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As confidentially submitted to the Securities and Exchange Commission on May 25, 2018 as Amendment No. 2 to the initial confidential submission
Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

NEURONETICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	3841	33-1051425
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

3222 Phoenixville Pike
Malvern, Pennsylvania 19355
(610) 640-4202
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Chris Thatcher
President and Chief Executive Officer
Neuronetics, Inc.
3222 Phoenixville Pike
Malvern, Pennsylvania 19355
(610) 640-4202
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Divakar Gupta Joshua A. Kaufman Jeffrey Libson Brandon Fenn Cooley LLP 1114 Avenue of the Americas New York, New York 10036 (212) 479-6000	B. Shayne Kennedy Brian J. Cuneo Drew Capurro Latham & Watkins LLP 650 Town Center Drive Costa Mesa, California 92626 (714) 540-1235

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement is declared effective.

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, 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[(1)]	Amount of Registration Fee[(2)]
Common Stock, $0.01 par value per share	$	$

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. Includes the offering price of additional shares that the underwriters have the option to purchase.
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

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 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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

Subject to Completion
Preliminary Prospectus dated May 25, 2018

Shares

NEURONETICS, Inc.

Common Stock
$ per share

- Neuronetics, Inc. is offering shares of common stock.
- We anticipate that the initial public offering price will be between $ and $ per share.
- This is our initial public offering and no public market currently exists for our shares.
- Proposed Nasdaq Global Market trading symbol: "STIM."

This investment involves risks. See "Risk Factors" beginning on page 12.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, and, as such, have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions[1]	$	$
Proceeds to Neuronetics, Inc., before expenses	$	$

[1] See "Underwriting" for additional information regarding underwriting compensation.

We have granted to the underwriters an option to purchase up to additional shares of common stock from us at the initial public offering price, less the underwriting discounts and commissions, for 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone's investment in these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on or about , 2018.

Piper Jaffray | William Blair

Canaccord Genuity | BTIG | JMP Securities

The date of this prospectus is , 2018.

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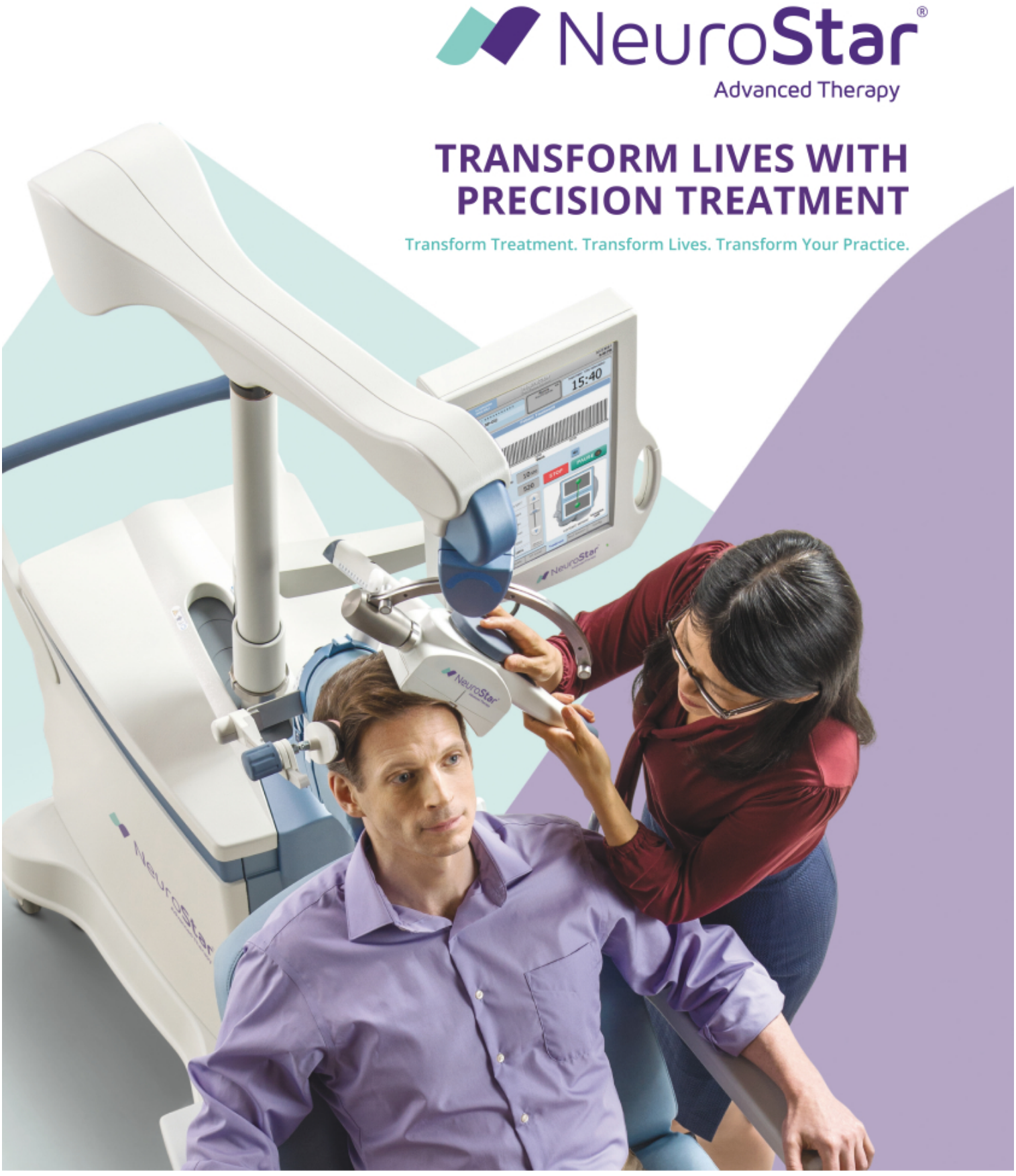

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Until , 2018 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

We have not, and the underwriters have not, 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.

TRADEMARKS

We have received trademark registration for Neuronetics and NeuroStar in the United States and Japan, as well as TrakStar, SenStar Treatment Assist, SenStar, MT Assist and NeuroStar TMS Therapy in the United States. This prospectus contains references to our trademarks and to trademarks belonging to other entities. Solely for convenience, trademark and trade names referred to in this prospectus, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names. All other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners. We do not intend our use or display of other companies' trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

INVESTORS OUTSIDE OF THE UNITED STATES

We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our common stock and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our financial statements and the related notes thereto appearing at the end of this prospectus, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to "we," "us," "our" and "the Company" refer to Neuronetics, Inc.

Neuronetics

We are a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from psychiatric disorders. Our first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses transcranial magnetic stimulation, or TMS, to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system is cleared by the United States Food and Drug Administration, or FDA, to treat adult patients with major depressive disorder, or MDD, that have failed to achieve satisfactory improvement from prior antidepressant medication in the current episode. NeuroStar Advanced Therapy is safe, clinically effective, reproducible and precise and is supported by the largest clinical data set of any competing TMS system. We believe we are the market leader in TMS therapy based on our U.S. installed base of 777 active NeuroStar Advanced Therapy Systems in approximately 615 psychiatrist offices and the estimated 50,000 patients treated with approximately 1.8 million of our treatment sessions. We generated revenues of $40.4 million for the year ended December 31, 2017 and $10.2 million for the three months ended March 31, 2018.

MDD is a mood disorder characterized by the presence of one or both of two major diagnostic criteria: a depressed mood or loss of interest in pleasure that continues for at least two weeks. The presence of at least one of these diagnostic symptoms must be accompanied by several of the following additional symptoms: sleep disturbance, changes in appetite, sexual dysfunction, anxiety, fatigue, difficulty concentrating and suicidal thinking. MDD is a recurrent disease and follows a fluctuating course over an individual's lifetime, with periods of remission and relapse.

Initial treatment options for MDD often consist of antidepressant medication prescribed by a primary care physician. Although a variety of antidepressant drugs are available, drug therapy has two primary limitations: limited effectiveness and treatment-emergent side effects. These limitations were demonstrated in the Sequenced Treatment Alternatives to Relieve Depression, or STAR*D study, a large clinical trial funded by the U.S. National Institute of Mental Health, or NIMH, that enrolled more than 4,000 adult MDD patients at 41 clinical sites to examine the outcomes to a sequenced series of antidepressant medication attempts that mimicked best practices. In the study, approximately 28% and 21% of patients achieved remission in their first and second medication attempts, respectively. Many patients taking antidepressant medications experience intolerable or troubling side effects that contribute to a delay or failure in attaining an effective or optimal antidepressant dose, poor patient treatment adherence or discontinuation of treatment therapy. TMS is considered to be an appropriate alternative for the treatment of MDD patients who have failed to achieve satisfactory improvement from prior antidepressant medication. The effectiveness of TMS depends on the psychiatrist's ability to deliver a precise amount of magnetic pulses to a specific area of the brain in a manner that can be consistently repeated during each treatment session. We believe that competing TMS systems have significant limitations that have limited their adoption.

We designed the NeuroStar Advanced Therapy as a non-invasive therapeutic alternative to treat patients who suffer from MDD and to address many of the key limitations of existing treatment options. We believe our therapy provides our psychiatrist customers and their patients with several benefits, including clinically demonstrated response and remission with durable results, a demonstrated safety profile with limited treatment-emergent side effects and high patient adherence. Additionally, our therapy was designed to provide a precise and reproducible office-based therapy that is also efficient and convenient.

We couple our product's clinical benefits with significant practice development resources, on-site clinical training, reimbursement and service support to help our psychiatrist customers develop a successful NeuroStar Advanced Therapy practice. We also provide cloud-based practice management solutions that enhance convenience for both psychiatrists and patients. Based on our commercial data, we believe psychiatrists can recoup their initial capital investment in our system by providing a standard course of treatment to approximately 12 patients. We believe psychiatrists can generate approximately $7,500 to $10,000 of revenue per patient for a standard course of treatment, which may provide meaningful incremental income to their practices.

As of March 31, 2018, we had an installed base of 777 active systems in the United States. We currently sell our products in the United States through our direct sales and customer support team, which was comprised of 106 people as of December 31, 2017. Our sales force primarily targets 15,100 psychiatrists at 3,600 high-decile psychiatric practices that we estimate, based on data from Symphony Health and our own internal estimates, treat approximately 33% of the total MDD patients in the United States who meet our labeled indication and are insured. Patients are reimbursed by Medicare and the vast majority of commercial payors in the United States for treatment sessions utilizing our system. We generate revenues primarily from initial capital sales of our systems and recurring treatment sessions. For the year ended December 31, 2017, we generated revenues of $40.4 million, which represented an increase of 18% compared to the prior year. For the year ended December 31, 2017, U.S. revenues were $39.9 million, which represented an increase of 26% compared to the prior year. Revenues from treatment sessions represented 71% of our U.S. revenues for the year ended December 31, 2017 compared to 78% of our U.S. revenues for the prior year. For the three months ended March 31, 2018, we generated revenues of $10.2 million, which represented an increase of 35% compared to the same period in the prior year. For the three months ended March 31, 2018, our U.S. revenues were $10.0 million, which represented an increase of 35% compared to the same period in the prior year. Revenues from treatment sessions represented 72% of our U.S. revenues for the three months ended March 31, 2018, compared to 78% of our U.S. revenues for the same period in the prior year.

Market Overview

The World Health Organization, or WHO, estimates that there are over 300 million people in the world living with depression and ranks MDD as the single largest contributor to global disability and a major contributor to suicide worldwide. According to a study published in the *Journal of Clinical Psychiatry*, the economic burden of the disease was estimated to be $210 billion in 2010 in the United States. Based on U.S. Census Bureau data and a study published in the *Journal of the American Medical Association*, we estimate that approximately 21 million people in the United States suffer from MDD annually. Of these people, we estimate approximately 13.3 million are adults aged 22 to 70 years, of whom an estimated 7.6 million, based on data from the *Journal of the American Medical Association*, are being treated by a psychiatrist. We estimate, based on data from the STAR*D study, that approximately 5.5 million of these patients have failed to achieve remission of their MDD from their prior antidepressant medication therapy and that approximately

3.8 million of those patients have commercial insurance or Medicare coverage for the NeuroStar Advanced Therapy. As a result, based on our expected revenues for a standard course of treatment, we believe our total annual addressable market opportunity for treatment sessions in the United States is approximately $9.6 billion.

In Japan, the country with the third highest aggregate healthcare expenditures worldwide according to Deloitte, we estimate, based on data from the National Center for Biotechnology Information that approximately 2.4 million adults suffer from MDD and approximately 655,000 of these adults are being treated for their MDD by a psychiatrist. We estimate, based on data from the STAR*D study, that approximately 475,000 of these patients, all of whom are covered by Japan's single payor healthcare system, have failed to achieve remission of their MDD from prior antidepressant medication therapy. As a result, we believe our total addressable market opportunity for treatment sessions in Japan is over $1.0 billion, assuming psychiatrist reimbursement levels per treatment course per patient are similar to those in the United States.

