a.m. until 6:00 p.m. on weekdays (excluding holidays).

ARTICLE II

LEASED PREMISES

Landlord demises and leases to Tenant, and Tenant leases and takes from Landlord, the Leased Premises together with the right to use for ingress to and egress from the Leased Premises, in common with others, the Common Areas. Landlord has the exclusive right to (i) use the exterior faces of all perimeter walls of the Building, the roof and all air space above the Building, and (ii) install, maintain, use, repair and replace pipes, ducts, cables, conduits, plumbing, vents, utility lines and wires to, in, through, above and below the Leased Premises and other parts of the Building.

ARTICLE III

TERM

Section 3.01. Term.

The Term shall commence on the Term Commencement Date specified in Section 1.01.C, above, and shall be for the period of time specified in Section 1.01.B, above, and expire on the Termination Date specified in Section 1.01.E, above. Notwithstanding the foregoing, all obligations of the parties, as set forth in this Lease, shall be binding as of the date hereof.

Section 3.02. End of Term.

This Lease shall terminate on the Termination Date without the necessity of notice from either Landlord or Tenant. Upon the Termination Date, Tenant shall quit and surrender to Landlord the Leased Premises, broom-clean, in and the same or better condition as at the beginning of the term, ordinary wear and tear and Casualty (subject to Article XI) and Taking (subject to Article XII) excepted; and shall surrender to Landlord all keys and access cards, if applicable, to or for the Leased Premises.

Section 3.03. Holding Over.

If Tenant fails to vacate the Leased Premises on the Termination Date, Landlord shall have the benefit of all provisions of law respecting the speedy recovery of possession of the Leased Premises (whether by summary proceedings or otherwise). In addition to and not in limitation of the foregoing, occupancy subsequent to the Termination Date ("Holdover Occupancy") shall be a tenancy at will. Holdover Occupancy shall be subject to all terms, covenants, and conditions of this Lease (including those requiring payment of Additional Rent), except that the Minimum Rent for each day that Tenant holds over ("Holdover Minimum Rent") shall be equal to one and one-half (1-1/2) times the per diem Minimum Rent payable in the last Lease Year. Landlord also shall be entitled to recover all damages, including lost business opportunity regarding any prospective tenant(s) for the Leased Premises, suffered by Landlord as a result of Tenant's Holdover Occupancy.

ARTICLE IV

USE AND OPERATION OF THE LEASED PREMISES

Section 4.01. Intentionally Deleted.

Section 4.02. Use.

A. Tenant shall use the Leased Premises solely for general office use, and for no other purpose.

B. Tenant shall comply with all statutes, laws, rules, orders, regulations and ordinances affecting the Leased Premises or relating to the use or occupancy thereof and all the orders or recommendations of any insurance underwriters, safety engineers, and loss prevention consultants as may from time to time be consulted by Landlord. In addition, if Landlord makes any alteration to any part of the Building as a result of any damage or alteration to the Leased Premises caused or made by or on behalf of Tenant or in order to comply with any requirement of any statutes, laws, rules, orders, regulations and ordinances and such requirement is a result of Tenant's particular business or use of the Leased Premises (as opposed to general office use), then Tenant shall reimburse Landlord upon demand for the cost thereof. In no event shall Tenant use the Leased Premises for purposes which are prohibited by zoning or similar laws or regulations, or covenants, conditions or restrictions of record. Tenant acknowledges and agrees it is solely responsible for determining if its business complies with the applicable zoning regulations, and that Landlord makes no representation (explicit or implied) concerning such zoning regulations.

C. Tenant shall, at its sole expense: (i) keep the Leased Premises in a good order and condition consistent with the operation of a first-class office building; (ii) pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon Tenant's business, upon the leasehold estate created by this Lease or upon Tenant's fixtures, furnishings or equipment in the Leased Premises; (iii) not use or permit or suffer the use of any portion of the Leased Premises for any unlawful purpose; (iv) not use the plumbing facilities for any purpose other than that for which they were constructed, or dispose of any foreign substances therein; (v) not place a load on any floor exceeding the floor load per square foot which such floor was designed to carry in accordance with the plans and specifications of the Building, and not install, operate or maintain in the Leased Premises any heavy item of equipment except in such manner as to achieve a proper distribution of weight; (vi) not strip, overload, damage or deface the Leased Premises, or the hallways, stairways, elevators, parking facilities or other public areas of the Building, or the fixtures therein or used therewith, nor permit any hole to be made in any of the same; (vii) not move any furniture or equipment into or out of the Leased Premises except at such reasonable times and in such manner as Landlord may from time to time reasonably designate; (viii) not install or operate in the Leased Premises any electrical heating, air conditioning or refrigeration equipment, or other equipment not shown on approved plans which will increase the amount of electricity required for use of the Leased Premises as general office space (other than ordinary office equipment such as personal

computers, printers, copiers and the like) without first obtaining the written consent of Landlord, which shall not be unreasonably withheld; (ix) not install any other equipment of any kind or nature which will or may necessitate any changes, replacements or additions to, or in the use of, the water, heating, plumbing, air conditioning or electrical systems of the Leased Premises or the Building, without first obtaining the written consent of Landlord.

D. In addition to and not in limitation of the other restrictions on use of the Leased Premises set forth in this Section 4.02, Tenant hereby agrees that the following uses of the Leased Premises shall not be considered to be "office use" and shall not be permitted: (1) any use of the Leased Premises by an organization or person enjoying sovereign or diplomatic immunity; (2) any use of the Leased Premises by or for any medical, mental health or dental practice; (3) any use of the Leased Premises by or for an employment agency or bureau; (4) any use of the Leased Premises for classroom purposes (other than internal or, on an infrequent basis, customer training purposes); (5) any use of the Leased Premises by or for any user which distributes governmental or other payments, benefits or information to persons that personally appear at the Leased Premises; (6) any other use of the Leased Premises or any portion of the Building by any user that will attract a volume, frequency or type of visitor or employee to the Leased Premises or any portion of the Building which is not consistent with the standards of a high quality, first-class office building in the general area of the Building or that will in any way impose an excessive demand or use on the facilities or services of the Leased Premises or the Building.

Section 4.03. Intentionally Deleted.

Section 4.04. Signs and Advertising.

Tenant shall not inscribe, paint, affix, or otherwise display any sign, advertisement or notice on any part of the outside or inside of the Building. If the same shall not already be present, Landlord shall provide, at the cost of Tenant, standard suite entry signage, if applicable, to be affixed at the entrance to the Leased Premises. Landlord shall also prepare and install at Tenant's expense a name plate designating Tenant on the directory for the Building (if any). If any other signs, advertisements or notices are painted, affixed, or otherwise displayed without the prior approval of Landlord, Landlord shall have the right to remove the same, and Tenant shall be liable for any and all costs and expenses incurred by Landlord in such removal. Tenant shall be entitled to retain the use of any signage that it is displaying as of the date of this Lease.

Provided that Tenant is leasing the entire Leased Premises, Tenant shall be entitled, at its sole cost and expense, to install identification signage at the location shown on Exhibit A-1; provided that any such sign shall be (a) permitted by and compliant with Legal Requirements, (b) compliant with Landlord's sign criteria for the Building, (c) reasonably approved in advance by Landlord as to size, materials, design, content, color and method of installation. Tenant shall be responsible for the continued maintenance of such sign to keep the same in a condition keeping with Landlord's standards for the Commercial Portion and shall, upon the expiration or earlier termination of the Lease, remove the same and restore the area affected thereby to the condition that existed prior to Tenant's installation of the same.

ARTICLE V

RENT

Section 5.01. Rent Payable.

A. Commencing on the Rent Commencement Date, Tenant shall pay all Rent to Landlord, without prior notice or demand and without offset, deduction or counterclaim whatsoever, in the amounts, at the rates and times set forth herein, in the manner set forth in this Section 5.01.A. Tenant shall (i) promptly execute any and all agreements and authorizations, and supply any and all information necessary, to authorize Landlord to initiate debit entries ("Auto-Debit Transfers") from Tenant's account to Landlord for such portions of Rent due under this Lease as Landlord may elect to be paid by Auto-Debit Transfer; and (ii) take all actions necessary on Tenant's part to insure that any and all such payments will be received by the Landlord by the dates due as specified in this Lease. Except for the Security Deposit, Landlord initially elects that Minimum Rent shall be paid by Auto-Debit Transfer. Landlord may elect, by giving Notice to Tenant, that additional recurring payments constituting Rent shall be paid by Auto-Debit Transfer pursuant to this Section 5.01.A. All payments of Rent not made by Auto-Debit Transfer shall be made at the place set forth in Section 1.01. or as Landlord may otherwise designate by Notice to Tenant.

B. If Tenant fails to make any payment of Rent by the date such Rent is due, Tenant shall pay Landlord a late payment charge equal to the greater of (i) five percent (5%) of such payment of Rent, or (ii) Twenty Dollars ($20.00) per day from the due date until the date of receipt by Landlord. Payment of such late charge shall not excuse or waive the late payment of Rent. Tenant acknowledges and agrees that such late charge is a reasonable estimate of the damages as a result of Tenant's violations of this Section 5.01.B. and that it would be impracticable or extremely difficult to determine Landlord's actual damages. **Notwithstanding the foregoing, Landlord will not assess the foregoing late charge until Landlord has given written notice of such late payment for the first late payment in any twelve (12) month period and after Tenant has not cured such late payment within three (3) days from receipt of such notice (no other notices will be required during the following twelve (12) months for a late charge to be incurred).**

C. If Landlord receives two (2) or more checks from Tenant that are dishonored by Tenant's bank, all checks for Rent thereafter shall be bank certified and Landlord shall not be required to accept checks except in such form. Tenant shall pay Landlord any bank service charges resulting from dishonored checks, plus Fifty Dollars ($50.00) for each dishonored check as compensation to Landlord for the additional cost of processing such check.

D. Any payment by Tenant of less than the total Rent due shall be treated as a payment on account. Acceptance of any check bearing an endorsement, or accompanied by a letter stating, that such amount constitutes "payment in full" (or terms of similar import) shall not be an accord and satisfaction or a novation, and such statement shall be given no effect. Landlord may accept any check without prejudice to any rights or remedies which Landlord may have against Tenant.

E. For any portion of a calendar month at the beginning of the Term, Tenant shall pay in advance the pro-rated amount of the Rent for each day included in such portion of the month.

Section 5.02. Payment of Minimum Rent.

Tenant shall pay Landlord the Minimum Rent set forth in Section 1.01.F, above, in equal monthly installments, in advance, commencing on the Rent Commencement Date, and on the first day of each calendar month thereafter throughout the Term. Landlord may, in its sole discretion, elect to apply all or any portion of Minimum Rent to the costs of (i) operating, managing, insuring, maintaining, and repairing the Building or the Commercial Portion, (ii) any governmental or quasi-governmental taxes, fees, charges and assessments applicable to the Building or the Commercial Portion (together with any costs incurred in any tax appeal or negotiation), or (iii) promoting the Building or the Commercial Portion.

ARTICLE VI

COMMON AREAS

Section 6.01. Use of Common Areas.

Tenant shall have a non-exclusive license to use the Common Areas for ingress to and egress from the Leased Premises, subject to the exclusive control and management of Landlord and the rights of Landlord and of other tenants. Tenant shall comply with such rules and regulations as Landlord prescribes regarding use of the Common Areas. Tenant shall not use the Common Areas for any sales or display purposes, or for any purpose which would impede or create hazardous conditions for the flow of pedestrian or other traffic. The Common Areas shall at all times be subject to the exclusive control and management of Landlord.

Section 6.02. Management and Operation of Common Areas.

Landlord shall operate, repair, equip and maintain the Common Areas and shall have the exclusive right and authority to employ and discharge personnel with respect thereto. Without limiting the foregoing, Landlord may (i) use the Common Areas for promotions, exhibits, displays, outdoor seating, food facilities and any other use; (ii) grant the right to conduct sales in the Common Areas; (iii) erect, remove and lease kiosks, planters, pools, sculptures and other

improvements within the Common Areas; (iv) enter into, modify and terminate easements and other agreements pertaining to the use and maintenance of the Building or the Village; (v) construct, maintain, operate, replace and remove lighting, equipment, and signs on all or any part of the Common Areas; (vi) provide security personnel; and (vii) restrict parking. Landlord reserves the right at any time and from time to time to change or alter the location, layout, nature or arrangement of the Common Areas or any portion thereof, including but not limited to the arrangement and/or location of entrances, passageways, doors, corridors, stairs, lavatories, elevators, parking areas, and other public areas of the Building or the Village. Landlord shall have the right to close temporarily all or any portion of the Common Areas to such extent as may, in the reasonable opinion of Landlord, be necessary for repairs, replacements or maintenance to the Common Areas, provided such repairs, replacements or maintenance are performed expeditiously and in such a manner so as not to deprive Tenant of access to the Leased Premises. **Landlord shall use commercially reasonable efforts to exercise the foregoing rights in such a manner so as not to unreasonably interfere with Tenant's use of or access to the Leased Premises.**

ARTICLE VII

SERVICES AND UTILITIES

Section 7.01. Services Provided by Landlord.

Landlord shall provide the following facilities and services to Tenant:

A. Electricity for normal lighting purposes and the operation of ordinary office equipment, subject to Section 7.03, below;

B. Normal and usual cleaning and char services after Building Hours each day except on Saturdays, Sundays and legal holidays recognized by the United States Government;

C. Rest room facilities and necessary lavatory supplies, including hot and cold running water at the points of supply, as provided for the general use of all tenants in the Building, and routine maintenance, painting, and electric lighting service for all Common Areas of the Building in such manner as Landlord deems reasonable;

D. During Building Hours, central heating and air conditioning during the seasons of the year when these services are normally and usually furnished based upon standard electrical energy requirements of not more than an average of five (5) watts per square foot of the Leased Premises and a human occupancy of not more than one person for each 150 square feet of rentable area of the Leased Premises. Landlord shall provide the aforesaid services at other times, at Tenant's expense, provided Tenant gives Landlord notice by 1:00 p.m. on weekdays for after-hour service on the next weekday, by 1:00 p.m. the day before a holiday for service on a holiday, and by 1:00 p.m. on Friday for after-hour service on Saturday or service on Sunday. Such after-hour, holiday or special weekend service shall be charged to Tenant at rates to be calculated by Landlord, which rates shall be given to Tenant on request. While the current rate for such after hours HVAC is Fifty-Five Dollars ($55.00) per floor/per hour, Landlord reserves the right to reasonably adjust, from time to time, the rate at which such services shall be provided. Tenant shall pay for such service, as Additional Rent, within thirty (30) days of receipt of an invoice with respect thereto;

E. Automatically operated elevator service, if applicable;

F. All electric bulbs and fluorescent tubes for building standard light fixtures in the Leased Premises and Common Areas;

G. Two (2) keys to the Leased Premises at no cost to Tenant, all additional keys at the cost of Tenant; and

H. An electronically controlled perimeter access system to the Building's entrance. Landlord shall provide Tenant with two (2) Building key cards at Landlord's expense. Any additional or replacement cards shall be at Tenant's expense. Individual security systems shall be installed by Tenant at Tenant's cost.

Section 7.02. Landlord's Access to Leased Premises.