Current Treatments for MDD and Their Limitations

The most common form of treatment for MDD is antidepressant medication with or without psychotherapy. During the initial treatment course, a patient may experience uncomfortable side effects and it is common for a patient and the primary care physician to spend time testing several different medications before arriving at a medication regimen that provides symptom relief and is tolerable. If initial treatment approaches do not adequately relieve a patient's symptoms, a primary care physician will often make a referral for consultation with a psychiatrist trained in psychopharmacology. There are a wide array of options that a psychiatrist may consider as second line therapies. For example, a psychiatrist may recommend either combining two or more antidepressant medications or using a second medication such as an atypical antipsychotic that is not an antidepressant along with the initial antidepressant medication to augment the efficacy of such antidepressant, which is referred to as augmentation.

TMS is another second line therapy and differs from drug therapy approaches by inducing electrical currents designed to stimulate specific areas of the brain associated with mood. This stimulation triggers a cascading electro-chemical effect that can pass along the neuronal circuit and reach into the deeper structures of the brain that also regulate mood. This action changes the connections among these structures in a manner that improves the activity of the neuronal circuit and results in an improvement in mood.

More aggressive options, which are associated with greater medical risk, are sometimes considered for patients that require later stages of treatment and include electroconvulsive therapy, for the most critical MDD patients and vagus nerve stimulation, which is considered the most invasive treatment option currently approved by the FDA for MDD patients who have proven to be severely treatment resistant.

Limitations of Current Therapies

Antidepressant Therapy

Although a variety of antidepressant medications are available for the treatment of MDD, antidepressant therapy has two primary limitations: limited efficacy and treatment-emergent side effects that interfere with patient adherence to the prescribed treatment regimen. These limitations were demonstrated in the STAR*D study, which demonstrated that nearly three-fourths of patients did not benefit from initial antidepressant medication therapy with a selective serotonin reuptake

inhibitor, and these patients remained symptomatic and functionally impaired. The likelihood of achieving remission from a medication regimen was limited and declined with each successive augmentation attempt. The study showed that the likelihood of discontinuing treatment due to treatment-emergent side effects increased with each incremental course of medication, with approximately 41% of patients who progressed to the fourth monotherapy treatment attempt subsequently discontinuing drug treatment. The severity of side effects generally increase as a patient proceeds from initial drug treatment to combination or augmented drug treatments. Later stage treatment options, such as first-generation antidepressants and antipsychotics, have potentially more serious and life threatening side effects and intolerability. The discontinuation of treatment can also result in severe side effects.

Transcranial Magnetic Stimulation

While TMS has been demonstrated to be a safe and effective treatment alternative for patients suffering from MDD, we believe that most TMS systems have experienced limited adoption for several reasons, including:

- challenges in delivering precise and reproducible treatments;
- lack of clinical data from randomized outcome and other trials;
- lack of cloud-based practice management system;
- lack of comfort and convenience; and
- lack of customer support and practice development resources.

We believe a significant market opportunity exists for a TMS system that can address the shortcomings of second line antidepressant medications and competing TMS systems.

Our Solution

We designed the NeuroStar Advanced Therapy as a non-invasive and non-systemic therapeutic alternative for patients who suffer from MDD. NeuroStar Advanced Therapy is an in-office treatment that has been cleared to be performed in as little as 19 minutes (but may take up to 39 minutes due to patient sensitivity or at the discretion of the treating psychiatrist) per session and is performed while the patient is awake, alert and is seated and reclined comfortably in the treatment chair. A course of treatment consists of sessions administered for five days a week for up to six weeks. During the first treatment session, two essential steps are performed. First, the patient’s cortex is mapped with the NeuroStar Treatment Coil to identify the motor cortex. Once the specific location on the motor cortex is found, the second step involves the use of a proprietary software algorithm, which assists the psychiatrist in estimating the physiologically appropriate magnetic field intensity for each treatment session. After these two steps are performed, the location of the motor cortex then also serves as a reference point to enable the psychiatrist to properly position the NeuroStar Treatment Coil over the prefrontal cortex, resting the coil lightly in contact with the patient’s scalp. Accuracy of positioning of the treatment coil for treatment is assured by use of the NeuroStar Advanced Therapy System’s three-dimensional positioning device. Once the coil is properly positioned, the device delivers NeuroStar Advanced Therapy using a highly targeted, pulsed magnetic field to stimulate cortical neurons. Our therapy provides targeted stimulation of the prefrontal cortex and engages the neuronal circuitry connected to this region that is known to be involved in the regulation of mood.

We believe our solution addresses the key limitations of existing MDD treatment options and that NeuroStar Advanced Therapy provides the following principal benefits to our psychiatrist customers and their patients:

- ***Clinically demonstrated safety, efficacy, response and remission with durable results.*** The safety and efficacy of our therapy has been demonstrated in two large sham-controlled trials. The results of a real-world clinical trial in patients who failed to achieve satisfactory improvement from antidepressant medication treatment demonstrated that 58% of patients responded to treatment, and 37% achieved remission. The majority of patients in this trial also participated in a 12-month follow-up phase at the conclusion of which the response rate in these patients was 68% and the remission rate was 45%.
- ***Demonstrated safety profile with limited treatment-emergent side effects and high patient adherence.*** The adverse events discontinuation rate in our sham-controlled clinical studies has been approximately 5%. For single medication treatment in the STAR*D study, the adverse events discontinuation rate was 9% to 41%.
- ***Precise and reproducible office-based therapy.*** Patients receive NeuroStar Advanced Therapy in a psychiatrist's office without the need for general anesthesia or sedation. Our system is designed to deliver the recommended TMS treatment dose to the indicated location consistently.
- ***Efficient and convenient treatment for the patient and the psychiatrist.*** We have developed and deployed the shortest duration FDA-cleared treatment for MDD using TMS therapy. Once a psychiatrist has established a patient's coordinates during the initial treatment session, a trained member of the office staff under the supervision of the psychiatrist may administer subsequent treatment sessions.
- ***Unique cloud-based practice management system.*** Our TrakStar practice management system captures all treatment relevant information, and the encrypted information can be downloaded to any system in a psychiatrist's network in order to make it convenient for a patient to receive care and increase scheduling flexibility.
- ***Comprehensive customer support and practice development resources***. We believe that we offer the most comprehensive practice support services among all TMS system providers to help our psychiatrist customers operationalize and grow their TMS service line. We provide our customers with significant marketing support to increase referring physician and potential patient awareness.

Our Strengths

We are focused on improving the quality of life for patients who suffer from psychiatric disorders. We believe that the following strengths will allow us to build our business and potentially expand our market opportunity.

- ***A market leader in TMS therapy.*** We believe we are the market leader in TMS therapy based on our U.S. installed base of 777 active NeuroStar Advanced Therapy Systems in approximately 615 psychiatrist offices, the estimated 50,000 patients treated with over 1.8 million of our treatment sessions, and our $40.4 million and $10.2 million in revenues in 2017 and the three months ended March 31, 2018, respectively. We believe these factors provide us meaningful competitive advantages by creating significant barriers to entry to other TMS providers.

- ***Significant body of clinical data and key opinion leader support.*** The safety, efficacy and durability of our therapy is supported by what we believe is the largest clinical data set of any TMS system. We have also established strong relationships with key opinion leaders within the psychiatric community who help us to educate psychiatrists from around the world on innovative treatment modalities such as TMS therapy.
- ***Proprietary technology with a broad IP portfolio.*** As of March 31, 2018, we owned or licensed 30 issued or allowed U.S. patents, 49 issued or allowed foreign patents, seven pending U.S. patent applications and 14 pending foreign patent applications. We believe this patent portfolio is substantially larger than that of any of our TMS system competitors.
- ***Extensive reimbursement coverage and experience.*** Based on our estimates, over 65 major private insurers in the United States, including the top 25 largest private insurers, have adopted coverage policies for reimbursement of NeuroStar Advanced Therapy, representing 95% of the total private payor covered lives in the United States. In addition, our therapy is eligible for reimbursement from Medicare. Our reimbursement team has assisted our customers to conduct more than 20,000 benefits investigations.
- ***Potential to enhance psychiatrist practice economics.*** Based on our commercial data, we believe our psychiatrist customers can generate approximately $7,500 to $10,000 of revenues per patient for a standard course of treatment using our system and can recoup their capital investment in our system by treating approximately 12 patients.

Our Strategy

Our goal is to maintain and extend our leadership position in TMS therapy for patients with psychiatric disorders. The key elements of our strategy include:

- improve customer targeting and expand our direct sales and customer support team to accelerate growth;
- increase utilization of our new and existing installed base of our systems;
- expand our international market opportunities; and
- pursue pipeline development of our therapy for additional indications.

Risks Associated with Our Business

Our ability to implement our business strategy is subject to numerous risks and uncertainties. You should carefully consider all of the information set forth in this prospectus and, in particular, the information under the heading “Risk Factors,” beginning on page 12 of this prospectus, prior to making an investment in our common stock. These risks include, among others, the following:

- we have incurred losses in the past and may be unable to achieve or sustain profitability in the future;
- we rely generally on the sale of our NeuroStar Advanced Therapy System and treatment sessions to generate revenues;
- if coverage is unavailable or reimbursement from third-party payors for treatments using our products significantly declines, psychiatrists may be reluctant to use our products;

- psychiatrists and patients may be slow to adopt and use TMS therapies, including because our therapies must be administered up to five times a week for six weeks in a psychiatrist's office;
- our success depends in part upon patient satisfaction with the effectiveness of our NeuroStar Advanced Therapy System;
- we operate in a very competitive environment and if we are unable to compete successfully against our existing or potential competitors, our sales and operating results may be negatively affected;
- if we are unable to successfully expand our sales and customer support team and adequately address our customers' needs, it could negatively impact sales and market acceptance of our products and we may never generate sufficient revenues to achieve or sustain profitability;
- security and privacy breaches may expose us to liability and harm our reputation and business; and
- our products and operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

Corporate Information

We were incorporated in Delaware in April of 2003. Our principal executive offices are located at 3222 Phoenixville Pike, Malvern, Pennsylvania 19355, and our telephone number is (610) 640-4202. Our website address is *www.neurostar.com*. The information contained on, or accessible through, our website is not incorporated by reference into this prospectus, and you should not consider any information contained in, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase our common stock.

THE OFFERING	
Issuer	Neuronetics, Inc.
Common stock offered by us	shares (or shares if the underwriters exercise their option to purchase additional shares in full).
Common stock to be outstanding after this offering	shares (or shares if the underwriters exercise their option to purchase additional shares in full).
Option to purchase additional shares of common stock	The underwriters have a 30-day option to purchase up to additional shares of common stock from us.
Use of proceeds	We intend to use the net proceeds from this offering to fund the further commercialization of our NeuroStar Advanced Therapy System, primarily through expansion of our sales and customer support team; to fund research and development activities, which may include hardware and software product development and enhancements of our NeuroStar Advanced Therapy System and clinical development expenses relating to additional indications; and for general corporate purposes, including general and administrative expenses and working capital. See "Use of Proceeds."
Directed share program	At our request, the underwriters have reserved up to shares of common stock, or approximately % of the shares offered by this prospectus, for sale at the initial public offering price, to our directors, officers and current investors. Shares purchased by our directors and officers will be subject to the 180-day lock-up restriction described in the "Underwriting" section of this prospectus. The number of shares of common stock available for sale to the general public will be reduced to the extent these parties purchase such reserved shares. Any reserved shares that are not purchased under this program will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.
Risk factors	You may read the "Risk Factors" section of this prospectus beginning on page 12 and other information included in this prospectus for a discussion of factors that you should consider carefully before deciding to invest in our common stock.
Proposed Nasdaq Global Market symbol	"STIM"

The number of shares of our common stock to be outstanding after this offering is based on 325,963,768 shares of our common stock outstanding as of March 31, 2018, which includes 371,703 shares of unvested restricted stock. The number of shares of common stock outstanding as of March 31, 2018 excludes:

- 77,374,095 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2018, with a weighted-average exercise price of $0.09 per share;
- 3,445,812 shares of common stock issuable upon the exercise of stock options granted after March 31, 2018, with a weighted-average exercise price of $0.18 per share;
- 3,046,253 shares of common stock issuable upon the exercise of warrants outstanding as of March 31, 2018 to purchase shares of convertible preferred stock that will become warrants to purchase shares of common stock upon the closing of this offering, at a weighted-average exercise price of $0.38 per share;
- 4,244,820 shares of common stock reserved for future issuance under our Amended and Restated 2003 Stock Incentive Plan, as amended, or 2003 Plan;
- shares of common stock reserved for future issuance under our 2018 Equity Incentive Plan, or 2018 Plan, and shares that become available under the 2018 Plan pursuant to provisions that automatically increase the share reserve under the 2018 Plan each year; and
- shares of common stock reserved for future issuance under our 2018 Employee Stock Purchase Plan, or 2018 ESPP, and shares that become available under the 2018 ESPP pursuant to provisions that automatically increase the share reserve under the 2018 ESPP each year.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- a -for- reverse split for our common stock;
- the automatic conversion of all outstanding shares of our convertible preferred stock into 318,676,911 shares of our common stock, which will occur upon the closing of this offering;
- the automatic conversion of all outstanding warrants to purchase shares of convertible preferred stock into warrants to purchase common stock;
- no exercise of outstanding options or warrants;
- the filing of our amended and restated certificate of incorporation, which will occur upon the closing of this offering; and
- no exercise by the underwriters of their option to purchase up to additional shares of our common stock.

SUMMARY FINANCIAL DATA

The following tables set forth, for the periods and as of the dates indicated, a summary of our historical financial data. The statements of operations data for the years ended December 31, 2016 and 2017 are derived from our audited financial statements appearing at the end of this prospectus. The statements of operations data for the three months ended March 31, 2017 and 2018 and the balance sheet data as of March 31, 2018 are derived from our unaudited interim financial statements appearing at the end of this prospectus. We have prepared our unaudited interim financial statements on the same basis as our audited financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth in those statements. You should read this data together with the more detailed information contained in our audited financial statements and the related notes thereto and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in the future. Our interim results are not necessarily indicative of results to be expected for the full year ending December 31, 2018, or any other period.

	Years ended December 31,		Three Months ended March 31,	
	2016	2017	2017	2018
	(in thousands, except per share data)			
Statements of Operations Data:				
Revenues	$ 34,228	$ 40,433	$ 7,526	$ 10,152
Cost of revenues	6,622	9,632	1,538	2,457
Gross Profit	27,606	30,801	5,988	7,695
Operating expenses:				
Sales and marketing	21,794	27,900	6,306	8,109
General and administrative	6,926	8,572	1,642	2,636
Research and development	8,223	7,937	2,028	1,555
Total operating expenses	36,943	44,409	9,976	12,300
Loss from Operations	(9,337)	(13,608)	(3,988)	(4,605)
Other (income) expense:				
Interest expense	1,835	2,808	550	921
Other (income) expense, net	62	(357)	(24)	(29)
Net Loss	$(11,234)	$ (16,059)	$(4,514)	$ (5,497)
Net loss per share of common stock outstanding, basic and diluted[1]	$ (2.65)	$ (2.97)	$ (0.93)	$ (0.84)
Weighted-average common shares outstanding, basic and diluted[1]	4,246	5,401	4,829	6,533
Pro forma net loss per share of common stock outstanding, basic and diluted (unaudited)[1]		$ (0.05)		$ (0.02)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)[1]		307,288		325,210

(1) See "Note 11. Loss per Share" in our audited and unaudited interim financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the historical and pro forma basic and diluted net loss per common share.

	As of March 31, 2018		
	Actual	Pro forma[1]	Pro forma as Adjusted[2]
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 20,354	$ 20,354	$
Working capital	19,522	19,522	
Total assets	32,016	32,016	
Long-term debt, net	29,803	29,803	
Convertible preferred stock warrant liability	485	—	
Convertible preferred stock	187,136	—	
Total stockholders' (deficit) equity	(197,974)	(10,353)	

(1) Data presented on a pro forma basis to give effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 318,676,911 shares of common stock and (ii) the automatic conversion of outstanding warrants to purchase shares of our convertible preferred stock into warrants to purchase shares of our common stock, each of which will occur upon the closing of this offering.

(2) Data presented on a pro forma as adjusted basis to give further effect to our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is 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.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders' equity (deficit) by $ million, 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. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares offered by us at the assumed initial public offering price would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders' equity (deficit) by $ million. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information contained in this prospectus before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and prospects. As a result, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

We have incurred losses in the past and may be unable to achieve or sustain profitability in the future.

We have incurred net losses since inception, including net losses of $11.2 million, $16.1 million and $5.5 million for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, respectively. As a result of ongoing losses, as of March 31, 2018, we had an accumulated deficit of $202.4 million. We expect to continue to incur significant sales and marketing, product development, regulatory and other expenses as we continue to expand our marketing efforts to increase adoption of our products and expand existing relationships with our customers, to obtain regulatory clearances or approvals for our products in additional countries and for additional indications, and to develop new products or add new features to our existing products. In addition, our general and administrative expenses will increase following this offering due to the additional costs associated with being a public company. The net losses we incur may fluctuate significantly from quarter to quarter. We will need to generate significant additional revenues to achieve and sustain profitability, and even if we achieve profitability, we cannot be sure that we will remain profitable for any substantial period of time. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

We rely on the sale of our NeuroStar Advanced Therapy System and treatment sessions to generate revenues.

At present, we rely on the sale of our NeuroStar Advanced Therapy System and treatment sessions to generate revenues, and we expect to generate substantially all of our revenues in the foreseeable future from sales of these and any related products. Because the market for TMS therapy is still developing and contains a limited number of market participants, sales of our products could be negatively impacted by unfavorable market reactions to our or other TMS devices. If the use of our or other TMS therapies results in serious adverse events, or such products malfunction or are misused, patients and psychiatrists may attribute such negative events to TMS therapy generally, which may adversely affect market adoption of our products. Additionally, if patients undergoing treatment with a NeuroStar Advanced Therapy System perceive the benefits to be inadequate or adverse events too numerous or severe compared to the relevant rates of alternative TMS therapies or pharmaceutical options, it will be difficult to demonstrate the value of our NeuroStar Advanced Therapy System to patients and psychiatrists. As a result, demand for and the use of our NeuroStar Advanced Therapy System may decline or may not increase at the pace or to the levels we expect.

If coverage is unavailable or reimbursement from third-party payors for treatments using our products significantly declines, psychiatrists may be reluctant to use our products.

In the United States, sales of our products will depend, in part, on the extent to which the treatment sessions using our products are covered and reimbursed by third-party payors, including private insurers and government healthcare programs. Even if a third-party payor covers a particular treatment that uses our products, the resulting reimbursement rate may not be adequate to cover a provider's cost to purchase our products or ensure such purchase is profitable for the provider. Further, patients who are treated in-office for a medical condition generally rely on third-party payors to reimburse all or part of the costs associated with the treatment and may be unwilling to undergo such treatment in the absence of coverage and adequate reimbursement, or due to large annual deductibles associated with certain health insurance plans.

Reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that a treatment is neither experimental nor investigational, safe, effective, and medically necessary, appropriate for the specific patient, cost-effective, supported by peer-reviewed medical journals and included in clinical practice guidelines.

In the United States, there is no uniform policy of coverage and reimbursement among third-party payors. Third-party payors often rely upon Medicare coverage policies and payment limitations in setting their own reimbursement policies, but also have their own methods and approval process apart from Medicare coverage and reimbursement determinations. Therefore, coverage and reimbursement for treatments can differ significantly from payor to payor. Decisions regarding the extent of coverage and amount of reimbursement to be provided for an in-office treatment is made on a plan-by-plan basis. One payor's determination to provide coverage for a specific treatment does not assure that other payors will also provide coverage, and adequate reimbursement.

In addition, the federal government and state legislatures have continued to implement cost containment programs, including price controls and restrictions on coverage and reimbursement. To contain costs, governmental healthcare programs and third-party payors are increasingly challenging the price, scrutinizing the medical necessity and reviewing the cost-effectiveness of medical treatments.

Outside of the United States, reimbursement systems vary significantly by country. Many foreign markets, including Japan, have government-managed healthcare systems that govern reimbursement for psychiatric treatments and procedures. Additionally, some foreign reimbursement systems provide for limited payments in a given period and therefore result in extended payment periods. If adequate levels of reimbursement from third-party payors outside of the United States are not obtained, international sales of our products may not materialize or grow significantly.

The marketability of our products may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. Even if favorable coverage and reimbursement status is attained, less favorable coverage policies and reimbursement rates may be implemented in the future.

If we are unable to adequately train psychiatrists and other treatment providers on the safe and appropriate use of our products, we may be unable to achieve our expected growth.

There is a learning process involved for treatment providers to become proficient in the use of our products, which requires us to spend considerable time and resources for training. It is critical to the success of our commercialization efforts to train a sufficient number of psychiatrists and to provide them with adequate, ongoing instruction and training in the use of our products. This training process generally requires psychiatrists to review and study product materials, engage in multi-day, hands-on training sessions for up to four hours a day and participate in a multi-day observational period prior to treating patients independently. This training process may also take longer than expected or be more complicated than the psychiatrists or their personnel are comfortable with and may therefore affect our ability to increase sales. Convincing psychiatrists to dedicate the time and energy necessary for adequate training is challenging, and we may not be successful in these efforts.

Psychiatrists and patients may be slow to adopt and use TMS therapies.

TMS therapy is an emerging treatment option for patients suffering from MDD. As a result, psychiatrist and patient awareness of TMS therapy as a treatment option for MDD, and experience with TMS therapies, is limited. Our success depends in large part on our ability to educate and train psychiatrist and patients, and successfully demonstrate the safety, tolerability, ease of use, efficacy, cost effectiveness and other merits of our NeuroStar Advanced Therapy System. We have been engaging in an active marketing campaign to raise awareness of our NeuroStar Advanced Therapy System and its benefits among psychiatrists, but we cannot assure you that these efforts will be successful or that they will not

prove to be cost-prohibitive. Some psychiatrists may also find the initial patient set up and the subsequent procedures for future treatment sessions to be difficult or complicated, or could be wary of the initial investment required for the purchase of the NeuroStar Advanced Therapy System, which may impact their decision to purchase or use the NeuroStar Advanced Therapy System as part of their practice. Similarly, psychiatrists may find it difficult to hire additional staff, allocate sufficient space or operationalize our NeuroStar Advanced Therapy System, which could slow its adoption.

In addition, psychiatrists may not derive sufficient cash flow from using the NeuroStar Advanced Therapy Systems due to their own practice economics or otherwise. Failure to achieve economic benefits from the purchase or use of the NeuroStar Advanced Therapy System would adversely affect our customers' purchase of treatment sessions. These factors could also reduce the number of procedures performed using our NeuroStar Advanced Therapy System, and if we do not facilitate the utilization of our products by our customers, our revenues and results of operations could be harmed.

In addition, in January 2018, we completed enrollment in a multicenter, prospective, randomized, sham controlled, double-blind pivotal clinical trial to evaluate our NeuroStar Advanced Therapy System to treat adolescents with MDD. Based on a preliminary analysis we conducted in the second quarter of 2018, the primary endpoint in the initial phase of the ongoing trial was not met. These clinical trial results may have a potential adverse impact on the market perception of our NeuroStar Advanced Therapy System.

Our success depends in part upon patient satisfaction with the effectiveness of our NeuroStar Advanced Therapy System.

In order to generate repeat and referral business, patients must be satisfied with the effectiveness of our NeuroStar Advanced Therapy System. Clinical studies demonstrate that, in order to be effective, our products must be used for a period of four to six weeks, and require a patient to return to a psychiatrist's office five days a week during that period in order to receive the recommended course of treatment. Since patients who achieve response or remission using our therapy will obtain these results gradually over this treatment period, their perception of their results may vary depending on their compliance with the prescribed treatment course.

We train our psychiatrist customers to select the appropriate patient candidates for treatment using the NeuroStar Advanced Therapy System, explain to their patients the time-period over which the results from a treatment course can be expected to occur, and measure the success of treatments using medical guidelines. However, our psychiatrist customers may not select appropriate patient candidates for NeuroStar Advanced Therapy treatment, which may produce results that may not meet patients' expectations. In addition, the efficacy of treatment is dependent on proper patient set up at the initial treatment session and duplication of that set up at future treatment sessions. To the extent psychiatrists do not make the proper measurements for a specific patient or use the same procedures at each treatment session, it could result in variability of the treatment efficacy and results for the patient. If patients are not satisfied with the results of our NeuroStar Advanced Therapy System, our reputation and future sales will suffer.

We operate in a very competitive environment and if we are unable to compete successfully against our existing or potential competitors, our sales and operating results may be negatively affected.

Our currently marketed products are, and any future products we develop and commercialize will be, subject to intense competition. The industry in which we operate is subject to rapid change and is highly sensitive to the introduction of new products or other market activities of current or new industry participants. Our ability to compete successfully will depend on our ability to develop products that reach the market in a timely manner, to receive adequate coverage and reimbursement from third-party payors, and to successfully demonstrate to psychiatrists and patients the merits of our products compared to those of our competitors. If we are not successful in convincing others of the merits of our

products or educating them on the use of our products, they may not use our products or use them effectively and we may be unable to increase our sales.

We have competitors that sell other forms of TMS therapy, including Brainsway, Magstim Magventure, CloudTMS and Nexstim, that compete directly with the NeuroStar Advanced Therapy System. Competing TMS therapy companies may develop treatments that can be administered for shorter time periods, that have improved efficacy when compared to our products, or that require a less significant investment of resources from psychiatrists. We also face competition from pharmaceutical and other companies that develop competitive products, such as antidepressant medications. Our commercial opportunity could be reduced or eliminated if these competitors develop and commercialize antidepressant medications or other treatments that are safer or more effective than the NeuroStar Advanced Therapy System. At any time, these and other potential market entrants may develop treatment alternatives that may render our products uncompetitive.