Landlord shall have access to and reserves the right to inspect, erect, use, connect to, maintain and repair pipes, ducts, conduits, cables, plumbing, vents and wires, and other facilities in, to and through the Leased Premises as and to the extent that Landlord may now or hereafter reasonably deem to be necessary or appropriate for the proper operation and maintenance of the Building (including the servicing of other tenants in the Building) and the right at all times to transmit water, heat, air conditioning and electric current through such pipes, conduits, cables, plumbing, vents and wires and the right to interrupt the same in emergencies without eviction of Tenant or abatement of Rent. Any failure by Landlord to furnish the foregoing services, resulting from circumstances beyond Landlord's reasonable control or from interruption of such services due to repairs or maintenance, shall not render Landlord liable in any respect for damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of Rent hereunder, nor relieve Tenant from any of its obligations hereunder; **provided, however, that, in the event that, (a) any interruption or stoppage of any service Landlord is required hereunder to provide to the Leased Premises and reinstatement of such service is within Landlord's reasonable control, or (b) Landlord shall fail to provide Tenant with access to the Leased Premises, and, in either such event, the condition shall continue for more than five (5) consecutive business days and shall render all or any portion of the Leased Premises untenantable for general office purposes and Tenant shall actually cease to conduct business in such portion of the Leased Premises, then, provided no Default exists, the portion** of **scheduled Rent attributable to such untenantable area shall, commencing on the sixth (6th) business day after receipt from Tenant of written notice that Tenant has experienced such an interruption or stoppage of services and has ceased the use thereof, abate until the earlier of the date that (i) Tenant again uses such portion of the Leased Premises, or (ii) such portion of the Leased Premises is again tenantable.** If any public utility or governmental body shall require Landlord or Tenant to restrict the consumption of any utility or reduce any service for the Leased Premises or the Building, Landlord and Tenant shall comply with such requirements, whether or not the utilities and services referred to in this Article VII are thereby reduced or otherwise affected, without any liability on the part of Landlord to Tenant or any other person or any reduction or adjustment in Rent payable hereunder. Landlord and its agents shall be permitted reasonable access to the Leased Premises for the purpose of installing and servicing systems within the Leased Premises deemed reasonably necessary by Landlord to provide the services and utilities referred to in this Article VII to Tenant and other tenants in the Building.

Section 7.03. Electrical Energy.

Landlord shall be under no obligation to furnish electrical energy to Tenant in amounts greater than needed for lighting and normal and customary items of equipment for general office purposes (i.e., not more than an average of five (5) watts per square foot of the Leased Premises), and Tenant shall not install or use within the Leased Premises any electrical equipment, appliance or machine which shall require amounts of electrical energy exceeding such standard wattage provided for the Building, unless the installation and use of such additional electrical equipment, appliance, or machine has been reasonably approved by Landlord, which approval may be conditioned upon the payment by Tenant, as Additional Rent, of the cost of the additional electrical energy and modifications to the Building's electrical system required for the operation of such electrical equipment, appliance or machine. Landlord shall have the right to charge Tenant for the cost of its electricity consumption beyond Building Hours or in excess of five (5) watts per square foot of rentable area of the Leased Premises and for the cost of any additional wiring or other improvements to the Building as may be occasioned by or required as a result of any such excess use. In the event of any excessive consumption of any utilities (including without limitation any consumption beyond Building Hours), Landlord shall be entitled to require that Tenant install in the Leased Premises (at Tenant's cost and in a location approved by Landlord) meters or submeters to measure Tenant's utility consumption for the Leased Premises or for any specific equipment causing excess consumption, as Landlord shall require; in which case, Tenant shall maintain in good order and repair (and replace, if necessary) such meters or submeters. If separate meters are installed for measuring Tenant's use of any utilities, then charges for such utilities shall be paid directly by Tenant to the appropriate utility company. If submeters are installed for measuring Tenant's consumption of any utilities, Tenant shall pay the costs of the same to Landlord as Additional Rent, within thirty (30) days of its receipt of a bill therefor based on such submeter readings.

ARTICLE VIII

INDEMNITY AND INSURANCE

Section 8.01. Indemnity.

A. Tenant shall indemnify, defend and hold Landlord, its lessors, partners and members, and their respective shareholders, partners, members, trustees, agents, representatives, directors, officers, employees and Mortgagee(s) (collectively, "Landlord's Indemnitees") harmless from and against all liabilities, obligations, damages, judgments, penalties, claims, costs, charges and expenses, including reasonable architects' and attorneys' fees, which may be imposed upon, incurred by, or asserted against any of Landlord's Indemnitees by a third party and arising, directly or indirectly, out of or in connection with (i) Tenant's breach of its obligations under this Lease, (ii) the acts or negligence of Tenant or any Person claiming by, through or under Tenant, or the agents, contractors, employees, servants or licensees of any such Person, in, on or about the Leased Premises, the Building or the Village, or (iii) the use or occupancy during the Term (a) of the Leased Premises, or (b) by Tenant of the Building or the Village. Tenant shall not be obligated to indemnify Landlord's Indemnitees against loss, liability, damage, cost or expense arising out of a claim for which Tenant is released from liability pursuant to Section 8.07 below, or a claim arising out of the willful misconduct or sole negligent acts or omissions of Landlord or its agents, employees or contractors.

B. Landlord shall indemnify, defend and hold Tenant, its partners, officers, shareholders, members, trustees, principals, agents, directors and employees (collectively "Tenant's Indemnitees") harmless from and against all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable architects' and attorneys' fees, which may be imposed upon, incurred by, or asserted against any of the Tenant's Indemnitees by a third party and arising, directly or indirectly, out of or in connection with (i) Landlord's breach of its obligations under the Lease, (ii) the acts or negligence of Landlord or any person claiming by, through or under Landlord, or the agents, contractors, servants, employees and/or licensees of any such person in, on or about the Common Areas, and (iii) the use of the Common Areas. Landlord shall not be obligated to indemnify Tenant's Indemnitees against loss, liability, damage, cost or expense arising out of a claim for which Landlord is released from liability pursuant to Section 8.07 below, or a claim arising out of the willful misconduct or sole negligent acts or omissions of Tenant or its agents, employees or contractors.

Section 8.02. Landlord Not Responsible for Acts of Others.

Landlord shall not be liable to Tenant, nor to those claiming through Tenant, for any loss, theft, injury, liability or damage of, for or to Tenant's business and/or property which may result from: (a) any act, omission, fault or negligence of other tenants or licensees, their agents, employees or contractors, or any other persons (including occupants of adjoining or contiguous buildings, owners of adjacent or contiguous property, or the public), (b) **except to the extent caused by the gross negligence or willful misconduct of Landlord (but subject to the provisions of Section 8.07)** the breaking, bursting, backup, stoppage or leaking of electrical or phone/internet cables and wires, or water, gas, sewer, HVAC or steam pipes or ducts serving the Leased Premises and/or the Building, (c) water, snow or ice being upon the Building or coming into the Leased Premises, and/or (d) earthquake or other act of God. Tenant acknowledges that its use of the Leased Premises and the Building is at its own risk.

Section 8.03. Tenant's Insurance.

Commencing on the Term Commencement Date and at all times thereafter, Tenant shall carry and maintain:

A. Commercial General Liability Insurance (a non-deductible policy with ISO occurrence form or equivalent) naming Tenant as the named insured and Landlord and (at Landlord's request) Landlord's mortgagee (and managing agent), if any, Landlord's property manager, if any, and Federal Realty Investment Trust ("FRIT"), if FRIT is not the Landlord under this Lease, as additional insureds, providing an Additional Insured – Managers or Lessors of Premises Endorsement (#CG-20-11-01-96 or equivalent) protecting Tenant and the additional insureds against liability for bodily injury, death and property damage with respect to liability arising out of the ownership, use, occupancy or maintenance of the Leased Premises and all areas appurtenant thereto, with a minimum combined single limit of Two Million Dollars ($2,000,000.00) and a general aggregate limit of Four Million Dollars ($4,000,000.00). If the

policy also covers locations other than the Leased Premises, the policy shall include a provision to the effect that the aggregate limit of Four Million Dollars ($4,000,000.00) shall apply separately at the Leased Premises. These policy limits may be obtained through any combination of primary and excess insurance. If Tenant sells, serves or distributes alcoholic beverages in or on the Leased Premises, then such General Liability Insurance shall include Liquor Legal Liability coverage at the same minimum limits of liability as shown above. If Tenant sells, serves or distributes food in or on the Leased Premises, then such General Liability Insurance shall include products liability with a combined single limit of Two Million Dollars ($2,000,000.00) per occurrence and an aggregate limit of Two Million Dollars ($2,000,000.00).

B. “All Risks” or “Special Causes of Loss Form” property insurance covering all of Tenant’s Property and Leasehold Improvements (as both are defined in Section 9.05. below), and those portions of the Leased Premises that Tenant is responsible to repair pursuant to Section 10.02. below, and written for at least the full replacement cost with a deductible of not more than Five Thousand Dollars ($5,000.00).

C. Plate glass insurance covering all plate glass in the Leased Premises. Tenant shall be and remain liable for the repair and restoration of all such plate glass.

D. Comprehensive boiler and machinery coverage, including electrical apparatus, if applicable, with a deductible of not more than Five Thousand Dollars ($5,000.00).

E. Business interruption, loss of income and extra expense insurance in amounts sufficient to pay for Tenant’s expenses and lost income.

F. Employer’s liability insurance with a minimum of Five Hundred Thousand Dollars ($500,000.00) as required by the jurisdiction in which the Leased Premises is located, and worker’s compensation insurance.

Notwithstanding anything set forth above, all dollar limits specified in this Section 8.03. shall be increased from time to time, as reasonably necessary upon Notice from Landlord, to effect economically equivalent insurance coverage, or coverage deemed adequate in light of then existing circumstances and customarily required for similar tenants leasing similar premises. Such increase may not be invoked more than once during the term.

Section 8.04. Tenant’s Contractor’s Insurance.

Tenant shall cause any contractor performing work on the Leased Premises to obtain, carry and maintain, at no expense to Landlord: (i) employer’s liability insurance with a minimum of Five Hundred Thousand Dollars ($500,000.00) as required by the jurisdiction in which the Commercial Portion is located, and worker’s compensation insurance; (ii) builder’s risk insurance with a deductible no greater than Ten Thousand Dollars ($10,000.00), in the amount of the full replacement cost of Tenant’s Property and Leasehold Improvements; (iii) Commercial General Liability Insurance, including completed operations and contractual liability coverage, providing on an occurrence basis a minimum combined single limit of Three Million Dollars ($3,000,000.00) per occurrence (and Five Million Dollars ($5,000,000.00) general aggregate, if applicable), and if the policy also covers projects other than the Leased Premises, the policy shall include a provision to the effect that the aggregate limit of Three Million Dollars ($3,000,000.00) shall apply separately at the Leased Premises; and (iv) business automobile liability insurance including the ownership, maintenance and operation of the automotive equipment, owned, hired, and non-owned coverage with a combined single limit of not less than One Million Dollars ($1,000,000.00) for bodily injury and property damage. If the contractor fails to acquire such insurance, Tenant shall provide such insurance (except worker’s compensation insurance and employer’s liability).

Section 8.05. Policy Requirements.

Any company writing any insurance which Tenant is required to maintain or cause to be maintained under Sections 8.03 and 8.04 as well as any other insurance pertaining to the Leased Premises or the operation of Tenant’s business therein (all such insurance being referred to as “Tenant’s Insurance”) shall at all times be licensed and qualified to do business in the jurisdiction in which the Leased Premises are located and shall have received an A-VII or better rating by the latest edition of A.M. Best’s Insurance Rating Service. All of Tenant’s Insurance may be carried under a blanket policy covering the Leased Premises and any other location of Tenant, if (i) the coverage afforded Landlord and any designees of Landlord shall not be reduced

or otherwise adversely affected, and (ii) such blanket policy allocates to the properties and liabilities to be insured under this Article VIII an amount not less than the amount of insurance required to be covered pursuant to this Article VIII, so that the proceeds of such insurance shall not be less than the proceeds that would be available if Tenant were insured under a unitary policy. Tenant's Commercial General Liability policies shall name Landlord and/or its designees as additional insured, and Tenant's property insurance policies shall name Landlord and/or its designees as loss payee for Leasehold Improvements and betterments. All policies of Tenant's Insurance shall contain endorsements requiring the insurer(s) to give to all additional insureds at least thirty (30) days' advance Notice of any reduction, cancellation, termination or non-renewal of said insurance (or Notice within ten (10) days of a failure to pay any premium). Tenant shall be solely responsible for payment of premiums for all of Tenant's Insurance. Tenant shall deliver to Landlord at least fifteen (15) days prior to the time Tenant's Insurance is first required to be carried by Tenant, and upon renewals at least ten (10) days prior to the expiration of the term of any such insurance policy, a certificate of insurance of all policies of Tenant's Insurance. The limits of Tenant's Insurance shall not limit Tenant's liability under the Lease, at law, or in equity. All policies of Tenant's Insurance shall be primary and non-contributory with respect to Landlord's liability arising out of the act or omission of Tenant, its officers, agents, contractors, employees, or, while upon the Leased Premises, invitees. If Tenant fails to deposit a certificate of insurance with Landlord (which shows compliance with the provisions of this Article VIII) within three (3) days after Notice from Landlord, Landlord may acquire such insurance, and Tenant shall pay Landlord the amount of the premium applicable thereto within five (5) days following Notice from Landlord.

Section 8.06. Increase in Insurance Premiums.

Tenant shall not keep or do anything in the Leased Premises that will: (i) cause an increase in the rate of any insurance on the Building; (ii) violate the terms of any insurance coverage on the Building carried by Landlord or any other tenant; (iii) prevent Landlord from obtaining such policies of insurance acceptable to Landlord or any Mortgagee of the Building; or (iv) violate the rules, regulations or recommendations of Landlord's insurers, loss prevention consultants, safety engineers, the National Fire Protection Association, or any similar body having jurisdiction over the Leased Premises. If Tenant does so, Tenant shall pay to Landlord upon demand the amount of any increase in any such insurance premium. In determining the cause of any increase in insurance premiums, the schedule or rate of the organization issuing the insurance or rating procedures shall be conclusive evidence of the items and charges which comprise the insurance rates and premiums on such property.

Section 8.07. Waiver of Right of Recovery.

Except for the indemnification for Hazardous Substances as set forth in Section 17.23., neither Landlord nor Tenant shall be liable to the other party or to any insurance company (by way of subrogation or otherwise) insuring such other party for loss or damage to any building, structure or other tangible property, or any resulting loss of income, or losses under worker's compensation laws or benefits, even though such loss or damage might have been occasioned by the negligence of Landlord or Tenant, or their respective agents or employees; provided, however, the mutual release contained herein shall not apply to damage to property or loss of income caused by the willful misconduct of such other party. This Section 8.07. shall not limit or supersede the indemnification to third parties as provided in Section 8.01. The provisions of this Section 8.07. shall apply to any Transferee pursuant to Article XV of this Lease, and the Transferee shall expressly agree in writing to be bound by the provisions of this Section 8.07. (as if such Transferee were Tenant hereunder) for the benefit of Landlord.

Section 8.08. Landlord's Insurance.

Landlord shall maintain (i) "all risk" or "special causes of loss form" property insurance insuring the structural components of the Building, to the extent of eighty percent (80%) of the full replacement value of such Building, and insuring the Common Areas of the Building, and (ii) Commercial General Liability Insurance (ISO form or equivalent) covering the Common Areas of the Building. Provided the insurance coverage carried by Landlord pursuant to (i) above shall not be reduced or otherwise adversely affected, all of Landlord's insurance may be carried under a blanket policy covering the Building and any other property owned, leased or operated by Landlord or its affiliates, provided the insurance requirements in this Lease are fulfilled and the insurance coverage is not diminished in any way.