In addition, our competitors may have more established distribution networks than we do, or may be acquired by enterprises that have more established distribution networks than we do. Our competitors may also develop and patent processes or products earlier than we can or obtain domestic or international regulatory clearances or approvals for competing products more rapidly than we can, which could impair our ability to develop and commercialize similar products. We also compete with our competitors in acquiring technologies and technology licenses complementary to our products or advantageous to our business. In addition, we compete with our competitors to engage the services of independent distributors outside the United States, both those presently working with us and those with whom we hope to work as we expand.

We may face difficulties encountered by companies in new and evolving markets.

In assessing our prospects, you must consider the risks and difficulties frequently encountered by companies in new and evolving markets. These risks include our ability to:

- manage rapidly changing and expanding operations;
- increase awareness of our brand and strengthen customer loyalty;
- successfully execute our business and marketing strategy;
- respond effectively to competitive pressures and developments;
- continue to develop and enhance our products and products in development;
- obtain regulatory clearance or approval to commercialize new products and enhance our existing products;
- refrain from infringing on the intellectual property rights of others, and maintaining appropriate legal policies and procedures;
- expand our presence in existing and commence operations in new international markets; and
- attract, retain and motivate qualified personnel.

If we are unable to successfully expand our sales and customer support team and adequately address our customers' needs, it could negatively impact sales and market acceptance of our products and we may never generate sufficient revenues to achieve or sustain profitability.

As of March 31, 2018, our sales organization consisted of five independent distributors in five countries, and 106 professionals on our sales and customer support team. Our operating results are directly dependent upon the sales and marketing efforts of our sales and customer support team and our independent third party distributors outside of the United States. If our employees or our independent distributors fail to adequately promote, market and sell our products, our sales could significantly decrease.

In addition, our future sales will largely depend on our ability to increase our marketing efforts and adequately address our customers' needs. We believe it is necessary to expand our sales force, including by hiring additional sales representatives or distributors with specific technical backgrounds that can support our customers' needs.

As we launch new products, expand our product offerings to new indications 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 employees, and distributors with significant technical knowledge in various areas. 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, new hires may not become as productive as may be necessary to maintain or increase our sales. If we are unable to expand our sales and marketing capabilities domestically and internationally, we may be unable to effectively commercialize our products.

The loss of our senior management or our inability to attract and retain highly skilled executives, salespeople and product development personnel could negatively impact our business.

Our success depends on the skills, experience and performance of the members of our executive management team. The individual and collective efforts of these employees will be important as we continue to develop our products and as we expand our commercial activities. We believe that it is challenging to identify individuals with the requisite skills to serve in many of our key positions, and the loss or incapacity of existing members of our executive management team could negatively impact our operations. Other than our Chief Executive Officer, we do not maintain key man life insurance with any of our employees. The existence of our Chief Executive Officer's employment agreement does not guarantee our retention of our Chief Executive Officer for any period of time.

Our commercial, supply chain and research and development programs and operations depend on our ability to attract and retain highly skilled managers, salespeople and product development and customer training personnel. We may be unable to attract or retain qualified managers, salespeople or product development and customer training personnel in the future due to the competition for qualified personnel in the medical treatment and device fields. We also face competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific personnel. Recruiting and retention difficulties can limit our ability to support our commercial, supply chain and research and development programs. The loss of key employees, the failure of any key employee to perform or our inability to attract and retain skilled employees, as needed, or an inability to effectively plan for and implement a succession plan for key employees could harm our business.

Our long-term growth depends on our ability to commercialize our approved products for current and future indications and to develop and commercialize additional products through our research and development efforts. If we fail to do so we may be unable to compete effectively.

In order to increase our future revenues, we must successfully enhance our existing product offerings and introduce new products in response to changing customer demands and competitive pressures and technologies. Our industry is characterized by intense competition, including from lower-cost competitors, rapid technological changes, new product introductions and enhancements and evolving industry standards. We also face competition from large pharmaceutical companies with greater capital. Our business prospects depend in part on our ability to develop and commercialize new products and applications for our technology, including in new markets that develop as a result of technological, pharmaceutical and scientific advances, while improving the performance and cost-effectiveness of our products. New pharmaceutical products, technologies, techniques or other products could emerge that might offer better combinations of price and performance than our products. It is important that we anticipate changes in technology and market demand, as well as psychiatrist practices to successfully

develop, obtain clearance or approval, if required, and successfully introduce new, enhanced and competitive technologies to meet our prospective customers' needs on a timely and cost-effective basis.

We might be unable to successfully further commercialize or develop or obtain regulatory clearances or approvals to market new products or our existing products for additional indications. For example, our NeuroStar Advanced Therapy System did not meet the primary endpoint in the initial phase of the clinical trial of adolescents with MDD. While we intend to complete the remaining phases of this clinical trial, in light of these results we are unlikely to seek clearance for this indication. Additionally, these products and any future products, even if cleared, might not be accepted by psychiatrists or the third-party payors who reimburse for the procedures performed with our products. The success of any new product offering or enhancement to an existing product will depend on numerous additional factors, including our ability to:

- properly identify and anticipate clinician and patient needs;
- demonstrate the benefits associated with the use or our products when compared to the products and devices of our competitors;
- 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 efficacy of new products; and
- obtain the necessary regulatory clearances or approvals for new products or product enhancements.

If we do not develop and obtain regulatory clearances or approvals for new products or indications 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 develop enhancements or new generations of our products successfully, 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.

Nevertheless, we must carefully manage our introduction of new products. If potential customers believe such products will offer enhanced features or be sold for a more attractive price, they may delay purchases until such products are available. We may also have excess or obsolete inventory as we transition to new products, and we have limited experience in managing product transitions.

We rely on single-source suppliers for some components used in our NeuroStar Advanced Therapy System and on a single manufacturer for the assembly of our NeuroStar Advanced Therapy System, and we may be unable to find replacements or immediately transition to alternative parties for these components.

We rely on single-source suppliers for some components used in our NeuroStar Advanced Therapy System, and we do not have long-term supply contracts with these suppliers. Furthermore, we rely on a single manufacturer for the assembly of the mobile console and patient positioning system used in our NeuroStar Advanced Therapy System. For us to be successful, our suppliers and contract manufacturer must be able to provide us with components in substantial quantities, in compliance with regulatory requirements, in accordance with agreed upon specifications, at acceptable costs and on a timely basis. While these suppliers have generally met our demand requirements on a timely basis in the past, their

ability and willingness to continue to do so going forward may be limited for several reasons, including our lack of long-term agreements with those suppliers, our relative importance as a customer of those suppliers, or, as applicable, their ability to produce the components for or provide assembly services to manufacture our NeuroStar Advanced Therapy System. An interruption in our commercial operations could occur if we encounter delays or difficulties in securing these components or manufactured products, if we cannot obtain an acceptable substitute.

Any transition to a new supplier or contract manufacturer could be time-consuming and expensive, may result in interruptions in our operations and product delivery, could affect the performance specifications of our NeuroStar Advanced Therapy System or could require that we modify its design. If we are required to change our contract manufacturer, we will be required to verify that the new manufacturer maintains facilities, procedures and operations that comply with our quality and applicable regulatory requirements, which could further impede our ability to manufacture our products in a timely manner. If the change in manufacturer results in a significant change to any product, a new 510(k) clearance from the FDA or similar non-U.S. regulatory authorization may be necessary before we implement the change, which could cause a substantial delay. We cannot assure you that we will be able to identify and engage alternative suppliers or contract manufacturers on similar terms or without delay. Furthermore, our contract manufacturer could require us to move to a different production facility. The occurrence of any of these events could harm our ability to meet the demand for our NeuroStar Advanced Therapy System in a timely and cost-effective manner.

We may be unable to manage our anticipated growth effectively, which could make it difficult to execute our business strategy.

We have been growing rapidly and have a relatively short history of operating as a commercial company. For example, our revenues grew from $34.2 million for the year ended December 31, 2016 to $40.4 million for the year ended December 31, 2017, and from $7.5 million for the three months ended March 31, 2017 to $10.2 million for the three months ended March 31, 2018. We intend to continue to grow our business operations and may experience periods of rapid growth and expansion. This anticipated growth could create a strain on our organizational, administrative and operational infrastructure, including our supply chain operations, quality control, technical support and customer service, sales force management and general and financial administration. We may be unable to maintain the quality, or delivery timelines, of our products or customer service or satisfy customer demand if our business grows too rapidly. Our ability to manage our growth properly will require us to continue to improve our operational, financial and management controls, and our reporting systems and procedures. We may implement new enterprise software systems in a number of areas affecting a broad range of business processes and functional areas. The time and resources required to implement these new systems is uncertain and failure to complete this in a timely and efficient manner could harm our business.

As our commercial operations and sales volume grow, we will need to continue to increase our workflow capacity for our supply chain, customer service, training and education personnel, billing, accounting reporting and general process improvements and expand our internal quality assurance program, among other things. Because our products require us to devote significant resources to training our customers on the use, and educating our customers on the benefits, of our products, we will be required to expand these personnel as we increase our sales efforts. We may not successfully implement these increases in scale or the expansion of our personnel, which could harm our business.

We rely and in the future expect to rely on a network of third-party distributors to market and distribute our products internationally, and if we are unable to maintain and expand this network, we may be unable to generate anticipated sales.

We rely, and expect to rely in the future, on a network of third-party distributors to market and distribute our products in international markets. We currently sell our products in five countries outside

of the United States and plan to market and sell our products through our exclusive distribution agreement in Japan once we attain reimbursement approval. We are assessing the opportunity to continue expanding into other international markets. We may face significant challenges and risks in managing a geographically dispersed distribution network. We have limited ability to control any third-party distributors. Our distributors may be unable to successfully market and sell our products and may not devote sufficient time and resources to support the marketing, sales, education and training efforts that we believe enable the products to develop, achieve or sustain market acceptance. Additionally, in some international jurisdictions, we rely on our distributors to manage the regulatory process, while complying with all applicable rules and regulations, and we are dependent on their ability to do so effectively. In addition, if a dispute arises with a distributor or if a distributor is terminated by us or goes out of business, it may take time to locate an alternative distributor, to seek appropriate regulatory approvals and to train new personnel to market our products, and our ability to sell those systems in the region formerly serviced by such terminated distributor could be harmed. Any of these factors could reduce our revenues from affected markets, increase our costs in those markets or damage our reputation. In addition, if an independent distributor were to depart and be retained by one of our competitors, we may be unable to prevent that distributor from helping competitors solicit business from our existing customers, which could further adversely affect our sales. As a result of our reliance on third-party distributors, we may be subject to disruptions and increased costs due to factors beyond our control, including labor strikes, third-party error and other issues. If the services of any of these third-party distributors become unsatisfactory, we may experience delays in meeting our customers' demands and we may be unable to find a suitable replacement on a timely basis or on commercially reasonable terms. Any failure to deliver products in a timely manner may damage our reputation and could cause us to lose potential customers.

We face risks associated with our international business.

We currently market and sell our products in five countries outside of the United States, including Japan, and plan to market and sell our products through our exclusive distribution agreement in Japan. Once we attain satisfactory reimbursement approval, we expect that sales of our NeuroStar Advanced Therapy System in Japan will increase.

The sale and shipment of our products across international borders, as well as the purchase of components and products from international sources, subjects us to extensive U.S. and other 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. We expect our international activities will be dynamic over the foreseeable future as we continue to pursue opportunities in international markets. Our international business operations are subject to a variety of risks, including:

- difficulties in staffing and managing foreign and geographically dispersed operations, to the extent we establish non-U.S. operations;
- differing and multiple payor reimbursement regimes, government payors or patient self-pay systems;
- difficulties in determining and creating the proper sales pathway in new, international markets;
- compliance with various U.S. and international laws, including export control laws and the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, and anti-money laundering laws;
- differing regulatory requirements for obtaining clearances or approvals to market our products;
- changes in, or uncertainties relating to, foreign rules and regulations that may impact our ability to sell our products, perform services or repatriate profits to the United States;

- tariffs and trade barriers, export regulations, sanctions and other regulatory and contractual limitations on our ability to sell our products in certain foreign markets;
- potential adverse tax consequences, including imposition of limitations on or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries or joint ventures;
- imposition of differing labor laws and standards;
- armed conflicts or economic, political or social instability in foreign countries and regions;
- fluctuations in foreign currency exchange rates;
- an inability, or reduced ability, to protect our intellectual property, including any effect of compulsory licensing imposed by government action; and
- availability of government subsidies or other incentives that benefit competitors in their local markets that are not available to us.

We are assessing the opportunity to expand into other international markets. However, our expansion plans may not be realized, or if realized, may not be successful. We expect each market to have particular regulatory hurdles to overcome, and future developments in these markets, including the uncertainty relating to governmental policies and regulations, could harm our business.

Our employees, consultants, distributors and other commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

We are exposed to the risk that our employees, consultants, distributors and other commercial partners may engage in inappropriate, fraudulent or illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or other unauthorized activities that violate the regulations of the FDA and other U.S. healthcare regulators, as well as non-U.S. regulators, including by violating laws requiring the reporting of true, complete and accurate information to such regulators, manufacturing standards, healthcare fraud and abuse laws and regulations in the United States and abroad or laws that require the true, complete and accurate reporting of financial information or data. In particular, sales, marketing and business arrangements in the healthcare industry, including the sale of medical devices, are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. 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. It is not always possible to identify and deter misconduct by our employees, distributors 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 comply with these laws or regulations. These risks may be more pronounced, and we may find that the processes and policies we have implemented are not effective at preventing misconduct. If any actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant fines or other sanctions, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, individual imprisonment, disgorgement, possible exclusion from participation in government healthcare programs, additional reporting obligations and oversight if we becomes subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm, diminished profits and future earnings and the curtailment of our operations. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, and divert the attention of management in defending ourselves against any of these claims or investigations.