ARTICLE IX

CONSTRUCTION AND ALTERATIONS

Section 9.01. Condition of Leased Premises Upon Delivery.

Tenant acknowledges: (i) it has inspected the Leased Premises; (ii) it accepts the Leased Premises, and all improvements, betterments and equipment "AS IS," with no representation or warranty, express or implied, by Landlord as to the condition or suitability of the Leased Premises or of the Building for Tenant's purpose; and (iii) Landlord has no obligation to improve or repair the Leased Premises, or the Building, except as specifically set forth in this Lease.

Notwithstanding the foregoing, not later than the thirtieth (30th) day following the Term Commencement Date, Landlord agrees to have the (a) carpet within the Leased Premises professionally cleaned, and (b) paint on the interior of the Leased Premises touched up where Landlord reasonably determines the same is required. Tenant acknowledges that the foregoing work shall be performed while Tenant is in occupancy and the parties agree to reasonably cooperate in the scheduling and/or staging of the same to permit Tenant to continue business operations during the performance of the same; provided, however, that Landlord shall perform the carpet cleaning after business hours or on weekends.

Section 9.02. Tenant Improvements.

Landlord and Tenant, at their respective sole cost and expense, agree to provide all improvements to the Leased Premises in accordance with their respective obligations set forth in Exhibit B, if any.

Section 9.03. Alterations.

A. Tenant shall not make or cause to be made any alterations, additions, renovations, improvements or installations in or to the Leased Premises without Landlord's prior consent, which such consent **shall not be unreasonably withheld, unless Landlord reasonably determines that the proposed Alterations could (i) affect the exterior or common areas of the Building or adversely affect the Building's structure or safety; (ii) adversely affect in any respect the electrical, plumbing, fire/life/safety or mechanical (including HVAC) systems of the Building or the functioning thereof; (iii) be or become visible from the exterior of the Leased Premises or the Building; or (iv) interfere with the operation of the Building or the provision of services or utilities to other tenants in the Building**. Tenant shall in no event make or permit to be made any alterations, modification, substitution or other change to the mechanical, electrical, plumbing, HVAC and sprinkler systems within or serving the Leased Premises. If Landlord consents to any such alterations, additions, renovations, improvements or installations by Tenant, Landlord shall have the right (but not the obligation) in its sole discretion to manage or supervise such work and Tenant shall pay to Landlord a reasonable fee to reimburse Landlord for overhead and **administrative** costs and expenses incurred in connection with the management or supervision of such work by Landlord.

B**. Notwithstanding anything contained in this Section 9.03, Tenant shall have the right to make Permitted Alterations (hereinafter defined) in the Leased Premises, without Landlord's consent (but with twenty (20) days prior written notice (the "Permitted Alterations Notice"), which notice shall contain a description of the Permitted Alterations proposed to be undertaken by Tenant and state that such Alterations are Permitted Alterations). A Permitted Alteration shall mean any cosmetic Alterations in the Leased Premises that could not (i) affect the exterior or common areas of the Building or the structure or safety of the Building; (ii) affect the electrical, plumbing, fire/life/safety or mechanical systems of the Building or the functioning thereof; (iii) be or become visible from the exterior of the Leased Premises or Building; (iv) interfere with the operation of the Building or the provision of services or utilities to other tenants in the Building; (v) cost more than Twenty Thousand Dollars ($20,000.00) in any twelve (12) month period; and (vi) require a permit. In the event that, within ten (10) days after receiving the Permitted Alterations Notice, Landlord determines, in its reasonable discretion, that the proposed Alterations are not Permitted Alterations, and so notifies Tenant, Tenant shall apply for Landlord's consent for such Alterations in accordance with the provisions of this Article IX.**

Section 9.04. Work Requirements.

All work performed by Tenant in the Leased Premises shall be performed (i) promptly and in a workmanlike manner with first-class materials; (ii) by duly qualified or licensed persons; (iii) without interference with, or disruption to, the operations of Landlord or other tenants or occupants of the Building; (iv) in accordance with (a) plans and specifications approved in writing in advance by Landlord (as to both design and materials) which such approval may be granted or withheld in Landlord's sole and absolute discretion, except as otherwise provided in Section 9.03, above, and (b) all applicable governmental permits, rules and regulations; and (v) in conformance with any rules and regulations therefor (including those shown on Exhibit D, attached hereto).

Section 9.05. Ownership of Improvements.

All present and future alterations, additions, renovations, improvements and installations made to the Leased Premises, including without limitation the Tenant Work (if any) ("Leasehold Improvements"), shall be deemed to be the property of Landlord when made and, upon Tenant's vacation or abandonment of the Leased Premises, unless Landlord directs otherwise **at the time Tenant requests Landlord's consent to the applicable Leasehold Improvements (or, as to Permitted Alterations, at any time following the installation thereof),** shall remain upon and be surrendered with the Leased Premises in good order, condition and repair. **Tenant shall not be required to remove any Leasehold Improvements installed prior to the date of this Lease.** All movable goods, inventory, office furniture, equipment, trade fixtures and other movable personal property belonging to Tenant that are not permanently affixed to the Leased Premises, shall remain Tenant's property ("Tenant's Property") and shall be removable by Tenant at any time, provided that Tenant (i) is not in violation of any provision of this Lease, and (ii) repairs any damage to the Leased Premises or the Building caused by the removal of any of Tenant's Property.

Section 9.06. Removal of Tenant's Property.

Tenant shall remove all of Tenant's Property (and any Leasehold Improvements as Landlord may direct) prior to the Termination Date or the termination of Tenant's right to possession. Tenant shall repair any damage to the remaining Leasehold Improvements, the Leased Premises or any other portion of the Building caused by such removal. If Tenant fails to timely remove said items, they shall be considered as abandoned and shall become the property of Landlord, or Landlord may remove and dispose of them.

Section 9.07. Mechanic's Liens.

No mechanic's or other lien shall be allowed against the Building as a result of Tenant's improvements to the Leased Premises. Tenant shall give Landlord written notice not less than thirty (30) days prior to commencement of any work in, on or about the Leased Premises, and Landlord shall have the right to record and post notices of non-responsibility in or on the Leased Premises.

Tenant shall promptly pay all Persons furnishing labor, materials or services with respect to any work performed by Tenant on the Leased Premises. If any mechanic's or other lien shall be filed against the Leased Premises or the Building by reason of work, labor, services or materials performed or furnished, or alleged to have been performed or furnished, to or for the benefit of Tenant, Tenant shall cause the same to be discharged of record or bonded to the satisfaction of Landlord within ten (10) days subsequent to the filing thereof. If Tenant fails to discharge or bond any such lien, Landlord, in addition to all other rights or remedies provided in this Lease, may bond said lien or claim (or pay off said lien or claim if it cannot with reasonable effort be bonded) without inquiring into the validity thereof and all expenses incurred by Landlord in so discharging said lien, including reasonable attorney's fees, shall be paid by Tenant to Landlord as Additional Rent on ten (10) days' demand.

ARTICLE X

REPAIRS, MAINTENANCE, AND LANDLORD'S ACCESS

Section 10.01. Repairs by Landlord.

Landlord covenants to keep, maintain, manage and operate the Common Areas in manner consistent with the operation of office buildings of a similar size, location and age of the Building. Subject to the terms of this Lease, Landlord agrees to maintain the roof and roof

membrane, the exterior and structural portions of the Building, and the central or base Building mechanical, electrical and plumbing systems (specifically excluding any supplemental HVAC system, sprinkler system or any other system exclusively servicing the Leased Premises). If any such repairs are necessitated by Tenant's breach of this Lease, or by any act or negligence of Tenant, its agents, employees, assigns, concessionaires, contractors or invitees, Tenant shall reimburse to Landlord the reasonable cost incurred in completing such repairs within five (5) days of demand therefor.

Section 10.02. Repairs and Maintenance by Tenant.

Throughout the Term Tenant shall maintain the Leased Premises, including any Leasehold Improvements, alterations or other improvements therein, in good order, condition and repair. Tenant shall not cause or permit any waste, damage or injury to the Leased Premises or the Building. Tenant's obligations shall include, without limitation, the repair and replacement of appliances and equipment installed specifically for Tenant such as refrigerators, disposals, computer room, air conditioning, sinks and special plumbing fixtures, special fixtures and bulbs for those fixtures, and any non-standard outlets.

Section 10.03. Inspections, Access and Emergency Repairs by Landlord.

Upon reasonable prior notice and without materially adversely affecting Tenant's business within the Leased Premises, Tenant shall permit Landlord to enter all parts of the Leased Premises to inspect the same. In the event of an emergency, Landlord may enter the Leased Premises at any time and make such inspection and repairs as Landlord deems necessary, at the risk and for the account of Tenant.

ARTICLE XI

CASUALTY

Section 11.01. Fire or Other Casualty.

Tenant shall give prompt notice to Landlord in case of fire or other casualty ("Casualty") to the Leased Premises or the Building.

Section 11.02. Right to Terminate.

A. If (i) the Building is damaged to the extent of more than fifty percent (50%) of the cost of replacement thereof; (ii) during the last two (2) Lease Years or in any Partial Lease Year at the end of the Term, the Leased Premises are damaged to the extent of more than twenty-five percent (25%) of the cost of replacement thereof; or (iii) the Leased Premises are damaged to the extent of fifty percent (50%) or more of the cost of replacement thereof (i.e., more than fifty percent (50%) of the Floor Area of the Leased Premises immediately before such Casualty is rendered untenantable) and Landlord determines that such damage cannot be repaired within one hundred eighty (180) days from the date of such occurrence; then Landlord may terminate this Lease by notice to Tenant within sixty (60) days after the date of the Casualty. If Landlord so terminates this Lease then the Termination Date shall be the date set forth in the notice to Tenant, which date shall not be less than sixty (60) days nor more than ninety (90) days after the giving of said notice. The "cost of replacement" shall be determined by the company or companies insuring Landlord against the Casualty, or, if there shall be no such determination, by a qualified Person selected by Landlord to determine such "cost of replacement."

B. If during the last two (2) Lease Years or in any Partial Lease Year at the end of the Term either (i) the Leased Premises are damaged to the extent of twenty-five percent (25%) or more of the cost of replacement thereof, or (ii) more than fifty percent (50%) of the Floor Area of the Leased Premises immediately before such Casualty is rendered untenantable and Landlord determines that such damage cannot be repaired within one hundred eighty (180) days from the date of such occurrence, Tenant may terminate this Lease by giving Landlord sixty (60) days' prior notice given within sixty (60) days after the date of the Casualty. If the Casualty shall render the Leased Premises untenantable or wholly inaccessible, in whole or in part, all Rent shall abate proportionately during the period of such untenantability, computed on the basis of the ratio which the amount of Floor Area of the Leased Premises rendered untenantable bears to the total Floor Area of the Leased Premises. Such abatement shall terminate on the earlier of (i) thirty (30) days after the date any such repair and restoration work is substantially completed by Landlord, or (ii) the date Tenant reopens for business in the portion of the Leased Premises previously rendered untenantable; **provided, however, that in the event that the entrance to**

the Leased Premises is damaged to the extent that the remainder of the Leased Premises is not accessible for Tenant's use, the remainder of the Leased Premises shall accordingly be deemed to be untenantable for the purposes of calculating the Rent abatement. Except to the extent specifically set forth in this Section 11.02, neither the Rent nor any other obligations of Tenant under this Lease shall be affected by any Casualty, and Tenant hereby specifically waives all other rights it might otherwise have under law or by statute, including, without limitation, California Civil Code Sections 1932 and 1933.

Section 11.03. Landlord's Duty to Reconstruct.

Subject to Landlord's ability to obtain the necessary permits and the availability of insurance proceeds, Landlord shall repair the Leased Premises (excluding Tenant's Property, which shall be Tenant's obligation to repair, restore or replace) to a substantially similar condition as existed prior to the Casualty; provided, Landlord shall not be required to expend an amount in excess of the insurance proceeds received by Landlord (plus the amount of any deductible) in performing such repairs or reconstruction.

Section 11.04. Tenant's Duty to Reconstruct.

Tenant shall promptly commence and diligently pursue to completion the redecorating and refixturing of the Leased Premises, including repairing, restoring or replacing Tenant's Property, to a substantially similar condition as existed prior to the Casualty. Tenant shall reopen for business in the Leased Premises as soon as practicable after the occurrence of the Casualty.

ARTICLE XII

CONDEMNATION

Section 12.01. Taking of Leased Premises.

A. If more than twenty-five percent (25%) of the Floor Area of the Leased Premises shall be appropriated or taken under the power of eminent domain, or conveyance shall be made in anticipation or in lieu thereof ("Taking"), either party may terminate this Lease as of the effective date of the Taking by giving notice to the other party of such election within thirty (30) days prior to the date of such Taking.

B. If there is a Taking of a portion of the Leased Premises and this Lease is not terminated pursuant to Section 12.01.A, above, then (i) as of the effective date of the Taking, this Lease shall terminate only with respect to the portion of the Leased Premises taken; (ii) after the effective date of the Taking, the Rent shall be reduced by multiplying the same by a fraction, the numerator of which shall be the Floor Area taken and the denominator of which shall be the Floor Area of the Leased Premises immediately prior to the Taking; and (iii) as soon as reasonably possible after the effective date of the Taking, Landlord shall, to the extent feasible, restore the remaining portion of the Leased Premises to a complete unit of a similar condition as existed prior to any work performed by Tenant, provided, however, Landlord shall not be required to expend more on such alteration or restoration work than the condemnation award received and retained by Landlord for the Leased Premises.

Section 12.02. Taking of Building.

If there is a Taking of any portion of the Building so as to render, in Landlord's judgment, the remainder unsuitable for use as an office building, Landlord shall have the right to terminate this Lease upon thirty (30) days' notice to Tenant. Provided Tenant is not then in violation of any provision of this Lease, Tenant shall receive a proportionate refund from Landlord of any Rent Tenant paid in advance.

Section 12.03. Condemnation Award.

All compensation awarded for a Taking of any part of the Leased Premises (including the Leasehold Improvements) or a Taking of any other part of the Building shall belong to Landlord. Tenant hereby assigns to Landlord all of its right, title and interest in any such award. Tenant shall have the right to collect and pursue any separate award as may be available under local procedure for moving expenses or Tenant's Property, so long as such award does not reduce the award otherwise belonging to Landlord as aforesaid.

The rights contained in this Article XI and Article XII shall be Tenant's sole and exclusive remedy in the event of a Casualty or Taking. Tenant waives the provisions of Sections 1265.130 and 1265.150 of the California Code of Civil Procedure and the provisions of any successor or other law of like import.

ARTICLE XIII

PARKING

Section 13.01. Parking Rights.

Provided that Tenant is occupying the Leased Premises, Tenant shall have the right to use, at no additional cost, the number of monthly parking space contracts set forth in Subsection 1.01.K, above, on an non-exclusive and unreserved basis and on the terms and conditions established by the Building garage operator(s) from time to time. While all parking spaces shall be on a non-exclusive and unreserved basis, the permit holders shall all be required, as a condition of their permit, to park no lower than the second (2nd) level in Parking Garage 3B and any failure to so adhere may result in the violative vehicle(s) being towed at the owner's expense. Notwithstanding the forgoing, during the Term of the Lease, Landlord shall have the right to change the location of the Parking Spaces from Parking Garage 3B to another location in the Village. Landlord reserves the right, from time to time, to temporarily restrict access to the parking areas to perform maintenance thereof; provided, however, that Landlord agrees that such restriction shall be on a temporary basis and that Tenant shall, in any event, be provided with alternate parking elsewhere in the Village during any such periods of restriction. Notwithstanding the foregoing, in the event that Tenant or its assignee is leasing less than the entire Leased Premises, there shall be a ratable reduction of Parking Spaces available to Tenant.