We rely in part on third parties to conduct our clinical trials. If these third parties fail to perform their duties on time or as expected, we may not be able to obtain regulatory approval for additional indications that we may seek for the NeuroStar Advanced Therapy System.

Our clinical trials are managed by our own staff and personnel, but we rely in part upon certain third-parties, including clinical trial sites, medical institutions, clinical research organizations, or CROs, and private practices, for, among other things, site monitoring, statistical work and electronic data capture in our clinical trials. Nevertheless, we are responsible for ensuring that each of our clinical trials is conducted in accordance with applicable protocols, and legal, regulatory and scientific standards, including current good clinical practices, or cGCPs, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for clinical trials. If we or any such third parties fail to comply with applicable cGCPs, the clinical data generated in such trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving a marketing application for any particular indication. In addition, if such third parties do not devote sufficient time and resources to our clinical trials or otherwise carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they assist in obtaining is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates in a specified indication.

If product liability lawsuits are brought against us, our business may be harmed, and we may be required to pay damages that exceed our insurance coverage.

Our business exposes us to potential product liability claims that are inherent in the testing, manufacture and sale of medical devices for the treatment of MDD. Our treatments are designed for patients who suffer from significant psychiatric disorders, and these patients are more likely to experience significant adverse health outcomes, which could increase the risk of product liability lawsuits. Furthermore, if psychiatrists are not sufficiently trained in the use of our products, they may misuse or ineffectively use our products, which may result in unsatisfactory patient outcomes. We could become the subject of product liability lawsuits alleging that component failures, malfunctions, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information resulted in an unsafe condition or injury to patients.

Regardless of the merit or eventual outcome, product liability claims may result in:

- decreased demand for our products;
- injury to our reputation;
- significant litigation costs;
- substantial monetary awards to or costly settlements with patients;
- product recalls;
- material defense costs;
- loss of revenues;
- the inability to commercialize new products or product candidates; and
- diversion of management attention from pursuing our business strategy.

Our existing product liability insurance coverage may be inadequate to protect us from any liabilities we might incur. If a product liability claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, our business could suffer. Any product liability claim brought

against us, with or without merit, could result in the increase of our product liability insurance rates or the inability to secure coverage in the future. In addition, a recall of some of our products, whether or not the result of a product liability claim, could result in significant costs and loss of customers.

Our insurance policies protect us only from some business risks, which will leave us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. Some of the policies we currently maintain include general liability, cybersecurity liability, employee benefits liability, property, umbrella, workers' compensation, products and clinical trial liability and directors' and officers' insurance. We do not know, however, if these policies will provide us with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our cash position and results of operations.

We bear the risk of warranty claims on our products.

We bear the risk of warranty claims on the products we supply for two years from the date of delivery. We have a warranty reserve of $0.6 million at March 31, 2018. There can be no assurance that we will not face increased claims in the future. We may not be successful in claiming recovery under any warranty or indemnity provided to us by our suppliers or vendors in the event of a successful warranty claim against us by a customer or that any recovery from such vendor or supplier would be adequate. In addition, warranty claims brought by our customers related to third-party components may arise after our ability to bring corresponding warranty claims against such suppliers expires, which could result in costs to us.

We could be negatively impacted by violations of applicable anti-corruption laws or violations of our internal policies designed to ensure ethical business practices.

We operate in a number of countries throughout the world, including in countries that do not have as strong a commitment to anti-corruption and ethical behavior that is required by U.S. laws or by our corporate policies. We are subject to the risk that we, our U.S. employees or any future employees or consultants located in other jurisdictions or any third parties such as our distributors that we engage to do work on our behalf in foreign countries may take action determined to be in violation of anti-corruption laws in any jurisdiction in which we conduct business, including the FCPA. The FCPA generally prohibits covered entities and their intermediaries from engaging in bribery or making other prohibited payments, offers or promises to foreign officials for the purpose of obtaining or retaining business or other advantages. In addition, the FCPA imposes recordkeeping and internal controls requirements on publicly traded corporations and their foreign affiliates, which are intended to, among other things, prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of "off books" slush funds from which such improper payments can be made.

We will face significant risks if we fail to comply with the FCPA and other laws that prohibit improper payments, offers or promises of payment to foreign governments and their officials and political parties by us and other business entities for the purpose of obtaining or retaining business or other advantages. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other laws and regulations. We have implemented or are in the process of implementing company policies relating to compliance with the FCPA and similar laws. However, such policies may not be effective at preventing all potential FCPA or other violations. Although our agreements with our international distributors state our expectations for our distributors' compliance with U.S. laws, including the FCPA, and provide us with various remedies upon any non-compliance, including the ability to terminate the agreement, our distributors may not comply with U.S. laws, including the FCPA.

Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might harm our business, financial condition or results of operations.

If we experience significant disruptions in our information technology systems, our business may be adversely affected.

We depend on our information technology systems for the efficient functioning of our business, including for our TrakStar system and accounting, data storage, compliance, purchasing and inventory management. We do not have redundant systems at this time. While we will attempt to mitigate interruptions, we may experience difficulties in implementing upgrades to our information technology systems, which would impact our business operations, or experience difficulties in operating our business during the upgrade, either of which could disrupt our operations, including our ability to provide customers with data on patient outcomes, track the usage of our products, timely ship and track product orders, project inventory requirements, manage our supply chain and otherwise adequately service our customers or disrupt our customers' ability to access patient data or use our products for treatments. In the event we experience significant disruptions as a result of the current implementation of our information technology systems, we may be unable to repair our systems in an efficient and timely manner. Accordingly, such events may disrupt or reduce the efficiency of our entire operation and have a material adverse effect on our results of operations and cash flows. Currently we carry business interruption coverage to mitigate any potential losses, but we cannot be certain that such potential losses will not exceed our policy limits.

We are increasingly dependent on sophisticated information technology for our infrastructure. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems. Failure to maintain or protect our information systems and data integrity effectively could have a materially adverse effect on our business.

Performance issues, service interruptions or price increases by our shipping carriers could adversely affect our business and harm our reputation and ability to provide our services on a timely basis.

Expedited, reliable shipping is essential to our operations. We rely heavily on providers of transport services for reliable and secure point-to-point transport of our products to our customers and for tracking of these shipments. Should a carrier encounter delivery performance issues such as loss, damage or destruction of any systems, it would be costly to replace such systems in a timely manner and such occurrences may damage our reputation and lead to decreased demand for our products and increased cost and expense to our business. In addition, any significant increase in shipping rates could adversely affect our operating margins and results of operations. Similarly, strikes, severe weather, natural disasters or other service interruptions affecting delivery services we use would adversely affect our ability to process orders for our products on a timely basis.

Security and privacy breaches may expose us to liability and harm our reputation and business.

As part of our business we receive and process information about our customers, partners and their patients, including protected health information, or PHI, and we may store or contract with third parties to store our customers' data, including PHI. PHI, a subset of individually identifiable information, is regulated at the federal level by the Health Insurance Portability and Accountability Act, or HIPAA, as amended by the Health Information and Technology for Economic and Clinical Health Act of 2009, or HITECH, and by various laws at the state level, as more fully described below. We are required to safeguard PHI in accordance with HIPAA and, as a business associate, we are also directly liable for compliance with HIPAA.

While we implemented security measures relating to our NeuroStar Advanced Therapy System and TrakStar database, specifically, and our operations, generally, those measures may not prevent security

breaches that could harm our business. Advances in computer capabilities, inadequate technology or facility security measures or other factors may result in a compromise or breach of our systems and the data and PHI we store and process. Our security measures may be breached as a result of actions by third parties or employee error or malfeasance. A party who is able to circumvent our security measures or exploit inadequacies in our security measures, could, among other things, misappropriate proprietary information, including information about our customers and their patients, cause the loss or disclosure of some or all of this information, cause interruptions in our or our customers' operations or expose our customers to computer viruses or other disruptions or vulnerabilities. Any compromise of our systems or the data we store or process could implicate reporting requirements under HIPAA, result in a loss of confidence in the security of our software, damage our reputation, disrupt our business, lead to legal liability and adversely affect our results of operations. Moreover, a compromise of our systems could remain undetected for an extended period of time, exacerbating the impact of that compromise. Actual or perceived vulnerabilities may lead to claims against us by our customers, their patients or other third parties, including the federal and state governments. While our customer agreements typically contain provisions that seek to limit our liability, there is no assurance these provisions will be enforceable and effective under applicable law. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Employment litigation and unfavorable publicity could negatively affect our future business.

Employees may, from time to time, bring lawsuits against us regarding injury, creating a hostile work place, discrimination, wage and hour, sexual harassment and other employment issues. In recent years there has been an increase in the number of discrimination and harassment claims generally. Coupled with the expansion of social media platforms and similar devices that allow individuals access to a broad audience, these claims have had a significant negative impact on some businesses. Companies that have faced employment or harassment related lawsuits have had to terminate management or other key personnel, and have suffered reputational harm that has negatively impacted their sales. If we were to face any employment related claims, our business could be negatively affected.

The recently passed comprehensive tax reform bill could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law new legislation, (Pub. L. 115-97), commonly referred to as the Tax Cuts and Jobs Act of 2017, that significantly revises the Internal Revenue Code of 1986, as amended. The newly enacted federal income tax law, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain how various states will respond to the newly enacted federal tax law. The impact of this tax reform on holders of our common stock is also uncertain and could be adverse. We urge our stockholders to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

Our effective tax rate may fluctuate, and we may incur obligations in tax jurisdictions in excess of accrued amounts.

We are subject to taxation in numerous U.S. states and territories. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing

our financial statements, we estimate the amount of tax that will become payable in each of such places. Nevertheless, our effective tax rate may be different than experienced in the past due to numerous factors, including passage of the newly enacted federal income tax law, changes in the mix of our profitability from state to state, the results of examinations and audits of our tax filings, our inability to secure or sustain acceptable agreements with tax authorities, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations and may result in tax obligations in excess of amounts accrued in our financial statements.

Our operations are vulnerable to interruption or loss due to natural or other disasters, power loss, strikes and other events beyond our control.

A major earthquake, fire or other disaster, such as a major flood, seasonal storms, or terrorist attack affecting our facilities, or those of our third-party manufacturers or suppliers, could significantly disrupt our or their operations, and delay or prevent product shipment or installation during the time required to repair, rebuild or replace our third-party manufacturers or suppliers' damaged manufacturing facilities. These delays could be lengthy and costly. If any of our manufacturers', suppliers' or customers' facilities are negatively impacted by a disaster, shipments of our products could be delayed. Additionally, customers may delay purchases of our products until operations return to normal. Even if we are able to quickly respond to a disaster, the ongoing effects of the disaster could create some uncertainty in the operations of our business. In addition, our or their facilities may be subject to a shortage of available electrical power and other energy supplies. Any shortages may increase our costs for power and energy supplies or could result in blackouts, which could disrupt the operations of our affected facilities and harm our business. In addition, concerns about terrorism, the effects of a terrorist attack, political turmoil or an outbreak of epidemic diseases could have a negative effect on our operations.

We may seek to grow our business through acquisitions or investments in new or complementary businesses, products or technologies, through the licensing of products or technologies from third parties. The failure to manage acquisitions, investments, licenses or other strategic alliances, or the failure to integrate them with our existing business, could harm our business.

Our success depends in part on our ability to continually enhance and broaden our product offerings in response to changing customer demands, competitive pressures, technologies and market pressures. Accordingly, from time to time we may consider opportunities to acquire, make investments in or license 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, strategic investments, licenses and other alliances involve numerous risks, including:

- difficulty assimilating or integrating acquired or licensed technologies, products or business operations;
- issues maintaining uniform standards, procedures, controls and policies;
- unanticipated costs associated with acquisitions or strategic alliances, including the assumption of unknown or contingent liabilities and the incurrence of debt or future write-offs of intangible assets or goodwill;
- diversion of management's attention from our core business and disruption of ongoing operations;
- adverse effects on existing business relationships with suppliers, distributors and customers;
- risks associated with entering new markets in which we have limited or no experience;
- potential losses related to investments in other companies;
- potential loss of key employees of the acquired businesses; and
- increased legal and accounting compliance costs.

We do not know if we will be able to identify acquisitions or strategic relationships we deem suitable, whether we will be able to successfully complete any such transactions 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.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures, languages and legal and regulatory environments, currency risks and the particular economic, political and regulatory risks associated with specific countries.

To finance any acquisitions, investments or strategic alliances, we may choose to issue shares of our common stock or other equity-linked securities as consideration, which could dilute the ownership of our stockholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our common stock is low or volatile, we may be unable to consummate any acquisitions, investments or strategic alliances using our stock as consideration.

Risks Related to Intellectual Property

If we are not able to obtain and enforce patent protection for our technologies, products, or product candidates, development and commercialization of our products and product candidates may be adversely affected.

Our commercial success will depend in part on our success in obtaining and maintaining issued patents and other intellectual property rights in the United States and elsewhere and protecting our proprietary technology. If we do not adequately protect our intellectual property and proprietary technology, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability.

We have applied, and we intend to continue applying, for patents covering aspects of our technologies that we deem appropriate. However, the patent process is expensive and time consuming, and we may not be able to apply for patents on certain aspects of our current or future products and other technologies in a timely fashion, at a reasonable cost, in all jurisdictions, or at all, and any potential patent coverage we obtain may not be sufficient to prevent substantial competition. As of March 31, 2018, we owned or licensed 30 issued or allowed U.S. patents and 49 issued or allowed foreign patents and we owned or licensed seven pending U.S. patent applications and 14 pending foreign patent applications. Assuming all required fees are paid, issued U.S. patents owned by us will expire between 2019 and 2027.

We cannot offer any assurances about which, if any, patents will issue or whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Any patent applications we file may be challenged and may not result in issued patents or may be invalidated or narrowed in scope after they are issued. We also cannot provide any assurances that any of our patents have, or that any of our pending patent applications that mature into issued patents will include, claims with a scope sufficient to protect and provide exclusivity for our products, any additional features we develop for our products or any new products. Other parties may have designed around our claims or developed technologies that may be related or competitive to our platform, may have filed or may file patent applications and may have received or may receive patents that overlap or conflict with our patent applications, either by claiming the same methods or devices or by claiming subject matter that could dominate our patent position. Any successful opposition to these patents or any other patents owned by or, if applicable in the future, licensed to us could deprive us of rights necessary for the practice of our technologies or the successful commercialization of any products or product candidates that we may develop. Since patent applications in the US and most other countries are confidential for a period of time after filing, we cannot be certain that we or our licensors were the first to file any patent application related to our

technologies, products, or product candidates. Furthermore, an interference proceeding can be provoked by a third party or instituted by the United States Patent and Trademark Office, or the USPTO, to determine who was the first to invent any of the subject matter covered by the patent claims of our applications for any application with an effective filing date before March 16, 2013.

The patent positions of medical device companies, including our patent position, may involve complex legal and factual questions, and, therefore, the scope, validity and enforceability of any patent claims that we may obtain cannot be predicted with certainty. Patents, if issued, may be challenged, deemed unenforceable, invalidated or circumvented. Once granted, patents may remain open to opposition, interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against such initial grant. Proceedings challenging our patents, which may continue for a protracted period of time, could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such proceedings may be costly. Thus, any patents that we may own may not provide any protection against competitors. Furthermore, an adverse decision in an interference proceeding can result in a third party receiving the patent right sought by us, which in turn could affect our ability to commercialize our products.

Furthermore, though an issued patent is presumed valid and enforceable, its issuance is not conclusive as to its validity or its enforceability and it may not provide us with adequate proprietary protection or competitive advantages against competitors with similar products. Competitors may also be able to design around our patents. Other parties may develop and obtain patent protection for alternative and possibly more effective technologies, designs or methods. We may be unable to prevent the unauthorized disclosure or use of our technical knowledge or trade secrets by consultants, suppliers, vendors, former employees and current employees. The laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries.

Our ability to enforce our patent rights depends on our ability to detect infringement. It may be difficult to detect infringers who do not advertise the components that are used in their products. Moreover, it may be difficult or impossible to obtain evidence of infringement in a competitor’s or potential competitor’s product. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded if we were to prevail may not be commercially meaningful.

In addition, proceedings to enforce or defend our patents could put our patents at risk of being invalidated, held unenforceable or interpreted narrowly. Such proceedings could also provoke third parties to assert claims against us, including that some or all of the claims in one or more of our patents are invalid or otherwise unenforceable. If any of our patents covering our products are invalidated or found unenforceable, or if a court found that valid, enforceable patents held by third parties covered one or more of our products, our competitive position could be harmed or we could be required to incur significant expenses to enforce or defend our rights. If we initiate lawsuits to protect or enforce our patents, or litigate against third party claims, such proceedings would be expensive and would divert the attention of our management and technical personnel.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- any of our patents, or any of our pending patent applications, if issued, or those of our licensors, will include claims having a scope sufficient to protect our products;
- any of our pending patent applications or those of our licensors may issue as patents;

- others will not or may not be able to make, use, offer to sell, or sell products that are the same as or similar to our own but that are not covered by the claims of the patents that we own or license;
- we will be able to successfully commercialize our products on a substantial scale, if approved, before the relevant patents that we own or license expire;
- we were the first to make the inventions covered by each of the patents and pending patent applications that we own or license;
- we or our licensors were the first to file patent applications for these inventions;
- others will not develop similar or alternative technologies that do not infringe the patents we own or license;
- any of the patents we own or license will be found to ultimately be valid and enforceable;
- any patents issued to us or our licensors will provide a basis for an exclusive market for our commercially viable products or will provide us with any competitive advantages;
- a third party may not challenge the patents we own or license and, if challenged, a court would hold that such patents are valid, enforceable and infringed;
- we may develop or in-license additional proprietary technologies that are patentable;
- the patents of others will not have an adverse effect on our business;
- our competitors do not conduct research and development activities in countries where we do not have enforceable patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we will develop additional proprietary technologies or products that are separately patentable; or
- our commercial activities or products will not infringe upon the patents of others.

Where we obtain licenses from or collaborate with third parties, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we license from third parties, or such activities, if controlled by us, may require the input of such third parties. We may also require the cooperation of our licensors and collaborators to enforce any licensed patent rights, and such cooperation may not be provided. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. Moreover, if we do obtain necessary licenses, we will likely have obligations under those licenses, and any failure to satisfy those obligations could give our licensor the right to terminate the license. Termination of a necessary license, or expiration of licensed patents or patent applications, could have a material adverse impact on our business.

Our inability to effectively protect our proprietary technologies could harm our competitive position.

Although our competitors have utilized and are expected to continue utilizing technologies similar to ours, our success will depend upon our ability to protect and continue to develop proprietary technologies and products and to defend any advantages afforded to us relative to our competitors. If we do not protect our intellectual property adequately, competitors may be able to use our technologies and thereby erode any competitive advantages we may have. For example, patents for our core technology will begin to expire in the United States in 2024, and our patents outside of the United States are expected to remain in effect until between 2024 and 2035. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We have

agreements with our employees and selected consultants that obligate them to assign their inventions to us. If the employees and consultants who are parties to these agreements breach or violate the terms of these agreements, including by refusing or being unavailable to sign assignments, oaths, declarations or other documents, we may not have adequate remedies for any such breach or violation, and we could lose our rights in inventions through such breaches or violations. Furthermore, it is possible that technology relevant to our business will be independently developed by a person that is not a party to such an agreement.

The lives of our patents may not be sufficient to effectively protect our products and business.

Patents have a limited lifespan. In the US, the natural expiration of a patent is generally 20 years after its first effective non-provisional filing date. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if patents covering our technologies, products, or product candidates are obtained, once the patent life has expired, we may be open to competition. Patents covering some of our core technology have expired or will expire within the next five years. In addition, although upon issuance in the United States a patent's life can be increased based on certain delays caused by the USPTO, this increase can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. If we do not have sufficient patent life to protect our technologies, products, and product candidates, our business and results of operations will be adversely affected.

Litigation or other proceedings or third-party claims of intellectual property infringement could require us to spend significant time and money and could prevent us from selling our products.

Our commercial success will depend in part on not infringing the patents or violating the other proprietary rights of others. We cannot assure you that our operations do not, or will not in the future, infringe existing or future patents. Our activities may be subject to claims that we infringe or otherwise violate patents owned or controlled by third parties.

Numerous U.S. and foreign patents and pending patent applications exist in our market that are owned by third parties. Our competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in patent portfolios and 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, use and sell our products. We do not always conduct independent reviews of pending patent applications of and patents issued to third parties. Patent applications in the United States and elsewhere are typically published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Certain U.S. applications that will not be filed outside the U.S. can remain confidential until patents issue. In addition, patent applications in the United States and elsewhere can be pending for many years before issuance, or unintentionally abandoned patents or applications can be revived. Furthermore, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our technologies, our products or the use of our products. As such, there may be applications of others now pending or recently revived patents of which we are unaware. These applications may later result in issued patents, or the revival of previously abandoned patents, that will prevent, limit or otherwise interfere with our ability to make, use or sell our products.

The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history and can involve other factors such as expert opinion. Our interpretation of the relevance or the scope of claims in a patent or a pending application may be incorrect, which may negatively impact our ability to market our products. Further, we may incorrectly determine that our technologies, products, or product candidates are not covered by a third party patent or may incorrectly predict whether a third party's pending patent application will issue with claims of

relevant scope. Our determination of the expiration date of any patent in the United States or abroad that we consider relevant may be incorrect, which may negatively impact our ability to develop and market our products or product candidates.

Significant litigation regarding patent rights occurs in our industry. Third parties may, in the future, assert claims that we are employing their proprietary technology without authorization, including claims from competitors or from non-practicing entities that have no relevant product revenue and against whom our own patent portfolio may have no deterrent effect. As we continue to commercialize our products in their current or updated forms, launch new products and enter new markets, we expect competitors may claim that one or more of our products infringe their intellectual property rights as part of business strategies designed to impede our successful commercialization and entry into new markets. The large number of patents, the rapid rate of new patent applications and issuances, the complexities of the technology involved, and the uncertainty of litigation may increase the risk of business resources and management's attention being diverted to patent litigation. Although we are presently unaware of any such third-party claims, in the future, we may receive letters or other threats or claims from third parties inviting us to take licenses under, or alleging that we infringe, their patents.

Moreover, we may become party to future adversarial proceedings regarding our patent portfolio or the patents of third parties. Such proceedings could include supplemental examination or contested post-grant proceedings such as review, reexamination, interference or derivation proceedings before the U.S. Patent and Trademark Office and challenges in U.S. District Court. Patents may be subjected to opposition, post-grant review or comparable proceedings lodged in various foreign, both national and regional, patent offices. The legal threshold for initiating litigation or contested proceedings may be low, so that even lawsuits or proceedings with a low probability of success might be initiated. Litigation and contested proceedings can also be expensive and time-consuming, regardless of the merit of the claims, and our adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we can.

Any lawsuits resulting from such allegations could subject us to significant liability for damages and invalidate our proprietary rights. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop making, selling or using products or technologies that allegedly infringe the asserted intellectual property;
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property rights against others;
- incur significant legal expenses;
- pay substantial damages or royalties to the party whose intellectual property rights we may be found to be infringing, including enhanced damages if we are found to have willfully infringed or misappropriated such rights;
- pay the attorney's fees and costs of litigation to the party whose intellectual property rights we may be found to be infringing;
- redesign those products that contain the allegedly infringing intellectual property, which could be costly, disruptive and infeasible; and
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all, or from third parties who may attempt to license rights that they do not have.

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. If we are found to infringe the intellectual property rights of third parties, we could be required to pay substantial damages (which may be increased up to three times of awarded damages) and/or substantial 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. Even if such licenses are available, we could incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our gross margins, and the rights may be non-exclusive, which could give our competitors access to the same technology or intellectual property rights licensed to us. We could encounter delays in product introductions while we attempt to develop alternative methods or products. 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.

If we collaborate with third parties in the development of technology in the future, our collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to litigation or potential liability. Further, collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability. Also, we may be obligated under our agreements with our collaborators, licensors, suppliers and others to indemnify and hold them harmless for damages arising from intellectual property infringement by us.

In addition, we generally indemnify our customers and international 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 distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or distributors, regardless of the merits of these claims. If any of these claims succeed or settle, we may be forced to pay damages or settlement payments on behalf of our customers or distributors or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position could be harmed.

In addition to patent protection, we also rely upon copyright and trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect through non-disclosure agreements and invention assignment agreements with our employees, consultants and third parties, to protect our confidential and proprietary information. In addition to contractual measures, we try to protect the confidential nature of our proprietary information using commonly accepted physical and technological security measures. Such measures may not provide adequate protection for our proprietary information, for example, in the case of misappropriation of a trade secret by an employee, consultant, customer or third party with authorized access. Our security measures may not prevent an employee, consultant or customer from misappropriating our trade secrets and providing them to a competitor, and recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Monitoring unauthorized uses and disclosures is difficult, and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Unauthorized parties may also attempt to copy or reverse engineer certain aspects of our products that we consider proprietary. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming,

and the outcome is unpredictable. Even though we use commonly accepted security measures, the criteria for protection of trade secrets can vary among different jurisdictions.

In addition, trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. Trade secrets will over time be disseminated within the industry through independent development, the publication of journal articles and the movement of personnel skilled in the art from company to company or academic to industry scientific positions. Though our agreements with third parties typically restrict the ability of our advisors, employees, collaborators, licensors, suppliers, third-party contractors and consultants to publish data potentially relating to our trade secrets, our agreements may contain certain limited publication rights. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Because from time to time we expect to rely on third parties in the development, manufacture, and distribution of our products and provision of our services, we must, at times, share trade secrets with them. Despite employing the contractual and other security precautions described above, the need to share trade secrets increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our business and competitive position could be harmed.