Section 13.02. Parking Rules and Conditions.

Use of the Building garage and/or Parking Garage 3B by Tenant, its employees, agents and business invitees is subject to the reasonable rules and regulations of Landlord and/or the Building garage and/or Parking Garage 3B operator as may be reasonably promulgated or amended by Landlord and/or the Building and/or Parking Garage 3B garage operator from time to time. All monthly parking space contracts obtained by Tenant are non-transferable other than to permitted sublessees and assignees hereunder.

ARTICLE XIV

SUBORDINATION AND ATTORNMENT

Section 14.01. Subordination.

Tenant's rights under this Lease are subordinate to (i) all present and future ground or underlying leases affecting all or any part of the Building, and (ii) any easement, license, mortgage, deed of trust or other security instrument now or hereafter affecting the Building (those documents referred to in (i) and (ii) above being collectively referred to as a "Mortgage" and the Person or Persons having the benefit of same being collectively referred to as a "Mortgagee"). Tenant's subordination provided in this Section 14.01 is self-operative and no further instrument of subordination shall be required. **Notwithstanding anything to the contrary contained herein, Landlord hereby represents that as of the date of this Lease there is no existing mortgage or deed of trust affecting the Building. Tenant shall not be required to subordinate this Lease to any future mortgage or deed of trust placed against the Building unless the mortgagee shall agree to honor and abide by the terms of the Lease and give Tenant a non-disturbance agreement providing in effect that Tenant's right to use and occupy the Leased Premises will not be deprived as a result of such foreclosure so long as Tenant shall not be in Default, whereupon Tenant will attorn to the future mortgagee upon foreclosure of the mortgage.**

Section 14.02. Attornment.

If any Person succeeds to all or part of Landlord's interest in the Leased Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease or otherwise, Tenant shall, without charge, attorn to such successor-in-interest upon request from Landlord.

Section 14.03. Estoppel Certificate.

Each of Landlord and Tenant, within fourteen (14) days after receiving notice from, and without charge or cost to, the other, shall certify by written instrument to the other or any other Person designated by Landlord or Tenant: (i) that this Lease is in full force and effect and unmodified (or if modified, stating the modification); (ii) the dates, if any, to which each component of the Rent due under this Lease has been paid; (iii) whether Landlord or Tenant has failed to perform any covenant, term or condition under this Lease, and the nature of Landlord's or Tenant's failure, if any; and (iv) such other relevant information as Landlord or Tenant may request pertaining to the status of this Lease.

Section 14.04. Quiet Enjoyment.

Landlord covenants that it has full right, power and authority to enter into this Lease and that Tenant, upon performing all of Tenant's obligations under this Lease and timely paying all Rent, shall peaceably and quietly have, hold and enjoy the Leased Premises during the Term without hindrance, ejection or molestation by any Person lawfully claiming by, through or under Landlord.

ARTICLE XV

ASSIGNMENT AND SUBLETTING

Section 15.01. Landlord's Consent Required.

A. Tenant and any permitted Transferee, as hereinafter defined, shall not voluntarily or involuntarily, by operation of law or otherwise: (i) transfer, assign, mortgage, encumber, pledge, hypothecate, or assign all or any of its interest in this Lease; (ii) sublet or permit the Leased Premises, or any part thereof, to be used by others, including, but not limited to, concessionaires or licensees; (iii) issue new stock (or partnership shares or membership interests), create additional classes of stock (or partnership shares or membership interests), or sell, assign, hypothecate or otherwise transfer the outstanding voting stock (or partnership shares or membership interests) so as to result in or make possible a change in the present control of Tenant or any permitted Transferee, provided, however, that this subsection (iii) shall not be applicable to Tenant so long as it is a publicly owned corporation whose outstanding voting stock is listed on a national securities exchange (as defined in the Securities Exchange Act of 1934, as amended) or is traded actively in the over-the-counter market; or (iv) sell, assign or otherwise transfer all or substantially all of Tenant's or any permitted Transferee's assets; without the prior consent of Landlord, in each instance, which consent Landlord may not unreasonably withhold, which reasonableness is subject to the provisions set forth in Section 15.01.D. All of the foregoing transactions shall be referred to collectively or singularly as a "Transfer", and the Person to whom Tenant's interest is transferred shall be referred to as a "Transferee".

B. Any Transfer without Landlord's consent shall not be binding upon Landlord, shall confer no rights upon any third Person, and shall, without notice or grace period of any kind, constitute an immediate Default by Tenant under this Lease. Acceptance by Landlord of Rent following any Transfer shall not be deemed to be a consent by Landlord to any such Transfer, acceptance of the Transferee as a tenant, release of Tenant from the performance of any covenants herein, or waiver by Landlord of any remedy of Landlord under this Lease, although amounts received shall be credited by Landlord against Tenant's Rent obligations. Consent by Landlord to any one Transfer shall not be a waiver of the requirement for consent to any other Transfer. No reference in this Lease to assignees, concessionaires, subtenants or licensees shall be deemed to be a consent by Landlord to occupancy of the Leased Premises by any such assignee, concessionaire, subtenant or licensee.

C. Landlord's consent to any Transfer shall not operate as a waiver of, or release of Tenant from, Tenant's covenants and obligations hereunder; nor shall the collection or acceptance of Rent or other performance from any Transferee have such effect. Rather, Tenant shall remain fully and primarily liable and obligated under this Lease for the entire Term in the event of any Transfer, and in the event of a Default by the Transferee, Landlord shall be free to pursue Tenant, the Transferee, or both, without prior notice or demand to either.

D. Landlord reserves the right to withhold its consent to a Transfer if any of the following conditions are applicable and it shall be deemed reasonable for Landlord to deny such consent if any of the following conditions are applicable:

(i) Tenant is in violation of any provision of this Lease;

(ii) The net worth (excluding goodwill) of the Transferee immediately prior to the Transfer is insufficient to fulfill the terms of the Lease **(or, in the case of a sublease, those obligations being assumed)**, as reasonably determined by Landlord, based on financial information provided by Tenant;

(iii) The inability of Transferee to continue to operate the business conducted in the Leased Premises for general office purposes; or

(iv) Transferee is an existing tenant in the or the Commercial Portion and Landlord reasonably believes that it will be able to accommodate the space needs of such existing tenant.

E. Notwithstanding the foregoing, the following conditions shall apply to any proposed Transfer:

(i) Each and every covenant, condition, or obligation imposed upon Tenant by this Lease and each and every right, remedy, or benefit afforded Landlord by this Lease shall not be impaired or diminished as a result of such Transfer;

(ii) Tenant shall assign to Landlord 50% of any and all consideration paid directly or indirectly for the assignment by Tenant to the Transferee of Tenant's leasehold interest or 50% of any and all subrentals payable by subtenants which are in excess of the Minimum Rent provided herein (computed on a square footage basis) **after first deducting the reasonable expenses incurred by Tenant for (1) any alterations and improvements to the Leased Premises paid for by Tenant in connection with such Transfer, (2) any other out-of-pocket monetary concessions provided by Tenant to the assignee or subtenant, and (3) any brokerage commissions and attorneys fees paid for by Tenant in connection with such Transfer;**

(iii) Tenant to which the Leased Premises were initially leased shall continue to remain liable under this Lease for the performances of all terms, including, but not limited to, payment of Rent due under this Lease;

(iv) Transferee must expressly assume in a written instrument delivered and reasonably acceptable by Landlord all the obligations of Tenant under the Lease **(or, in the case of a sublease, those obligations being assumed)**.

(v) Landlord shall furnish the appropriate documentation in connection with any such Transfer and be entitled to a reasonable administrative fee therefor, as set forth in Section 17.03.

(vi) Prior to the effective date of such proposed Transfer, Landlord shall receive the following information in connection with such Transfer: the name of the proposed Transferee, a copy of the financial statement of the proposed Transferee and any guarantor, information regarding the proposed Transferee's business history and experience and the proposed Transferee's business plan and projections for the Leased Premises.

Landlord shall approve or disapprove of such proposed Transfer within fifteen (15) business days following receipt of Tenant's written notice of its intent to Transfer the Lease together with the required information set forth above.

F. If the proposed term with respect to the space proposed to be subleased (the "Proposed Sublet Space") is to extend (including any renewal or extension options) beyond the first (1st) day of the eighteenth (18th) calendar month before the then scheduled expiration of the Term, or if the Proposed Sublet Space is (or, when aggregated with other space then being sublet by Tenant, will be) more than fifty percent (50%) of the Leased Premises and the term of the proposed sublease is for seventy-five percent (75%) or more of the then-remaining Term, then Landlord shall have the right in its sole and absolute discretion to terminate this Lease with respect to the Proposed Sublet Space by sending Tenant written notice of such termination within fifteen (15) business days after Landlord's receipt of Tenant's request Notice. If the Proposed Sublet Space does not constitute the entire Leased Premises and Landlord exercises its option to terminate this Lease with respect to the Proposed Sublet Space, then (a) Tenant shall tender the Proposed Sublet Space to Landlord on the Proposed Sublease commencement date and such space shall thereafter be deleted from the Leased Premises, and (b) as to that portion of the Premises which is not part of the Proposed Sublet Space, this Lease shall remain in full force and effect except that Minimum Rent and Additional Rent shall be reduced pro rata. Fifty percent

(50%) of the cost of any construction required to permit the operation of the Proposed Sublet Space separate from the balance of the Leased Premises shall be paid by Tenant to Landlord as additional rent hereunder. If the Proposed Sublet Space constitutes the entire Leased Premises and Landlord elects to terminate this Lease, then Tenant shall tender the Proposed Sublet Space to Landlord, and this Lease shall terminate, on the Proposed Sublease commencement date.

G. **Notwithstanding anything contained herein to the contrary, Tenant may upon at least fifteen (15) days prior written notice to Landlord (the "Affiliate Notice") (it being agreed that, in the event that Tenant is forbidden by law or the terms of a binding non-disclosure agreement from providing such notice, Tenant shall provide such notice immediately upon the consummation of the transaction protected by the non-disclosure agreement or Legal Requirement (as applicable)), but without Landlord's prior written consent and without paying over to Landlord the fees or sums otherwise due pursuant to Subsections 15.01(E)(ii) and (v) and without any right to recapture or reclaim all or a portion of the Leased Premises as set forth in Subsection 15.01(F), assign this Lease to a Qualified Tenant Affiliate (hereinafter defined), provided that no Default exists hereunder and no event exists which event with notice and/or the passage of time would constitute a default hereunder if not cured within the applicable cure period. A "Qualified Tenant Affiliate" shall mean a corporation or other entity which (i) shall control, be controlled by or be under common control with Tenant, which acquires a controlling interest in Tenant by a transfer of stock, equity or ownership whether by transfer or issuance of new stock, or which results from a merger or consolidation with Tenant or succeeds to all the business and assets of Tenant, (ii) is of a type and quality consistent with the first-class nature of the Building, and (iii) in the case of a merger or consolidation, has a net worth immediately after such merger or consolidation at least equal to the net worth of Tenant immediately prior to such merger or consolidation. For purposes of the immediately preceding sentence, "control" shall be deemed to be ownership of more than fifty-one percent (51%) of the legal and equitable interest of the controlled corporation or other business entity. In the event of any assignment to a Qualified Tenant Affiliate, Tenant shall remain fully liable to perform the obligations of the Tenant under this Lease, such obligations to be joint and several with the obligations of the Qualified Tenant Affiliate as tenant under this Lease, and Tenant shall execute such guaranty or other agreement as Landlord shall request to confirm such liability. Notwithstanding any provision contained in this Lease to the contrary, Landlord's prior written consent shall be required to (a) any merger, consolidation or asset acquisition involving Tenant or the assets or ownership interest of Tenant if in connection therewith, any of the assets of Tenant are transferred, granted or pledged as security for the purchase price (or other consideration) for such merger, consolidation or asset acquisition (provided, however, that if the tangible net worth (i.e., excluding goodwill) of Tenant immediately following such transaction would be equal to or greater than Five Million and 00/100 Dollars ($5,000,000.00), this Subsection 15.01(G)(a) shall be inapplicable), and (b) any sale, conveyance or transfer of all or substantially all of Tenant's assets to an entity that does not assume all of the obligations of Tenant under this Lease. Any permitted Transfer by Tenant pursuant to this 15.01(G) or otherwise shall be only for valid independent business purposes and any Transfer, however structured, designed primarily for avoidance of the rights of Landlord hereunder shall not be permitted. In no event shall Tenant be permitted to use a series of one or more permitted Transfers solely for the purpose of "spinning-off" this Lease to an independent third party that would not otherwise be a permitted Transferee. As an example of the foregoing, Tenant shall not assign this Lease to an affiliate whose assets consist solely of this Lease and the rights granted herein, and thereafter sell the stock of such affiliate to an independent third party in a merger, with the intended result being to defeat the purpose of this Lease to an independent third party by means of what would otherwise be two (2) separate permitted transfers.**

ARTICLE XVI

DEFAULT AND REMEDIES

Section 16.01. Default.

Each of the following events shall constitute a default ("Default") by Tenant under this Lease: (i) Tenant's failure to pay, or make available as required by this Lease, any Rent by the date such Rent is due; (ii) if Tenant breaches or fails to observe or perform any term, condition or covenant of this Lease, other than those involving the payment of Rent, and such breach or

failure is not cured within thirty (30) days after Tenant's receipt of notice thereof, unless such condition cannot reasonably be cured within such thirty (30) days, in which case Tenant must commence such cure within said thirty (30) days and diligently pursue said cure to its completion (provided, however, if such breach or failure creates a hazard, public nuisance or dangerous situation, said thirty (30) day grace period shall be reduced to forty-eight (48) hours after Tenant's receipt of notice); or (iii) if Tenant fails to carry and maintain the insurance required by this Lease. Any notice given pursuant to this Section shall be in lieu of, and not in addition to, any notice required under Section 1161, et seq., of the California Code of Civil Procedure. Notwithstanding anything to the contrary contained herein, if the Default can be cured by the payment of money, Tenant shall, except as hereinafter provided, have five (5) business days after notice from Landlord to cure the Default. Notwithstanding the preceding sentence, if Landlord shall give notice of two (2) such monetary Defaults within any twelve (12) month period, then thereafter, Tenant shall be in Default under this Lease if it fails to pay any Rent within ten (10) days after the same shall be due and payable, without the necessity of notice.

Section 16.02. Remedies and Damages.

A. If a Default described in Section 16.01, above, occurs, Landlord shall have all the rights and remedies provided in this Section 16.02, in addition to all other rights and remedies available under this Lease or provided at law or in equity.

B. Landlord may, upon notice to Tenant, terminate this Lease, or terminate Tenant's right to possession without terminating this Lease (as Landlord may elect). If this Lease or Tenant's right to possession under this Lease are at any time terminated under this Section 16.02 or otherwise, Tenant shall immediately surrender and deliver the Leased Premises peaceably to Landlord. If Tenant fails to do so, Landlord shall be entitled to re-enter, without process and without notice (any notice to quit or of re-entry being hereby expressly waived), using such force as may be necessary, and, alternatively, Landlord shall have the benefit of all provisions of law respecting the speedy recovery of possession of the Leased Premises (whether by summary proceedings or otherwise).

C. Landlord may also perform, on behalf and at the expense of Tenant, any obligation of Tenant under this Lease which Tenant fails to perform, the cost of which (together with an administrative fee equal to ten percent (10%) of such cost to cover Landlord's overhead in connection therewith) shall be paid by Tenant to Landlord within five (5) days of demand therefor. In performing any obligations of Tenant, Landlord shall incur no liability for any loss or damage that may accrue to Tenant, the Leased Premises or Tenant's Property by reason thereof, except if caused by Landlord's willful and malicious act. The performance by Landlord of any such obligation shall not constitute a release or waiver of any of Tenant's obligations under this Lease.

D. Upon termination of this Lease or of Tenant's right to possession under this Lease, Landlord may at any time and from time to time relet all or any part of the Leased Premises for the account of Tenant or otherwise, at such rentals and upon such terms and conditions as Landlord shall deem appropriate. Landlord shall receive and collect the rents therefor, applying the same first to the payment of such expenses as Landlord may incur in recovering possession of the Leased Premises, including legal expenses and attorneys' fees, in placing the Leased Premises in good order and condition and in preparing or altering the same for re-rental; second, to the payment of such expenses, commissions and charges as may be incurred by or on behalf of Landlord in connection with the reletting of the Leased Premises; and third, to the fulfillment of the covenants of Tenant under this Lease, including the various covenants to pay Rent. Any such reletting may be for such term(s) as Landlord elects. Thereafter, Tenant shall pay Landlord until the end of the Term of this Lease the equivalent of the amount of all the Rent and all other sums required to be paid by Tenant, less the net avails of such reletting, if any, on the dates such Rent and other sums above specified are due. Any reletting by Landlord shall not be construed as an election by Landlord to terminate this Lease unless notice of such intention is given by Landlord to Tenant. Notwithstanding any reletting without termination of this Lease, Landlord may at any time thereafter elect to terminate this Lease. In any event, Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by Landlord to relet the Leased Premises or any failure by Landlord to collect any sums due upon such reletting.

E. In addition to all other remedies provided in this Lease and at law, if there occurs a Default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord may terminate this Lease and all rights of Tenant hereunder by written notice to Tenant, in which event Tenant shall immediately surrender the Leased Premises to Landlord. In the event that Landlord shall elect to so terminate this Lease, then Landlord may recover from Tenant:

(i) The worth at the time of award of any unpaid rent which had been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of events would likely result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Leased Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

As used in subparagraphs (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the Interest rate. As used in subparagraph (iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Further, Tenant shall be liable for all leasing commissions paid or owing by Landlord arising from this Lease and any extension thereof.

Efforts by Landlord to mitigate damages caused by Tenant's Default or breach of this Lease shall not waive Landlord's right to recover damages under this Section. If termination of this Lease is obtained through an unlawful detainer action, Landlord shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable thereon, or Landlord may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under this Lease was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Tenant under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by this Lease. In such event, the applicable grace period under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Tenant to cure the Default within the longer of two such grace periods shall constitute both an unlawful detainer and a breach of this Lease entitling Landlord to the remedies provided for in this Lease and/or by statute.

F. At Landlord's option and in addition to all other remedies provided in this Lease and at law, if there occurs a Default, Landlord may elect to continue this Lease and Tenant's right to possession in effect under California Civil Code Section 1951.4 after Tenant's breach or Default and recover the rent as it becomes due. Landlord and Tenant agree that the limitations on assignment and subletting set forth in Article XV in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Leased Premises or the appointment of a receiver to protect Landlord's interest under this Lease, shall not constitute a termination of Tenant's right to possession.

Section 16.03. Remedies Cumulative.

No reference to any specific right or remedy in this Lease shall preclude Landlord from exercising any other right, from having any other remedy, or from maintaining any action to which it may otherwise be entitled under this Lease, at law or in equity.

Section 16.04. Waiver.

A. Neither party shall be deemed to have waived any provision of this Lease, or the breach of any such provision, unless specifically waived by such party in a writing executed by an authorized officer. No waiver of a breach shall be deemed to be a waiver of any subsequent breach of the same provision, or of the provision itself, or of any other provision.

B. Tenant hereby expressly waives any and all rights of redemption and any and all rights to relief from forfeiture which would otherwise be granted or available to Tenant under any present or future statutes, rules or case law.

C. **IN ANY LITIGATION (WHETHER OR NOT ARISING OUT OF OR RELATING TO THE LEASE) IN WHICH LANDLORD AND TENANT SHALL BE ADVERSE PARTIES, BOTH LANDLORD AND TENANT KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY.**

D. Notwithstanding anything to the contrary contained in this Lease, Tenant waives the right to make repairs at Landlord's expense under Sections 1941 and 1942 of the California Civil Code and all other laws now or hereafter in effect. Furthermore, Tenant hereby waives the provisions of California Civil Code Sections 1932(2) and 1933(4) and the provisions of any successor or other law of like import.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.01. Notices.

A. Whenever any demand, request, approval, consent or notice (singularly and collectively, "Notice") shall or may be given by one party to the other, such Notice shall be in writing and addressed to the parties at their respective addresses as set forth in Section 1.01.I, above, and served by (i) hand, (ii) a nationally recognized overnight express courier, or (iii) registered or certified mail return receipt requested. The date the Notice is received shall be the date of service of Notice. If an addressee refuses to accept delivery, however, then Notice shall be deemed to have been served on either (i) the date hand delivery is refused, (ii) the next business day after the Notice was sent in the case of attempted delivery by overnight courier, or (iii) five (5) business days after mailing the Notice in the case of registered or certified mail. Either party may, at any time, change its Notice address by giving the other party Notice, in accordance with the above, stating the change and setting forth the new address.

B. If any Mortgagee shall notify Tenant that it is the holder of a Mortgage affecting the Leased Premises, no Notice thereafter sent by Tenant to Landlord shall be effective unless and until a copy of the same shall also be sent to such Mortgagee, in the manner prescribed in this Section 17.01, to the address as such Mortgagee shall designate.

Section 17.02. Recording.

Neither this Lease nor a memorandum thereof shall be recorded without the prior written consent of Landlord.

Section 17.03. Interest and Administrative Costs.

A. If (i) Tenant fails to make any payment under this Lease when due, or (ii) Landlord incurs any costs or expenses in performing any obligation of Tenant or as a result of Tenant's Default under this Lease, then Tenant shall pay, upon demand, such costs and/or expenses plus Interest from the date such payment was due or from the date Landlord incurs such costs or expenses relating to the performance of any such obligation or Tenant's Default.

B. If Tenant requests that Landlord review and/or execute any documents in connection with this Lease, including Assignment and Transfer documents, and Landlord Waivers of Lien, Tenant shall pay to Landlord, upon demand, as an administrative fee for the review and/or execution thereof an amount equal to One Thousand Five Dollars ($1,500.00), but the fee for the first such request shall be Five Hundred Dollars ($500.00).

Section 17.04. Legal Expenses.

If Landlord or Tenant institutes any suit against the other in connection with the enforcement of their respective rights under this Lease, the violation of any term of this Lease, the declaration of their rights hereunder, or the protection of Landlord's or Tenant's interests under this Lease, the non-prevailing party shall reimburse the prevailing party for its reasonable

expenses incurred as a result thereof including court costs and attorneys' fees within five (5) days of demand therefor. Notwithstanding the foregoing, if Landlord files any legal action for collection of Rent or any eviction proceedings, whether summary or otherwise, for the nonpayment of Rent, and Tenant pays such Rent prior to the rendering of any judgment, the Landlord shall be entitled to collect, and Tenant shall pay, all court filing fees and the reasonable fees of Landlord's attorneys.

Section 17.05. Successors and Assigns.

This Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord and Tenant, and their respective permitted successors and assigns. Upon any sale or other transfer by Landlord of its interest in the Leased Premises, Landlord shall be relieved of any obligations under this Lease occurring subsequent to such sale or other transfer.

Section 17.06. Limitation on Right of Recovery Against Landlord.

No shareholder, member, trustee, partner, director, officer, employee, representative or agent of Landlord shall be personally liable in respect of any covenant, condition or provision of this Lease. If Landlord breaches or defaults in any of its obligations in this Lease, Tenant shall look solely to the equity of the Landlord in the Building (and any rents, profits and proceeds therefrom) for satisfaction of Tenant's remedies.

Section 17.07. Security Deposit.

Tenant shall deposit with Landlord in advance upon Tenant's execution of this Lease, for Landlord's general account, the Security Deposit set forth in Section 1.01.G hereof as security for the performance of each and every term, covenant, agreement and condition of this Lease to be performed by Tenant. In the event of a Default, Landlord may use, apply on Tenant's behalf or retain (without liability for interest) during the Term all or any part of the Security Deposit to the extent required for the payment of any Rent which may be owed hereunder, or for any sum which Landlord may expend to cure any Default of Tenant. After each application from the Security Deposit, Tenant shall, within five (5) business days of Notice from Landlord, restore said deposit to the amount set forth in Section 1.01.G hereof. The use, application or retention of the Security Deposit by Landlord shall not be deemed a limitation on Landlord's recovery in any case, or a waiver by Landlord of any Default, nor shall it prevent Landlord from exercising any other right or remedy for a Default by Tenant. If Tenant has complied with all the terms, covenants, agreements, and conditions of this Lease, the Security Deposit (less any amount applied as herein provided) shall be returned to Tenant without interest within thirty (30) days after the Termination Date and after surrender of possession of the Leased Premises to Landlord in accordance with the terms of this Lease.

Section 17.08. Entire Agreement; No Representations; Modification.

This Lease is intended by the parties to be a final expression of their agreement and as a complete and exclusive statement of the terms thereof. All prior negotiations, considerations and representations between the parties (oral or written) are incorporated herein. No course of prior dealings between the parties or their officers, employees, agents or affiliates shall be relevant or admissible to supplement, explain or vary any of the terms of this Lease. No representations, understandings, agreements, warranties or promises with respect to the Leased Premises or the Building, or with respect to past, present or future tenancies, rents, expenses, operations, or any other matter, have been made or relied upon in the making of this Lease, other than those specifically set forth herein. This Lease may only be modified, or a term thereof waived, by a writing signed by an authorized officer of Landlord and Tenant expressly setting forth said modification or waiver.

Section 17.09. Severability.

If any term or provision of this Lease, or the application thereof to any Person or circumstance, shall be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 17.10. Joint and Several Liability.

If two or more Persons shall sign this Lease as Tenant, the liability of each such Person to pay the Rent and perform all other obligations hereunder shall be deemed to be joint and several, and all Notices, payments and agreements given or made by, with or to any one of such Persons shall be deemed to have been given or made by, with or to all of them. In like manner, if Tenant shall be a partnership or other legal entity, the partners or members of which are, by virtue of any applicable law, rule, or regulation, subject to personal liability, the liability of each such partner or member under this Lease shall be joint and several and each such partner or member shall be fully obligated hereunder and bound hereby as if each such partner or member had personally signed this Lease.

Section 17.11. Broker's Commission.

Except for (i) Mike Grado of CB Richard Ellis, as broker for and on behalf of Landlord ("Landlord's Broker"), whom Landlord agrees to pay a commission under the terms of a separate agreement and (ii) John Brady of CRESA, as broker for and on behalf of Tenant ("Tenant's Broker"), to whom Landlord's Broker shall pay a commission under the terms of a separate agreement, Landlord and Tenant each warrants and represents to the other that no broker, finder or agent has acted for or on its behalf in connection with the negotiation, execution or procurement of this Lease. Landlord and Tenant each agrees to indemnify and hold the other harmless from and against all liabilities, obligations and damages arising, directly or indirectly, out of or in connection with a claim from a broker, finder or agent with respect to this Lease or the negotiation thereof, including costs and attorneys' fees incurred in the defense of any claim made by a broker alleging to have performed services on behalf of the indemnifying party.

Section 17.12. Irrevocable Offer; No Option.

The submission of this Lease by Landlord to Tenant for examination shall not constitute an offer to lease or a reservation of or option for the Leased Premises. Tenant's execution of this Lease shall be deemed an offer by Tenant, but this Lease shall become effective only upon execution thereof by both parties and delivery thereof to Tenant.

Section 17.13. Inability to Perform.

Except for the payment of monetary obligations and Tenant's obligations under Exhibit B, if Landlord or Tenant is delayed or prevented from performing any of its obligations under this Lease by reason of strike, labor troubles, or any similar cause whatsoever beyond their control, the period of such delay or such prevention shall be deemed added to the time herein provided for the performance of any such obligation by Landlord or Tenant.

Section 17.14. Survival.

Occurrence of the Termination Date shall not relieve Tenant from its obligations accruing prior to the expiration of the Term. All such obligations shall survive termination of this Lease.

Section 17.15. Corporate Tenants.

If Tenant is not an individual, the individual(s) executing this Lease on behalf of Tenant hereby covenant(s) and warrant(s) that: (i) Tenant is duly formed, qualified to do business and in good standing in the state in which the Building is located; and (ii) such Person(s) are duly authorized by such Person to execute and deliver this Lease on behalf of Tenant. Tenant shall remain qualified to do business and in good standing in said state throughout the Term.

Section 17.16. Construction of Certain Terms.

The term "including" shall mean in all cases "including, without limitation." Wherever Tenant is required to perform any act hereunder, such party shall do so at its sole cost and expense, unless expressly provided otherwise. All payments to Landlord, other than Minimum Rent, whether as reimbursement or otherwise, shall be deemed to be Additional Rent, regardless of whether denominated as "Additional Rent."

Section 17.17. Showing of Leased Premises.

Landlord may enter upon the Leased Premises for purposes of showing the Leased Premises to Mortgagees or prospective Mortgagees at any time during the Term and to prospective tenants during the last six (6) months of the Term.

Section 17.18. Relationship of Parties.

This Lease shall not create any relationship between the parties other than that of Landlord and Tenant.

Section 17.19. Rule Against Perpetuities.

Notwithstanding any provision in this Lease to the contrary, if the Term has not commenced within twenty-one (21) years after the date of this Lease, this Lease shall automatically terminate on the twenty-first (21st) anniversary of the date of this Lease. The sole purpose of this provision is to avoid any possible interpretation of this Lease as violating the Rule Against Perpetuities, or any other rule of law or equity concerning restraints on alienation.

Section 17.20. Choice of Law.

This Lease shall be construed, and all disputes, claims, and questions arising hereunder shall be determined, in accordance with the laws of the state within which the Building is located. (For purposes of this provision, the District of Columbia shall be deemed to be a state.)

Section 17.21. Choice of Forum.

Any action involving a dispute relating in any manner to this Lease, the relationship of Landlord/Tenant, the use or occupancy of the Leased Premises, and/or any claim of injury or damage shall be filed and adjudicated solely in the state or federal courts of the jurisdiction in which the Leased Premises are located.

Section 17.22. Intentionally Deleted.

Section 17.23. Hazardous Substances.