We may be unable to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. These challenges can be caused by the absence or inconsistency of the application of rules and methods for the establishment and enforcement of intellectual property rights outside of the United States. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to healthcare. This could make it difficult for us to stop infringement of our foreign patents, or the misappropriation of our other intellectual property rights. For example, some foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, some countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

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

Further, the standards applied by the USPTO and foreign patent offices in granting patents are not always applied uniformly or predictably. As such, we do not know the degree of future protection that we will have on our technologies, products, and product candidates. While we will endeavor to try to protect our technologies, products, and product candidates with intellectual property rights such as patents, as appropriate, the process of obtaining patents is time-consuming, expensive and sometimes unpredictable.

Third parties may assert ownership or commercial rights to inventions we develop.

Third parties may in the future make claims challenging the inventorship or ownership of our intellectual property, including studies we commission or reports on the efficacy of our products. In addition, we may face claims by third parties that our agreements with employees, contractors or consultants obligating them to assign intellectual property to us are ineffective or in conflict with prior or competing contractual obligations of assignment, which could result in ownership disputes regarding intellectual property we have developed or will develop and interfere with our ability to capture the commercial value of such intellectual property. Litigation may be necessary to resolve an ownership dispute, and if we are not successful, we may be precluded from using certain intellectual property or may lose our exclusive rights in that intellectual property. Either outcome could harm our business and competitive position.

Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets.

We employ individuals who previously worked with other companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third party. Litigation may be necessary to defend against these claims. If we fail in defending any such claims or settling those claims, in addition to paying monetary damages or a settlement payment, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

Our patent rights may be affected by developments or uncertainty in the patent statute, patent case law or USPTO rules and regulations. There are a number of recent changes to the patent laws that may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. For example, the United States has recently enacted and is currently implementing the America Invents Act of 2011, a wide-ranging patent reform legislation. These changes include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. As an example, the first to file provisions, which became effective March 2013, mean that the party that is first to file in the United States generally is awarded the patent rights, regardless of who invented first. This could have a negative impact on some of our IP and could increase uncertainties surrounding obtaining and enforcement or defense of our issued patents. Further, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain future patents, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the U.S. Patent and Trademark Office, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents or future patents.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. Periodic

maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid to the USPTO and various governmental patent agencies outside of the US in several stages over the lifetime of the patents and/or applications. We employ reputable professionals and rely on such third parties to help us comply with these requirements and effect payment of these fees with respect to the patents and patent applications that we own, and if we in-license intellectual property we may have to rely upon our licensors to comply with these requirements and effect payment of these fees with respect to any patents and patent applications that we license. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

If we fail to comply with our obligations under license or technology agreements with third parties, we may be required to pay damages and we could lose license rights that are critical to our business.

We license certain intellectual property, and in the future we may enter into additional agreements that provide us with licenses to valuable intellectual property or technology. These licenses impose various payment obligations on us. If we fail to comply with any of these obligations, we may be required to pay damages and the licensor may have the right to terminate the license. Termination by the licensor could cause us to lose valuable rights, and could prevent us from distributing our products, or inhibit our ability to commercialize future products. Our business could suffer if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensors fail to enforce licensed patents against infringing third parties, if the licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms.

Any collaboration arrangements that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize our products.

Any future collaborations that we enter into may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborations are subject to numerous risks, which may include that:

- collaborators have significant discretion in determining the efforts and resources that they will apply to collaborations;
- collaborators may not pursue development and commercialization of our products or may elect not to continue or renew development or commercialization programs based on trial or test results, changes in their strategic focus due to the acquisition of competitive products, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates;
- a collaborator with marketing, manufacturing and distribution rights to one or more products may not commit sufficient resources to or otherwise not perform satisfactorily in carrying out these activities;
- we could grant exclusive rights to our collaborators that would prevent us from collaborating with others;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and a collaborator that causes the delay or termination of the research, development or commercialization of our current or future products or that results in costly litigation or arbitration that diverts management attention and resources;
- collaborations may be terminated, and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable current or future products;
- collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to develop or commercialize such intellectual property; and
- a collaborator's sales and marketing activities or other operations may not be in compliance with applicable laws resulting in civil or criminal proceedings.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or descriptive determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During trademark registration proceedings, we may receive rejections. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected. We may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names.

Risks Related to Our Capital Structure

We may need to raise additional capital to fund our existing commercial operations, develop and commercialize new products and expand our operations.

Based on our current business plan, we believe that our current cash and cash equivalents as of March 31, 2018, availability of borrowing under our credit facility, anticipated cash receipts from sales of our products and net proceeds from this offering will be sufficient to meet our anticipated cash requirements through at least the next 24 months. If our available cash balances, potential future borrowing capacity, net proceeds from this offering and anticipated cash flow from operations are insufficient to satisfy our liquidity requirements, including because of lower demand for our products as a result of the risks described in this prospectus, we may seek to sell common or preferred equity or debt securities, enter into an additional credit facility or another form of third-party funding or seek other debt financing. Our present and future funding requirements will depend on many other factors, including:

- our ability to achieve revenue growth and improve operating margins;
- our ability to improve or maintain coverage and reimbursement arrangements with domestic third-party and government payors;
- our rate of progress in establishing coverage and reimbursement arrangements from international commercial third-party and government payors, particularly in Japan;

- the cost of expanding our operations and offerings, including our sales and marketing efforts;
- our rate of progress in, and cost of the sales and marketing activities associated with, establishing adoption of our products and maintaining or improving our sales to our current customers;
- the cost of research and development activities, including research and development relating to additional indications;
- the effect of competing technological and market developments;
- costs related to international expansion; and
- the potential cost of and delays in product development as a result of any regulatory oversight applicable to our products.

We may also consider raising additional capital in the future to expand our business, to pursue strategic investments, to take advantage of financing opportunities or for other reasons, including to:

- expand our sales and marketing efforts to increase market adoption of our products and address competitive developments;
- fund development and marketing efforts of any future products or additional features to then-current products;
- acquire, license or invest in new technologies;
- provide for supply and inventory costs associated with plans to accommodate potential increases in demand for our products
- acquire or invest in complementary businesses or assets; and
- finance capital expenditures and general and administrative expenses.

Additional capital may not be available to us at such times or in the amounts we need. Even if capital is available, it might be available only on unfavorable terms. Any issuance of additional equity or equity-linked securities could be dilutive to our existing stockholders, and any new equity securities could have rights, preferences and privileges superior to those of holders of our common stock, including the shares of common stock sold in this offering. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt, pay dividends, repurchase our stock, make investments and engage in merger, consolidation or asset sale transactions. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish or license some rights to our technologies or products, on terms that are not favorable to us. If access to sufficient capital is not available as and when needed, our business will be materially impaired and we may be required to cease operations, curtail one or more product development or commercialization programs, significantly reduce expenses, sell assets, seek a merger or joint venture partner, file for protection from creditors or liquidate all our assets.

Our ability to use net operating losses to offset future taxable income may be subject to limitations.

As of December 31, 2017, we had federal and state net operating loss carryforwards of $167.4 million and $96.4 million, respectively. The federal and state net operating loss carryforwards will begin to expire, if not utilized, beginning in 2023 and 2020, respectively. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the newly enacted federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain how various states will respond to the newly enacted federal tax law. In addition, under Section 382 of

the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. In connection with this offering, it is possible that we will experience an ownership change limitation. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

The terms of our credit facility place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

We have a $35.0 million credit facility with Oxford Finance LLC, or Oxford, that is secured by a lien covering substantially all of our assets, excluding intellectual property. As of March 31, 2018, the outstanding principal balance under the credit facility was $30.0 million. The credit facility contains customary covenants and events of default applicable to us. The affirmative covenants include, among others, a covenant that requires us to achieve at least 75% of our trailing 12-month forecasted revenues, as measured each month in accordance with a forecast that we provided to Oxford upon signing the agreement and future forecasts that we are required to deliver to the lenders each year for the life of the credit facility. The negative covenants include, among others, restrictions on us transferring collateral, changing businesses, engaging in mergers or acquisitions, incurring additional indebtedness and encumbering collateral. If we default under the credit facility, Oxford may accelerate all of our repayment obligations and take control of our pledged assets, potentially requiring us to renegotiate our agreement on terms less favorable to us or to immediately cease operations. Further, if we are liquidated, Oxford's right to repayment would be senior to the rights of the holders of our common stock to receive any proceeds from the liquidation. Oxford could declare a default upon the occurrence of any event that it interprets as a material adverse effect as defined under the credit facility, thereby requiring us to repay the loan immediately or to attempt to reverse the declaration of default through negotiation or litigation. Any declaration by Oxford of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline. If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

Risks Related to Government Regulation

Our products and operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

We and our products are subject to extensive regulation in the United States and elsewhere, including by the FDA and its foreign counterparts. The FDA and foreign regulatory 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; record keeping procedures; advertising and promotion; 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. The FDA enforces these regulatory requirements through periodic unannounced inspections. We do not know whether we will pass any

future FDA inspections. 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; refusal to grant future clearances or approvals; withdrawals or suspensions of current clearances or approvals, resulting in prohibitions on sales of our products; and in the most serious cases, criminal penalties.

We may not receive the necessary clearances or approvals for our future products, and failure to timely obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

An element of our strategy is to continue to upgrade our products, add new features and expand clearance or approval of our current products to new indications. In the United States, before we can market a new medical device, or a new use of, new claim for or significant modification to an existing product, we must first receive either clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act, or the FDCA, or approval of a premarket approval application, or PMA, from the FDA, unless an exemption applies. In the 510(k) clearance process, before a device may be marketed, the FDA must determine that a proposed device is "substantially equivalent" to a legally-marketed "predicate" device, which includes a device that has been previously cleared through the 510(k) process, a device that was legally marketed prior to May 28, 1976 (pre-amendments device), a device that was originally on the U.S. market pursuant to an approved PMA and later down-classified, or a 510(k)-exempt device. To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data are sometimes required to support substantial equivalence. In the PMA process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data. Our ability to successfully obtain clearance for any new indications will be dependent on us submitting data as to the successful completion of clinical trials evidencing safety and efficacy. 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. However, some devices are automatically subject to the PMA pathway regardless of the level of risk they pose because they have not previously been classified into a lower risk class by the FDA. Manufacturers of these devices may request that FDA review such devices in accordance with the *de novo* classification procedure, which allows a manufacturer whose novel device would otherwise require the submission and approval of a PMA prior to marketing to request down-classification of the device on the basis that the device presents low or moderate risk. If the FDA agrees with the down classification, the applicant will then receive authorization to market the device. This device type can then be used as a predicate device for future 510(k) submissions. We initially received marketing authorization of our device through the *de novo* classification process, and we have made changes to our system through subsequent 510(k) clearances. The process of obtaining regulatory clearances or approvals, or completing the *de novo* classification process, to market a medical device can be costly and time consuming, and we may not be able to successfully obtain pre-market reviews on a timely basis, if at all.

Modifications to products that are approved through a PMA application generally require FDA approval. Similarly, certain modifications made to products cleared through a 510(k) or authorized through the *de novo* classification process may require a new 510(k) clearance. Each of the PMA approval, *de novo* classification and the 510(k) clearance processes can be expensive, lengthy and uncertain. The FDA's 510(k) clearance process usually takes from three to 12 months, but can 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 filed with the FDA. In addition, a PMA generally requires the performance of one or more clinical trials.

Despite the time, effort and cost, a device may not be approved or cleared by the FDA. Any delay or failure to obtain necessary regulatory approvals or clearances could harm our business. Furthermore, even if we are granted regulatory clearances or approvals, they may include significant limitations on the indicated uses for the device, which may limit the market for the device.

Any modifications to our existing products may require new 510(k) clearance; however, future modifications may be subject to the substantially more costly, time-consuming and uncertain PMA process. 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, product introductions or modifications could be delayed or canceled, which could cause our sales to decline.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including: we may be unable to demonstrate to the FDA's satisfaction that the product or modification is substantially equivalent to the proposed predicate device or safe and effective for its intended use; 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.

Even if granted, a 510(k) clearance, *de novo* classification, or PMA approval imposes substantial restrictions on how our devices may be marketed or sold, and the FDA continues to place considerable restrictions on our products and operations. For example, the manufacture of medical devices must comply with the FDA's Quality System Regulation, or QSR. In addition, manufacturers must register their manufacturing facilities, list the products with the FDA, and comply with requirements relating to labeling, marketing, complaint handling, adverse event and medical device reporting, reporting of corrections and removals, and import and export. The FDA monitors compliance with the QSR and these other requirements through periodic inspections. If our facilities or those of our manufacturers or suppliers are found to be in violation of applicable laws and regulations, or if we or our manufacturers or suppliers fail to take satisfactory corrective action in response to an adverse inspection, the regulatory authority could take enforcement action, including any of the following sanctions: untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties; customer notifications or repair, replacement, refunds, detention or seizure of our products; operating restrictions or partial suspension or total shutdown of production; refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products; withdrawing 510(k) marketing clearances or PMA approvals that have already been granted; refusing to provide Certificates for Foreign Government; refusing to grant export approval for our products; or pursuing criminal prosecution. Any of these sanctions could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands, and could have a material adverse effect on our reputation, business, results of operations and financial condition. We may also be required to bear other costs or take other actions that may have a negative impact on our sales and our ability to generate profits.