No Hazardous Substances (as hereafter defined) shall be used, generated, stored, treated, released, disposed or otherwise managed by or on behalf of Tenant or any invitee at the Leased Premises or the Building with the exception of minor amounts of Hazardous Substances customarily and lawfully used in conjunction with the Permitted Use. Tenant shall immediately notify Landlord upon discovery of any Hazardous Substance release affecting the Leased Premises and, at its sole expense and at Landlord's option, remediate to Landlord's satisfaction or reimburse Landlord's costs of investigation or remediation of any release of Hazardous Substances arising from any act or omission of Tenant, its employees, agents, contractors or invitees within five (5) days of demand therefor. Tenant shall cooperate with Landlord and provide access to the Leased Premises from time to time for inspections and assessments of environmental conditions and shall remove all Hazardous Substances from the Leased Premises introduced by or on behalf of Tenant upon expiration or termination of the Lease. Tenant agrees to indemnify, defend and hold Landlord and Landlord's Indemnitees harmless from and against all liabilities, obligations, damages, judgments, penalties, claims, costs, charges and expenses, including reasonable architects' and attorneys' fees, which may be imposed upon, incurred by or asserted against Landlord or Landlord's Indemnitees by a third party and arising, directly or indirectly, out of or in connection with the presence of Hazardous Substances at or affecting the Building due to any act of Tenant, its agents, servants, employees or contractors. As used herein, "Hazardous Substances" shall mean (i) hazardous or toxic substances, wastes, materials, pollutants and contaminants which are included in or regulated by any federal, state or local law, regulation, rule or ordinance, including CERCLA, Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, and the Toxic Substances Control Act, as any of the foregoing may be amended from time to time, (ii) petroleum products, (iii) halogenated and non-halogenated solvents, and (iv) all other regulated chemicals, materials and solutions which, alone or in combination with other substances, are potentially harmful to the environment, public health or safety or natural resources.

Notwithstanding anything to the contrary, Tenant shall not be responsible for any costs, abatement or remediation of any Hazardous Substances which may exist in the Leased Premises prior to the Lease Commencement Date unless brought onto the Leased Premises by or on behalf of Tenant, including during its occupancy under the Sublease.

Section 17.24. OFAC Certification.

Tenant certifies that: (i) it is not acting, directly or indirectly, for or on behalf of any person, group entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control; and (ii) it is not engaging in, instigating or facilitating this transaction, directly or indirectly, on behalf of any such person, group, entity, or nation.

Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorneys' fees and costs) arising from or related to any breach of the foregoing certification.

Section 17.25. Time is of the Essence.

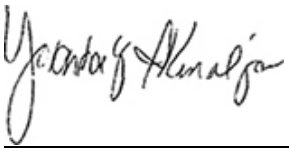
Time is of the essence with respect to each and every obligation arising under this Lease.

Section 17.26. Counterparts.

This Lease may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. Moreover, signatures received by facsimile or portable document format shall be deemed effective for the purposes of this Lease.

IN WITNESS WHEREOF, the parties hereto intending to be legally bound hereby have executed this Lease under their respective hands and seals as of the day and year first above written.

WITNESS:



LANDLORD:
FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, a California limited liability company, by its managing member, STREET RETAIL, INC., a Maryland corporation

By: /s/ Deborah A. Colson
Name: Deborah A. Colson
Title: Vice President-Legal Operations

TENANT:
SI-BONE, INC., a Delaware corporation

By: /s/ Dan Murray
Name: Dan Murray
Title: Chief Operating Officer

EXHIBIT A
SITE PLAN

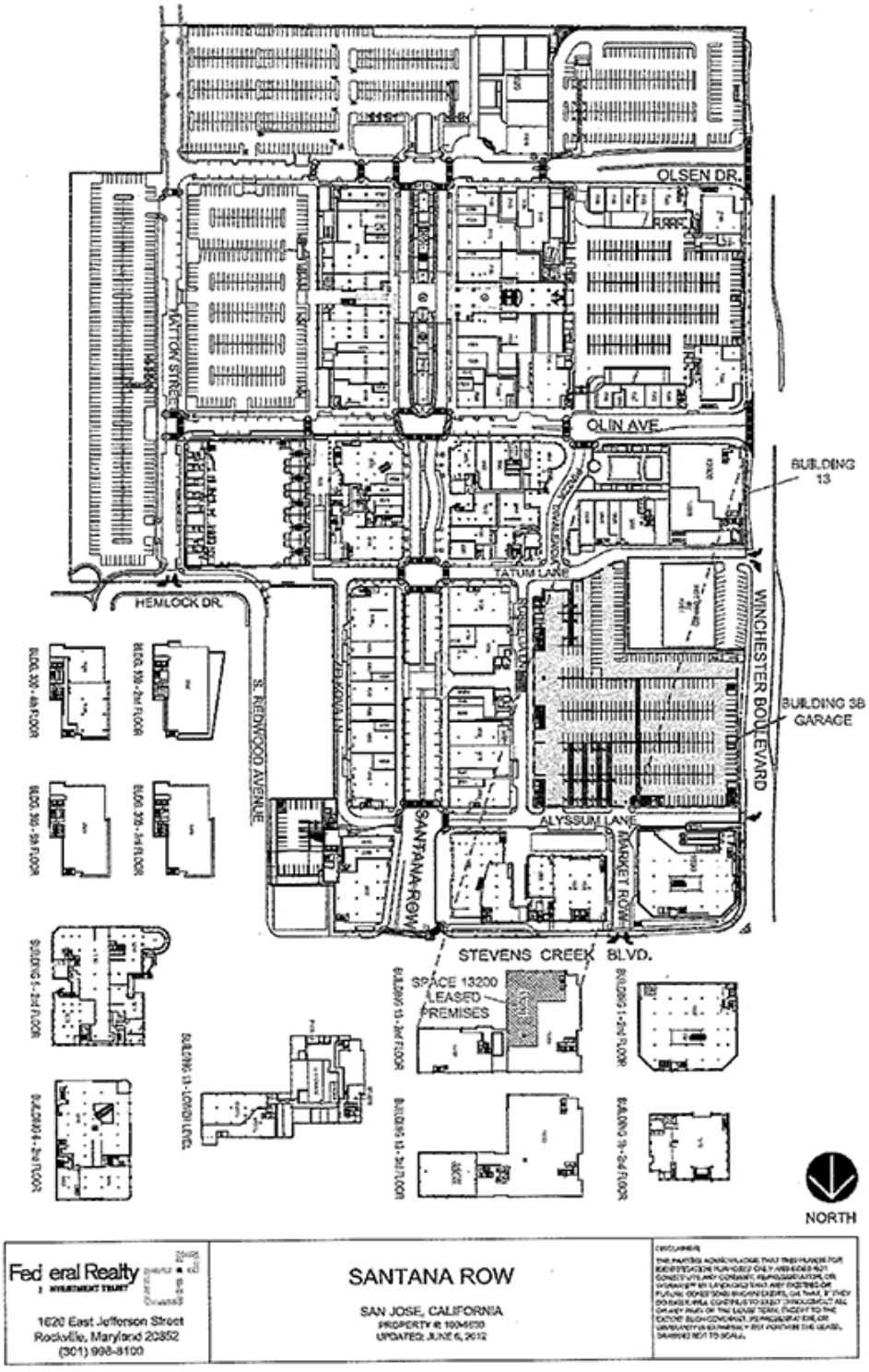


Exhibit A

EXHIBIT A-1

TENANT'S SIGN

Federal Realty Investment Trust 1626 East Jefferson Street Rockville, Maryland 20852 (301) 998-8100	SANTANA ROW SAN JOSE, CALIFORNIA PROPERTY #: 100-1630 UPDATED: May 23, 2012	DISCLAIMER: THE PARTIES ACKNOWLEDGE THAT THIS PLAN IS FOR IDENTIFICATION PURPOSES ONLY AND DOES NOT CONSTITUTE ANY CONSENT, REPRESENTATION, OR WARRANTY BY LANDLORD THAT ANY EXISTING OR FUTURE CONDITIONS (WHICH EXISTS, OR THAT, IF THEY DO EXIST, WILL CONTINUE TO EXIST THROUGHOUT ALL OR ANY PART OF THE LEASE TERM, EXCEPT TO THE EXTENT SUCH COVENANT, REPRESENTATION, OR WARRANTY IS EXPRESSLY SET FORTH IN THE LEASE. DRAWING NOT TO SCALE.

Exhibit A-1

EXHIBIT B
INTENTIONALLY DELETED

EXHIBIT C

RULES AND REGULATIONS

Tenant expressly covenants and agrees, at all times during the Term, and at such other times as Tenant occupies the Leased Premises or any part thereof, to comply, at its own cost and expense, with the following:

1. Tenant shall not obstruct or permit its agents, clerks or servants to obstruct, in any way, the sidewalks, entry passages, corridors, halls, stairways or elevators of the Building, or use the same in any other way than as a means of passage to and from the offices of Tenant; bring in, store, test or use any materials in the Building which could cause a fire or an explosion or produce any fumes or vapor; make or permit any disruptive noises in the Building; smoke in the elevators; throw substances of any kind out of the windows or doors, or in the halls and passageways of the Building; sit on or place anything upon the window sills; or clean the exterior of the windows.

2. Waterclosets and urinals shall not be used for any purpose other than those for which they are constructed; and no sweepings, rubbish, ashes, newspaper or any other substances of any kind shall be thrown into them. Waste and excessive or unusual use of electricity or water is prohibited.

3. Tenant shall not (i) obstruct the windows, partitions and lights that reflect or admit light into the halls or other places in the Building, or (ii) inscribe, paint, affix, or otherwise display signs, advertisements or notices in, on, upon or behind any windows or on any door, partition or other part of the interior or exterior of the Building, without the prior written consent of Landlord. If such consent be given by Landlord, any such sign, advertisement, or notice shall be inscribed, painted or affixed by Tenant, or a company approved by Tenant, and the cost of the same shall be charged to and paid by Tenant, and Tenant agrees to pay the same promptly, on demand.

4. No contract of any kind with any supplier of towels, water, ice, toilet articles, waxing, rug shampooing, Venetian blind washing, furniture polishing, lamp servicing, cleaning of electrical fixtures, removal of waste paper, rubbish or garbage, or other like services shall be entered into by Tenant, nor shall any vending machine of any kind be installed in the Building, without the prior written consent of Landlord.

5. When electric wiring of any kind is introduced, it must be connected as directed by Landlord, and no stringing of any kind or cutting of wires will be allowed, except with the prior written consent of Landlord. The number and location of telephones, telegraph instruments, electric appliances, call boxes, etc., shall be subject to Landlord’s approval. No tenants shall be in direct contact with the floor of the Leased Premises; and if linoleum or other similar floor covering is desired to be used, an interlining of builder’s deadening felt shall be first affixed to the floor by a paste or other material, the use of cement or similar adhesive material being expressly prohibited.

6. No additional lock or locks shall be placed by Tenant on any door in the Building without prior written consent of Landlord. Two (2) keys will be furnished Tenant by Landlord; two (2) additional keys will be supplied to Tenant by Landlord, upon request, without charge; any additional keys requested by Tenant shall be paid for by Tenant. Tenant, its agents and employees, shall not have any duplicate key made and shall not change any locks. All keys to doors and washrooms shall be returned to Landlord at the termination of the tenancy, and in the event of loss of any keys furnished, Tenant shall pay Landlord the cost of replacing the lock or locks to which such keys were fitted and the keys so lost.

7. Tenant shall not employ any person or persons other than Landlord’s janitors for the purpose of cleaning the Leased Premises, without prior written consent of Landlord. Landlord shall not be responsible to Tenant for any loss of property from the Leased Premises however occurring, or for any damage done to the effects of Tenant by such janitors or any of its employees, or by any other person or any other cause.

8. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Leased Premises.

EXHIBIT C

RULES AND REGULATIONS

9. Tenant shall not conduct, or permit any other person to conduct, any auction upon the Leased Premises; manufacture or store goods, wares or merchandise upon the Leased Premises, without the prior written approval of Landlord, except the storage of usual supplies and inventory to be used by Tenant in the conduct of its business; permit the Leased Premises to be used for gambling; make any disruptive noises in the Building; permit to be played any musical instruments, recorded or wired music in such a loud manner as to disturb or annoy other tenants; or permit any unusual odors to be produced upon the Leased Premises.

10. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Leased Premises, without the prior written consent of Landlord. Such curtains, blinds and shades must be of a quality, type, design, and color, and attached in a manner, approved by Landlord.

11. Canvassing, soliciting and peddling in the Building are prohibited, and Tenant shall cooperate to prevent the same. Retail sales will be limited to the ground level and lower level retail store areas.

12. There shall not be used in the Leased Premises or in the Building, either by Tenant or by others in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and side guards.

13. Tenant, before closing and leaving the Leased Premises, shall ensure that all entrance doors are locked.

14. Landlord shall have the right to prohibit any advertising by Tenant which in Landlord's opinion tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

15. Landlord hereby reserves to itself any and all rights not granted to Tenant hereunder, including, but not limited to, the following rights which are reserved to Landlord for its purpose in operating the Building:

(i) the exclusive right to the use of the name of the Building for all purposes, except that Tenant may use the name as its business address and for no other purpose;

(ii) the right to change the name or address of the Building, without incurring any liability to Tenant for so doing;

(iii) the right to install and maintain a sign or signs on the exterior of the Building (except that Tenant shall retain the signage right set forth in the second (2nd) paragraph of Section 4.04 hereinabove);

(iv) the exclusive right to use or dispose of the use of the roof of the Building;

(v) the right to limit the space on the directory of the Building to be allotted to Tenant; and

(vi) the right to grant to anyone the right to conduct any particular business or undertaking in the Building.

16. Tenant and Tenant's employees shall park their automobiles only in such number of spaces as Landlord may fix, taking into consideration the need for customer parking and other factors. The spaces assigned to Tenant and Tenant's employees shall be limited to any parking area designated by Landlord for use of office tenants, and the right to use spaces so assigned to Tenant and its employees shall be subject to such regulations as Landlord may reasonably promulgate from time to time to prevent parking by unauthorized parties or parking in prohibited areas.

17. All safes shall stand on a base of such size as shall be designated by the Landlord. The Landlord reserves the right to inspect all freight to be brought into the Building and to exclude from the Building all freight which violates any of these Rules and Regulations or the Lease of which these Rules and Regulations are a part. No machinery of any kind or articles of unusual weight or size will be allowed in the Building without the prior written consent of Landlord. Business machines and mechanical equipment, if so consented to by Landlord, shall be placed and maintained by Tenant, at Tenant's expense, in settings sufficient to absorb and prevent all vibration, noise and annoyance.

EXHIBIT C

RULES AND REGULATIONS

18. The Leased Premises shall not be used for lodging or sleeping purposes, and cooking therein is prohibited.

19. After 6:00 p.m. until 8:00 a.m. on weekdays, after 1:00 p.m. on Saturdays, and at all hours on Sundays and legal holidays, all persons entering or leaving the Building may be required to identify themselves to establish their rights to enter or leave the Building. Landlord or its agents may exclude from the Building during such periods all persons who do not present satisfactory identification. Each tenant shall be responsible for all persons for whom it requests admission and shall be liable to Landlord for all acts of such persons.

20. In addition to all other liabilities for breach of any provision of these Rules and Regulations, Tenant shall pay to Landlord all damages caused by such breach. The violation of any such provision may be restrained by injunction.

EXHIBIT D

TENANT CONTRACTOR RULES AND REGULATIONS

1. All demolition and/or construction work generating sufficient noise to disturb Building occupants (e.g., core drilling and ramset shots) must be accomplished before or after normal operating hours. Determination of sufficient noise levels to cause a disturbance shall be made at the Landlord's sole discretion.

2. Loading dock use for the delivery of materials and/or equipment or for the removal of trash shall be before or after the normal hours of operation for the Building. For isolated special cases, arrangements may be made with the property manager of the Building ("Property Manager) for deliveries between 7:00 a.m. and 7:00 p.m.

3. Freight elevator use for the delivery of materials and/or equipment or the removal of trash shall normally be before or after the normal hours of operation for the Building and only with the express permission of the Property Manager. For isolated special cases, special arrangements may be made with the Property Manager for deliveries between 6:00 a.m. and 10:00 p.m. All elevator use must be with the full knowledge and consent of the Property Manager.

4. Construction debris must be removed from the Building in suitable containers. Removal must be accomplished in a manner which does not cause damages to the Building, create any disturbances to tenants, or create additional cleaning for Building personnel. Sufficient precautions must be taken to protect finishes in the path of removal. Damages resulting from negligence will result in an assessment to the contractor for damages.

5. Contractors are responsible for timely cleaning of all public areas affected by their construction activities. Contractors are further responsible for providing and promptly removing their own trash containers.

6. Any work not to be installed in strict adherence with the construction contract documents must be approved by the Landlord prior to installation.

7. All workmen must conduct themselves in a reasonable manner at all times. The removal of any workmen using profanity, loitering in the Building, or creating a disturbance to tenants will be required.

8. All of the contractor's personnel are responsible for their own parking and the associated cost. Unauthorized vehicles found in loading areas or parking garages will be ticketed and towed.

9. All work requiring connection to the Building fire alarm system is subject to the Landlord's requirements. The completion of the tie-in must be accomplished utilizing the Landlord's specified contractor. Any warranties voided as a result of the contractor's or subcontractor's failure to comply with this requirement will result in the contractor's replacing the voided warranty in compliance with the Landlord's requirements.

10. Any roof penetrations required must be performed and repaired by the Landlord's designated subcontractor. Any warranties voided as a result of failure to comply with this requirement will result in the contractor's replacing the voided warranty in compliance with the Landlord's requirements.

11. Any work requiring the partial or full shutdown of any base Building systems, including electrical, mechanical or plumbing, must be scheduled with and approved by the Property Manager 24 hours in advance. The shutdowns generally must be done on Monday through Friday between 1:00 a.m. and 6:00 a.m. or on Saturday between 1:00 a.m. and 6:00 a.m.

12. All painting utilizing oil-based or polymer-based paints shall be performed before or after Building operating hours. The contractor shall be responsible for scheduling with the Property Manager any HVAC required for proper ventilation of work areas and adjacent tenant spaces.

13. The protection of existing mechanical equipment, including but not limited to baseboard heaters, heat pumps, air handlers, air conditioners, ductwork and distribution equipment, from physical damage or damage from dust and debris is the responsibility of the contractor. Damage as a result of failure to protect equipment will result in an assessment against the contractor for such damages and the resulting required repairs.

EXHIBIT D

TENANT CONTRACTOR RULES AND REGULATIONS

14. All penetrations to slab materials require the review and approval of the Landlord's structural engineer without exception. The cost of this review and approval is the contractor's responsibility.

15. All testing of fire alarm equipment requiring the sounding of bells, sirens, or voice annunciation must be scheduled with the Property Manager 48 hours in advance of the test. Pre-testing of new fire alarm work is mandatory. Rescheduled test as a result of the contractor's failure to coordinate with the Property Manager, the contractor's failure to completely pre-test the system, or the contractor's failure to pass municipal test shall be the contractor's responsibility.

16. These rules are subject to change at the Landlord's discretion.

ADDENDUM I

ASBESTOS CONTAINING MATERIALS

Due to the recent construction of the Leased Premises, Landlord is not aware of any suspected or presumed asbestos containing materials ("Suspect ACM") within the Leased Premises.

Notwithstanding any other provision in this Lease, in the event that Suspect ACM is identified in the Leased Premises, Tenant will not abrade, remove or engage in any activity that will disturb the Suspect ACM without Landlord's prior written consent, which may be withheld in Landlord's sole discretion.

In addition to any other rights of access to the Leased Premises granted to Landlord in this Lease, Tenant grants Landlord access to the Leased Premises to inspect, sample and abate any Suspect ACM. Landlord hereby agrees to provide Tenant reasonable advance notice of such activities, which will occur, to the extent possible, during non-business hours.

STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

LEASE EXTENSION AND MODIFICATION AGREEMENT

THIS LEASE EXTENSION AND MODIFICATION AGREEMENT ("Agreement") made this 19th day of December, 2013, by and between FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, a California limited liability company, by its managing member, STREET RETAIL, INC., a Maryland corporation ("Landlord"), and SI-BONE, INC., a Delaware corporation, ("Tenant").

W I T N E S S E T H :

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated August 9, 2012 (hereinafter referred to as the "Lease"), pursuant to which Tenant leased from Landlord approximately ten thousand six hundred thirteen (10,613) square feet commonly known as Suite #2200 ("Original Leased Premises"), located at Stevens Creek Boulevard and Winchester Boulevard, San Jose, California 95128, in a development known as Santana Row Shopping Center ("Village"); and

WHEREAS, the Term of the Lease is presently scheduled to expire on December 31, 2016; and

WHEREAS, the parties hereto desire to amend and supplement the Lease, all as hereinafter provided.

NOW THEREFORE, in consideration of the foregoing and the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the mutual promises contained herein, the parties hereto, intending to be legally bound, agree as follows:

1) Recitals. Each of the foregoing recitals and representations form a material part of this Agreement and are incorporated herein by this reference.

2) Storage Space. Addendum II, attached hereto, is hereby added to the Lease and by this reference made a part hereof.

3) California Energy Disclosure. Tenant agrees to cooperate with Landlord with respect to any disclosures necessary to comply with California Assembly Bills 1103 and 531 (or any similar legal requirements).

4) California Disability Compliance. The Leased Premises have not undergone inspection by a certified access specialist to evaluate compliance with the Americans With Disabilities Act of 1990 (as amended), California Senate Bill 1608 (known as the Construction-Related Accessibility Standards Compliance Act) or any related Legal Requirement.

5) Brokers. Except for CBRE, whom Landlord agrees to pay a commission under the terms of a separate agreement, Landlord and Tenant each warrants and represents to the other that no broker, finder or agent has acted for or on its behalf in connection with the negotiation, execution or procurement of this Agreement. Landlord and Tenant each agrees to indemnify and hold the other harmless from and against all liabilities, obligations and damages arising, directly or indirectly, out of or in connection with a claim from a broker, finder or agent with respect to this Agreement or the negotiation thereof, including costs and attorneys' fees incurred in the defense of any claim made by a broker alleging to have performed services on behalf of the indemnifying party.

6) Defined Terms. Terms that are defined in the Lease shall have the same meanings when such terms are used in this Agreement.

7) Time is of the Essence. Time is of the essence with respect to each and every obligation arising under this Agreement and the Lease.

ADDENDUM II
STORAGE SPACE

In addition to the Leased Premises, Landlord agrees that Tenant may use from and after the date that the same is delivered to Tenant (the "Storage Delivery Date"), for the sole and express purpose of storage of items used in conjunction with Tenant's business in the Leased Premises, approximately six hundred forty-eight (648) square feet of basement storage space, commonly known as Space #13200B (hereinafter "Storage Space") in the approximate location shown on Addendum II, Schedule 1 attached hereto, in accordance with all terms of the Lease except as specifically provided herein.

Tenant shall accept the Storage Space in its "as is" condition. Any alterations or improvements to be performed by Tenant in the Storage Space shall be performed in accordance with plans and specifications approved in advance by Landlord, and in accordance with all applicable provisions of the Lease.

Tenant may use the Storage Space throughout the Term, whereupon Tenant shall vacate and surrender the Storage Space to Landlord in good and broom clean condition.

For all purposes under the Lease, the Storage Space shall be deemed to be a part of the Leased Premises, except as otherwise provided in this Addendum. Tenant shall pay Landlord the following as Additional Rent for the Storage Space (the "Storage Space Rent"):

Rent Period	Annually	Monthly
Storage Delivery Date to 12/31/2014	$15,552.00	$1,296.00
1/01/2015 to 12/31/2015	$16,018.56	$1,334.88
1/01/2016 to 12/31/2016	$16,499.12	$1,374.93

The Storage Space Rent shall be due and payable by Tenant monthly in advance on the first day of every calendar month during the Term, unless terminated earlier as provided above. The Floor Area of the Storage Space shall not, however, be included in Tenant's Proportionate share for purposes of calculating Tax Rent or Tenant's Share of Operating Costs, nor shall Tenant pay Minimum Rent on the Storage Space.

8) Binding Effect. All of the covenants and agreements herein contained shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, successors and assigns.

9) Confirmation of Terms. All of the terms, covenants and conditions of the Lease, except as are herein specifically modified and amended, shall remain in full force and effect, and are hereby adopted and reaffirmed by the parties hereto.

10) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. Moreover, signatures received by facsimile or portable document format shall be deemed effective for the purposes of this Agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and date set forth above.

LANDLORD:
FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, a California limited liability company, by its managing member, STREET RETAIL, INC., a Maryland corporation

By: /s/ Deborah A. Colson
Name: Deborah A. Colson
Title: Vice President-Legal Operations

TENANT:
SI-BONE, INC., a Delaware corporation

By: /s/ Dan Murray
Name: Dan Murray
Title: CFO

[Corporate Seal]

EXHIBIT A
INTENTIONALLY DELETED

ADDENDUM I
INTENTIONALLY DELETED

8) Binding Effect. All of the covenants and agreements herein contained shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, successors and assigns.

9) Confirmation of Terms. All of the terms, covenants and conditions of the Lease, except as are herein specifically modified and amended, shall remain in full force and effect, and are hereby adopted and reaffirmed by the parties hereto.

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By: /s/ Deborah A. Colson
Name: Deborah A. Colson
Title: Vice President-Legal Operations

TENANT:
SI-BONE, INC., a Delaware corporation

By: /s/ Dan Murray
Name: Dan Murray
Title: CFO

[Corporate Seal]

STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

LEASE EXTENSION AND MODIFICATION AGREEMENT

THIS LEASE EXTENSION AND MODIFICATION AGREEMENT ("Agreement") made this 27 day of February, 2014, by and between FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, a California limited liability company, by its managing member, STREET RETAIL, INC., a Maryland corporation ("Landlord"), and SI-BONE, INC., a Delaware corporation, ("Tenant").

W I T N E S S E T H :

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated August 9, 2012, as amended by that certain Lease Extension and Modification Agreement dated December 19, 2013 (the "2013 Amendment") (hereinafter referred to as the "Lease"), pursuant to which Tenant is leasing from Landlord approximately ten thousand six hundred thirteen (10,613) square feet commonly known as Suite #2200 ("Original Leased Premises"), together with the Storage Space (as defined in the 2013 Amendment), located at Stevens Creek Boulevard and Winchester Boulevard, San Jose, California 95128, in a development known as Santana Row Shopping Center ("Village"); and

WHEREAS, the Term of the Lease is presently scheduled to expire on December 31, 2016; and

WHEREAS, the parties hereto desire to modify the Lease by expanding the Original Leased Premises to include the "cross-hatched" space indicated on the site plan attached hereto as Exhibit A, comprised of a portion of Suite 2100 and constituting approximately seven thousand six hundred thirty-one (7,631) square feet (subject to re-measurement and/or approval of the Tenant's Space Plan as defined in Exhibit B), and located within the Shopping Center ("Expansion Premises"), all as more specifically detailed below.

WHEREAS, the parties hereto desire to amend and supplement the Lease, all as hereinafter provided.

NOW THEREFORE, in consideration of the foregoing and the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the mutual promises contained herein, the parties hereto, intending to be legally bound, agree as follows:

1) Recitals. Each of the foregoing recitals and representations form a material part of this Agreement and are incorporated herein by this reference.

2) Expansion Premises. From and after the date upon which Landlord delivers the Expansion Premises to Tenant (the "Expansion Date") with Landlord's Work (as defined in Exhibit B) substantially complete (also as defined in Exhibit B), the Leased Premises referred to in the Lease shall be expanded to include the Expansion Premises, and all references in the Lease and in this Agreement to the "Leased Premises" shall include both the Expansion Premises and the Original Leased Premises. Exhibit A attached hereto shows the outline of the Leased Premises and the approximate outline of the Expansion Premises (subject to re-measurement and/or approval of the Tenant's Space Plan). It is understood and agreed by and between the parties hereto that commencing on the Expansion Date all of the terms and conditions of the Lease shall apply to the Expansion Premises as though the Expansion Premises were originally a portion of the Leased Premises. Commencing on the Expansion Date, the Floor Area of the Leased Premises shall be deemed to be eighteen thousand two hundred forty-four (18,244) square feet (subject to adjustment due to re-measurement and/or approval of the Tenant's Space Plan).

3) Term. Effective on the Expansion Date, (a) the Expansion Premises shall be deemed added to the Original Leased Premises and the Term for the Expansion Premises, the Original Leased Premises and the Storage Space shall be synchronized and become coterminous, and (b) the Term of the Lease (including the Storage Space) shall be extended such that the same shall now terminate on June 30, 2017, subject to all of the terms, covenants and conditions contained in the Lease as modified hereby.

4) Rent. Effective on the Expansion Date and continuing throughout the Term of the Lease, as extended hereby, the Minimum Rent payable by Tenant under the Lease shall be as follows:

Expansion Space (Minimum Rent to be prorated if first month is a partial month)

Rent Period	Annually	Monthly	PSF
Expansion Date to 12/31/2014	N/A	$28,005.77	$44.04
01/01/2015 to 12/31/2015	$349,805.04	$29,150.42	$45.84
01/01/2016 to 12/31/2016	$363,540.84	$30,295.07	$47.64
01/01/2017 to 06/30/2017	$378,192.36	$31,516.03	$49.56

Original Leased Premises

Rent Period	Annually	Monthly	PSF
01/01/2017 to 06/30/2017	$525,980.28	$43,831.69	$49.56

Storage Space

Rent Period	Annually	Monthly	PSF
01/01/2017 to 06/30/2017	$17,159.08	$1,429.92	$26.48

All payments of Rent shall continue to be paid in the intervals and manner required under the Lease.

5) Improvements. The parties shall provide the improvements to the Expansion Premises (as well as certain improvements and modifications to the Original Leased Premises) in accordance with their respective obligations set forth in Exhibit B attached hereto and made a part hereof. Except as otherwise specifically provided for in Exhibit B, Tenant accepts the Expansion Premises in its “as is” condition; it being expressly understood that Landlord has made no representations or warranties with respect to such premises and that Tenant has inspected same and found such premises to be satisfactory.

6) Additional Security Deposit. Simultaneously with Tenant’s execution of this Lease, Tenant shall deliver to Landlord an amount equal to $31,516.03, which amount (a) shall be added to the existing Security Deposit and be held pursuant to the terms of Section 17.07, and (b) represents a sum equal to the final month of Minimum Rent due for the Extended Term applicable the Expansion Space only, and, therefore may be adjusted in the event of any re-measurement of the Expansion Premises.

7) Parking Spaces. From and after the Expansion Date, Tenant shall have the right to use, on the same terms and conditions as set forth in the Lease for the Parking Spaces, an additional thirty (30) additional Parking Spaces (based on a rate of four (4) Parking Spaces per 1,000 square feet of Floor Area in the Expansion Premises).

8) California Energy Disclosure. Tenant agrees to cooperate with Landlord with respect to any disclosures necessary to comply with California Assembly Bills 1103 and 531 (or any similar legal requirements).

9) California Disability Compliance. The Leased Premises have not undergone inspection by a certified access specialist to evaluate compliance with the Americans With Disabilities Act of 1990 (as amended), California Senate Bill 1608 (known as the Construction-Related Accessibility Standards Compliance Act) or any related Legal Requirement.

10) Brokers. Except for CBRE, as broker by and on behalf of Landlord (“Landlord’s Broker”), whom Landlord agrees to pay a commission under the terms of a separate agreement, and John Brady of CRESA, as broker by and on behalf of Tenant (“Tenant’s Broker”), to whom Landlord’s Broker shall pay a commission pursuant to the terms of a separate agreement, Landlord and Tenant each warrants and represents to the other that no broker, finder or agent has

acted for or on its behalf in connection with the negotiation, execution or procurement of this Agreement. Landlord and Tenant each agrees to indemnify and hold the other harmless from and against all liabilities, obligations and damages arising, directly or indirectly, out of or in connection with a claim from a broker, finder or agent with respect to this Agreement or the negotiation thereof, including costs and attorneys' fees incurred in the defense of any claim made by a broker alleging to have performed services on behalf of the indemnifying party.

11) Defined Terms. Terms that are defined in the Lease shall have the same meanings when such terms are used in this Agreement.

12) Time is of the Essence. Time is of the essence with respect to each and every obligation arising under this Agreement and the Lease.

13) Binding Effect. All of the covenants and agreements herein contained shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, successors and assigns.

14) Confirmation of Terms. All of the terms, covenants and conditions of the Lease, except as are herein specifically modified and amended, shall remain in full force and effect, and are hereby adopted and reaffirmed by the parties hereto.

15) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. Moreover, signatures received by facsimile or portable document format shall be deemed effective for the purposes of this Agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and date set forth above.

LANDLORD:
FRIT SAN JOSE TOWN AND COUNTRY VILLAGE, LLC, a California limited liability company, by its managing member, STREET RETAIL, INC., a Maryland corporation

By: /s/ Deborah A. Colson
Name: Deborah A. Colson
Title: Vice President-Legal Operations

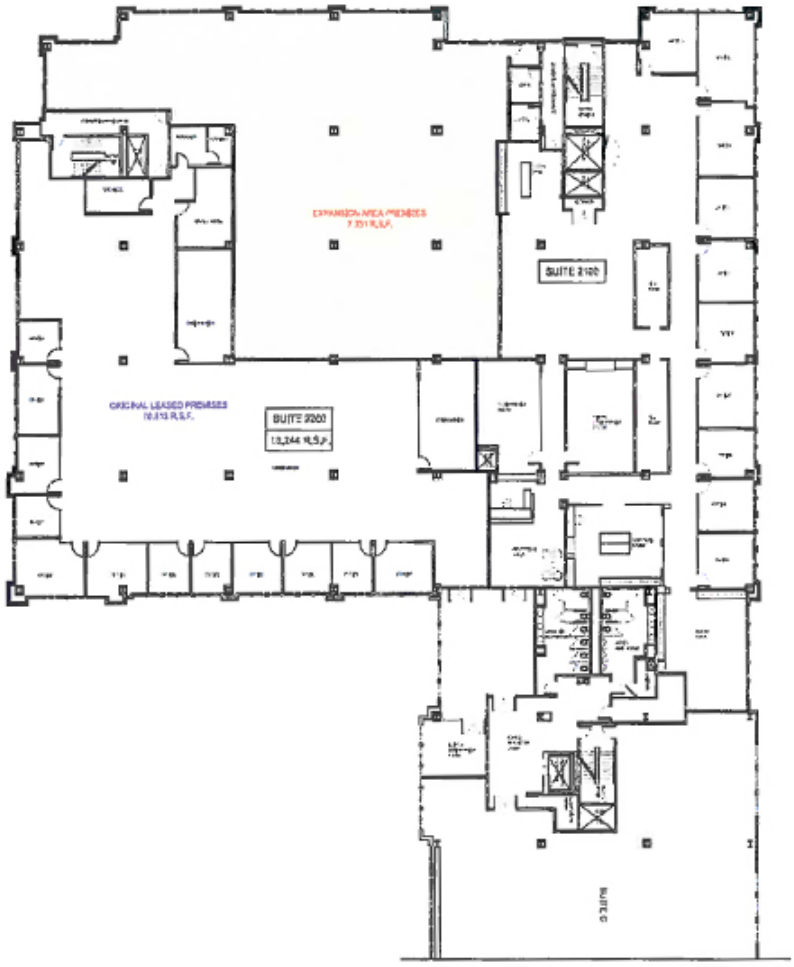
TENANT:
SI-BONE, INC., a Delaware corporation

By: /s/ Robert E. Johnson
Name: Robert E. Johnson
Title: Corp. Secretary & VP

[Corporate Seal]

EXHIBIT A

PLAN SHOWING ORIGINAL LEASED PREMISES
AND EXPANSION PREMISES



Federal Realty
INVESTMENT TRUST
1626 East Jefferson Street
Rockville, Maryland 20852
(301) 998-8100

SANTANA ROW

SAN JOSE, CA

EXHIBIT B

WORK AGREEMENT

Tenant's Authorized Representative. Tenant designates Jeffrey W. Dunn **("Tenant's Authorized Representative")** as the person authorized to initial all plans, drawings, change orders and approvals pursuant to this Exhibit. Landlord shall not be obligated to respond to or act upon any such item until such item has been initialed by Tenant's Authorized Representative.

A. Landlord's Work. Commencing with the Expansion Premises in its "as is" condition as of the date hereof, Landlord or its designated contractor shall install in the Expansion Premises those initial improvements specified in final space plans and construction and engineering drawings approved by Landlord (the **"Landlord's Work"**). Landlord shall not be obligated to provide any improvements other than the Landlord's Work. Landlord or its contractor shall be available as reasonably required by Tenant throughout the design construction process to provide Tenant with budgeting and value engineering assistance. Tenant shall pay all costs and expenses (including a fee equal to 2% of the cost of Landlord's Work for Landlord's construction management services) incurred in connection with the Landlord's Work to the extent such costs and expenses exceed an allowance (the **"Construction Allowance"**) equal to the product of (a) Nine and 00/100 dollars ($9.00), multiplied by (b) the number of square feet of rentable area in the Expansion Premises. Notwithstanding anything herein to the contrary, the Construction Allowance shall be used to fund the installation of permanent leasehold improvements included in the Landlord's Work, as well as certain "permissible soft costs" directly associated with the preparation and installation of the Landlord's Work (which "soft costs" shall be limited to the preparation of architectural drawings, permitting fees, engineering fees, supervision and labor charges (if shown as a component of the general conditions on the general contractor invoice) and temporary utilities consumed during construction); provided, however, that in no event shall Tenant be permitted to apply an amount in excess of 10% of the total Construction Allowance towards such permissible soft costs. Tenant shall not receive any credit, cash or otherwise, for any unused portion of the Construction Allowance.

After plans have been produced as set forth below, Landlord shall (a) solicit bids from not less than two (2) qualified general contractors for the completion of the Landlord's Work, (b) share the bids with Tenant's Authorized Representative and solicit his or her input on the same, and (c) shall make the selection of such contractor (the "Contractor") based upon price, schedule and expected value, and the selected bid price shall be referred to herein as the "Budget." The Budget, together with the price estimates from the Approved Architect (as defined below), together with any other costs required to design and complete the Landlord's Work (other than the Unreimburseable Landlord's Work) shall be collectively referred to as the "Contract Price." During design and construction, in the event that the Contract Price exceeds the Construction Allowance, Tenant shall pay Landlord shall pay one hundred percent (100%) of Landlord's reasonable estimate of those costs and expenses (if any) which exceed the Construction Allowance on or before the tenth (10th) day after the date Landlord gives Tenant notice of Landlord's estimate of such expenses. In the event of any shortfall between the estimated costs and the actual costs, Tenant shall pay for all such costs and expenses (minus any progress payments made as aforesaid) following substantial completion and within ten (10) days after Tenant receives a bill therefor. All amounts payable pursuant to this Exhibit by Tenant shall be considered Additional Rent and are subject to the provisions of the Lease.

B. Schedule.

1. All of the plans for the Landlord's Work shall be prepared by an architect reasonably selected by Landlord (the "Approved Architect"). Tenant shall respond to any plans submitted to it for approval not later than the 2nd day following its receipt of the same. Tenant's failure to timely respond shall entitle Landlord, at Landlord's sole option, to deem such failure an approval of the same. Any disapproval by Tenant shall state in detail the reasons for such disapproval. If any plans and drawings are prepared by Landlord's architect or engineer, such plans and drawings will be prepared on Tenant's behalf and Tenant shall be solely responsible for the timely completion of all plans and drawings and for their compliance with all Legal Requirements.

2. Landlord shall instruct the Approved Architect to produce a space plan for Tenant's approval **("Tenant's Space Plan"),** on or before the date that is thirty (30) days following the full execution and delivery of this Lease.

3. Landlord shall instruct the Approved Architect to produce final architectural working drawings by the date that is sixty (60) days following Tenant's approval (or deemed approval) of the Tenant's Space Plan. Such architectural working drawings shall include: master legend, construction plan, reflected ceiling plan, telephone and electrical outlet layout, finish

plan and all architectural details, elevations and specifications necessary to construct the Expansion Premises. To the extent necessary, promptly after submission of the final architectural working drawings, final engineering working drawings and an estimation of the cost of providing the Landlord's Work shall be prepared.

4. The deadlines specified in this Paragraph shall apply whether plans and drawings are prepared by Landlord's architect or engineer or an architect or engineer selected by Tenant. All deadlines must be met in order to allow Landlord sufficient time to review plans and drawings, discuss with Tenant any changes thereto which Landlord believes to be necessary or desirable, and complete substantially the Landlord's Work. The parties intend for each such deadline to be the applicable deadline, even if any such deadline is before the date the Lease is executed.

C. Approval. All plans and drawings (and changes thereto) shall be subject to Landlord's written approval. Such approval shall not constitute either (a) approval of any delay caused by Tenant or a waiver of any right or remedy that may arise as a result of such delay, or (b) Landlord's representation that such approved plans, drawings or changes comply with all Legal Requirements.

D. Change Orders. If Tenant requests any change or addition to the work or materials to be provided by Landlord pursuant to this Exhibit after Tenant's approval of the final space plan, then Landlord shall not be obligated to perform such change or addition. All additional expenses attributable to any change order requested by Tenant and approved by Landlord shall be payable by Tenant prior to the performance of the work contemplated by such change order. If Landlord submits an estimate of the additional expenses attributable to a change order, then Tenant shall pay such estimated additional expenses prior to the performance of the work contemplated by such change order. If the actual additional expenses attributable to such change order exceed such estimated additional expenses, then Tenant shall pay the amount of such excess no later than ten (10) days after Tenant's receipt of a bill therefor. If such estimated additional expenses exceed the actual additional expenses attributable to such change order, then the amount of such excess shall be credited against the first installment(s) of rent.

E. Substantial Completion.

1. Landlord and Tenant specifically agree that Tenant shall be solely responsible for the installation of its server(s) and any associated data cabling (the "Excepted Work"). While the Excepted Work shall be shown on the plans, the actual installation of such items shall be specifically excluded from the Budget and the scope of Landlord's Work and shall be performed by Tenant at its sole cost and expense. Except as provided in Paragraph 6(b), the Expansion Premises shall be deemed to have been substantially complete when the work and materials to be provided pursuant to this Exhibit (except for items of work and adjustment of equipment and fixtures that can be completed after the Expansion Premises are occupied without causing substantial interference with Tenant's use of the Expansion Premises (i.e., the "punch list" items)) have been completed, as reasonably determined by Landlord.

2. If Landlord shall be delayed in completing the work and materials to be provided pursuant to this Exhibit as a result of any of the following (each, a "Tenant Delay"): (1) Tenant's failure to comply with any of the deadlines specified in this Exhibit or with any of the other requirements of this Exhibit or the Lease, (2) Tenant's request for modifications to plans or working drawings subsequent to the date such plans or working drawings are approved by Landlord, (3) Tenant's failure to pay when due any amount required pursuant to this Exhibit, (4) Tenant's request for long lead time materials, finishes or installations, or (5) the performance of any work, or the entry into the Leased Premises, by Tenant or any person or firm employed or retained by Tenant, then for purposes of determining the Term Commencement Date and the Rent Commencement Date, the work and materials to be provided pursuant to this Exhibit shall be deemed to have been substantially complete on the date that Landlord determines in its reasonable judgment that such work and materials would have been substantially complete if such delay(s) had not occurred.

3. Possession. Tenant's taking of possession of the Expansion Premises shall constitute Tenant's acknowledgment that the Expansion Premises are in good condition and that all work and materials are satisfactory, except as to any defect or incomplete work that is described in a written notice given by Tenant to Landlord not later than the day Tenant takes possession of the Expansion Premises. Tenant and its agents shall have no right to make any alteration in the Expansion Premises until Tenant submits such written notice.

Landlord will correct and complete those defects and incomplete items described in such notice which Landlord confirms, in its reasonable judgment, are in fact defects or incomplete items. At Landlord's request, Tenant shall accompany Landlord to prepare the punch list on or before the date Tenant takes possession of the Expansion Premises.

Unreimburseable Landlord's Work

In addition and as a part of the Landlord's Work described above, Landlord shall perform the following items, which shall not be subject to the application of the Construction Allowance, nor otherwise reimburseable by Tenant:

1. Demolition of existing wall separating Original Leased Premises from the Expansion Premises; and
2. Construction of demising wall between Expansion Premises and remainder of Suite 2100.

Adjustment of Square Footage

In the event that (a) Tenant's Space Plan, or (b) a remeasurement of the Expansion Premises following Landlord's demising work reveals that the Floor Area of the Expansion Premises differs from 7,631 square feet, the Minimum Rent hereunder, the Security Deposit, the Construction Allowance and any other items predicated upon the square footage of the Expansion Premises shall be adjusted and the parties agree to enter into a letter agreement confirming the same.

ADDENDUM I

ASBESTOS CONTAINING MATERIALS

Due to the recent construction of the Expansion Premises, Landlord is not aware of any suspected or presumed asbestos containing materials ("Suspect ACM") within the Expansion Premises.

Notwithstanding any other provision in this Lease, in the event that Suspect ACM is identified in the Expansion Premises, Tenant will not abrade, remove or engage in any activity that will disturb the Suspect ACM without Landlord's prior written consent, which may be withheld in Landlord's sole discretion.

In addition to any other rights of access to the Expansion Premises granted to Landlord in this Lease, Tenant grants Landlord access to the Expansion Premises to inspect, sample and abate any Suspect ACM. Landlord hereby agrees to provide Tenant reasonable advance notice of such activities, which will occur, to the extent possible, during non-business hours.

Exhibit 21.1

Subsidiaries of SI-BONE, Inc.

Name of Subsidiary	**State of Incorporation**
SI-BONE Deutschland GmbH*	Germany
SI-BONE S.R.L.*	Italy

* *The above entity does not constitute a significant subsidiary within the meaning of Rule 1-02(w) of Regulation S-X and Item 601(b)(21)(ii) of Regulation S-K.*