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 approval or clearance of our future products under development or impact our ability to modify our currently cleared products on a timely basis. Such policy or regulatory changes could impose additional requirements upon us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance or restrict our ability to maintain our current clearances. We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. It is difficult to predict how these executive actions, including the Executive

Orders, will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

In order to sell our products in member countries of the EEA our products must comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC). Compliance with these requirements is a prerequisite to be able to affix the CE Mark to our products, without which they cannot be sold or marketed 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 non-sterile, non-measuring devices), 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 of the EU Medical Devices Directive, a conformity assessment procedure requires the intervention of an organization accredited by a Member State of the EEA to conduct conformity assessments, or a Notified Body. Depending on the relevant conformity assessment procedure, the Notified Body would typically audit and examine the technical file and the quality system for the manufacture, design and final inspection of our devices. The Notified Body issues a certificate of conformity following successful completion of a conformity assessment procedure conducted in relation to the medical device and its manufacturer and their conformity with the essential requirements. This certificate entitles the manufacturer to affix the CE Mark to its medical devices after having prepared and signed a related EC Declaration of Conformity.

As a general rule, demonstration of conformity of medical devices and their manufacturers with the essential requirements must be based, among other things, on the evaluation of clinical data supporting the safety and performance of the products during normal conditions of use. Specifically, a manufacturer must demonstrate that the device achieves its intended performance during normal conditions of use, that the known and foreseeable risks, and any adverse events, are minimized and acceptable when weighed against the benefits of its intended performance, and that any claims made about the performance and safety of the device are supported by suitable evidence. If we fail to remain in compliance with applicable European laws and directives, we would be unable to continue to affix the CE Mark to our surgical systems, which would prevent us from selling them within the EEA.

We or our distributors will also need to obtain regulatory approval in other foreign jurisdictions in which we plan to market and sell our products, and we or they may not obtain such approvals as necessary to commercialize our products in those territories.

Modifications to our products may require new 510(k) clearances or PMA approvals, and may require us to cease marketing or recall the modified products until clearances are obtained.

Any modification to a 510(k)-cleared product 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, approval of a PMA. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances were not required. We may make similar modifications or add additional features in the future that we believe do not require a new 510(k) clearance or approval of a PMA. If the FDA disagrees with our determination and requires us to submit new 510(k) notifications 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 regulatory fines or penalties. In addition, the FDA may not approve or clear our products for the indications that are necessary or desirable for successful commercialization or

could require clinical trials to support any modifications. Any delay or failure in obtaining required clearances or approvals would adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn would harm our future growth.

Our products must be manufactured in accordance with federal and state regulations, and we could be forced to recall our installed systems or terminate production if we fail to comply with these regulations.

The methods used in, and the facilities used for, the manufacture of our products must comply with the FDA's Quality System Regulation, or QSR, which is a complex regulatory scheme that covers the procedures and documentation of the design, testing, production, process controls, quality assurance, labeling, packaging, handling, storage, distribution, installation, servicing and shipping of medical devices. Furthermore, we are required to verify that our suppliers maintain facilities, procedures and operations that comply with our quality standards and applicable regulatory requirements. The FDA enforces the QSR through periodic announced or unannounced inspections of medical device manufacturing facilities, which may include the facilities of subcontractors. Our products are also subject to similar state regulations and various laws and regulations of foreign countries governing manufacturing.

We or our third-party manufacturers may not take the necessary steps to comply with applicable regulations, which could cause delays in the delivery of our products. In addition, failure to comply with applicable FDA requirements or later discovery of previously unknown problems with our products or manufacturing processes could result in, among other things: warning letters or untitled letters; fines, injunctions or civil penalties; suspension or withdrawal of approvals or clearances; seizures or recalls of our products; total or partial suspension of production or distribution; administrative or judicially imposed sanctions; the FDA's refusal to grant pending or future clearances or approvals for our products; clinical holds; refusal to permit the import or export of our products; and criminal prosecution of us or our employees.

Any of these actions could significantly and negatively impact supply of our products. If any of these events occurs, our reputation could be harmed, we could be exposed to product liability claims and we could lose customers and suffer reduced revenues and increased costs.

If treatment guidelines for the psychiatric conditions we are targeting change or the standard of care evolves, we may need to redesign and seek new marketing authorization from the FDA for one or more of our products.

If treatment guidelines for the psychiatric conditions we are targeting or the standard of care for such conditions evolves, we may need to redesign the applicable product and seek new clearances or approvals from the FDA. Our 510(k) clearances from the FDA are based on current treatment guidelines. If treatment guidelines change so that different treatments become desirable, the clinical utility of one or more of our products could be diminished and our business could suffer.

The misuse or off-label use of our products may harm our reputation in the marketplace, result in injuries that lead to product liability suits or result in costly investigations, fines or sanctions by regulatory bodies if we are deemed to have engaged in the promotion of these uses, any of which could be costly to our business.

Our product has been authorized for marketing by the FDA for a specific indication. We train our commercial organization and distributors outside the United States to not promote our products for uses outside of the FDA-cleared indications for use, known as "off-label uses." We cannot, however, prevent a psychiatrist from using our products off-label, when in the psychiatrist's independent professional medical judgment he or she deems it appropriate. There may be increased risk of injury to patients if psychiatrists attempt to use our products off-label. Furthermore, the use of our products for indications

other than those cleared by the FDA or approved by any foreign regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among psychiatrists and patients.

If the FDA or any foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance or imposition of an untitled letter, which is used for violators that do not necessitate 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 under other regulatory authority.

Our products may cause or contribute to adverse medical events that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition and results of operations. The discovery of serious safety issues with our products, or a recall of our products either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on us.

We are subject to the FDA's medical device reporting regulations and similar foreign regulations, which require us to report to the FDA when we receive or become aware of information that reasonably suggests that one or more of our products may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur, it could cause or contribute to a death or serious injury. The timing of our obligation to report is triggered by the date we become aware of the adverse event as well as the nature of the event. We may fail to report adverse events of which we become aware within the prescribed timeframe. We may also fail to recognize that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of the product. If we fail to comply with our reporting obligations, the FDA could take action, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearance, seizure of our products or delay in clearance of future products.

The FDA and foreign regulatory bodies have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or in the event that a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. We may also choose to voluntarily recall a product if any material deficiency is found. A government-mandated or voluntary recall by us could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects or other deficiencies or failures to comply with applicable regulations. Product defects or other errors may occur in the future.

Depending on the corrective action we take to redress a product's deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new approvals or clearances for the device before we may market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties or civil or criminal fines.

Companies are required to maintain certain records of recalls and corrections, even if they are not reportable to the FDA. We may initiate voluntary withdrawals or corrections for our products in the future that we determine do not require notification of the FDA. If the FDA disagrees with our determinations, it could require us to report those actions as recalls and we may be subject to enforcement action. A future recall announcement could harm our reputation with customers, potentially lead to product liability claims against us and negatively affect our sales.

Any adverse event involving our products could result in 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, would require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

If we or our distributors do not obtain and maintain international regulatory registrations or approvals for our products, we will be unable to market and sell our products outside of the United States.

Sales of our products outside of the United States are subject to foreign regulatory requirements that vary widely from country to country. In addition, the FDA regulates exports of medical devices from the United States. While the regulations of some countries may not impose barriers to marketing and selling our products or only require notification, others require that we or our distributors obtain the approval of a specified regulatory body. Complying with foreign regulatory requirements, including obtaining registrations or approvals, can be expensive and time-consuming, and we or our distributors may not receive regulatory approvals in each country in which we plan to market our products or we may be unable to do so on a timely basis. The time required to obtain registrations or approvals, if required by other countries, may be longer than that required for FDA clearance, and requirements for such registrations, clearances or approvals may significantly differ from FDA requirements. If we modify our products, we or our distributors may need to apply for additional regulatory approvals before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we or our distributors have received. If we or our distributors are unable to maintain our authorizations in a particular country, we will no longer be able to sell the applicable product in that country.

Regulatory clearance or approval by the FDA does not ensure clearance or approval by regulatory authorities in other countries, and clearance or approval by one or more foreign regulatory authorities does not ensure clearance or approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory clearance or approval in one country may have a negative effect on the regulatory process in others.

We are subject to certain federal, state and foreign fraud and abuse laws, health information privacy and security laws and transparency laws, which, if violated, could subject us to substantial penalties. Additionally, any challenge to or investigation into our practices under these laws could cause adverse publicity and be costly to respond to, and thus could harm our business.

There are numerous U.S. federal and state, as well as foreign, laws pertaining to healthcare fraud and abuse, including anti-kickback, false claims and physician transparency laws. Our business practices and relationships with providers and patients are subject to scrutiny under these laws. We may also be subject to patient information privacy and security regulation by both the federal government and the states and foreign jurisdictions in which we conduct our business. The healthcare laws and regulations that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing 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 a good or service, for which payment may be made, in whole or in part, under federal healthcare programs, such as Medicare and Medicaid. The term “remuneration” has been broadly interpreted to include anything of value. The intent standard under the federal Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or PPACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it, in order to have committed a violation. Moreover, the government may assert that a claim including items or services

resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act;

- the federal civil and criminal false claims laws and civil monetary penalties laws, including the federal civil False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment from Medicare, Medicaid or other federal healthcare programs, and knowingly making, using or causing to be made or used 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. Private individuals can bring False Claims Act "qui tam" actions, on behalf of the government and such individuals, commonly known as "whistleblowers," and may share in amounts paid by the entity to the government in fines or settlement. Companies have been prosecuted under the False Claims Act in connection with alleged off-label promotion of devices and allegedly providing free products to customers with the expectation that the customers would bill federal health care programs for the product. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the False Claims Act even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims;
- HIPAA, which created additional federal criminal statutes that prohibit, among other things, 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 statements or representations, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;
- the federal Physician Payments Sunshine Act under PPACA which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, information related to payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and group purchasing organizations, as well as ownership and investment interests held by physicians and their immediate family members;
- HIPAA, as amended by HITECH, and their respective implementing regulations, which imposes privacy, security transmission and breach reporting obligations with respect to individually identifiable health information, including PHI, upon entities subject to the law, such as health plans, healthcare clearinghouses and certain healthcare providers, and their respective business associates that perform services on their behalf that involve individually identifiable health information, including PHI. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions; 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 or patients; 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; state and local laws that require the licensure of sales representatives; 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 and pricing information; data privacy and security laws and regulations in foreign jurisdictions that may be more stringent than those in the United States (such as the European Union, which adopted the General Data Protection Regulation, which will become effective in May 2018); state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts; and state laws related to insurance fraud in the case of claims involving private insurers.

These laws and regulations, among other things, constrain our business, marketing and other promotional activities by limiting the kinds of financial arrangements, including sales programs, we may have with psychiatrists or other potential purchasers of our products. We have also entered into consulting agreements with physicians, which are subject to these laws. Further, while we do not submit claims and our customers will make the ultimate decision on how to submit claims, we may provide reimbursement guidance and support regarding our products. Due to the breadth of these laws, the narrowness of statutory exceptions and regulatory safe harbors available, and the range of interpretations to which they are subject, it is possible that some of our current or future practices might be challenged under one or more of these laws.

To enforce compliance with healthcare regulatory laws, certain enforcement bodies have recently increased their 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. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business. Even an unsuccessful challenge or investigation into our practices could cause adverse publicity, and be costly to respond to.

If our operations are found to be in violation of any of the healthcare laws or regulations described above or any other healthcare regulations that apply to us, we may be subject to penalties, including administrative, civil and criminal penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, imprisonment, additional reporting obligations and oversight if we becomes subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, reputational harm, and the curtailment or restructuring of our operations.

Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, could harm our cash flows, financial condition and results of operations.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulation of medical devices. 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 statutes, regulations, revisions, or reinterpretations of existing regulations may impose additional costs, lengthen review times of any future products, or make it more difficult to manufacture, market or distribute our products. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future.

For example, in March 2010, the PPACA was enacted in the United States, which made a number of substantial changes in the way healthcare is financed by both governmental and private insurers. Among other ways in which it may impact our business, the PPACA:

- imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions (described in more detail below), although the effective rate paid may be lower. Under the Consolidated Appropriations Act of 2016 and due to subsequent legislative amendment, the excise tax has been suspended through December 31, 2019;
- establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research;
- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, psychiatrists and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models; and
- expands the eligibility criteria for Medicaid programs.

Some of the provisions of the PPACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the PPACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the PPACA. Since January 2017, President Trump has signed two Executive Orders designed to delay the implementation of certain provisions of the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the PPACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” Additionally, on January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain PPACA-mandated fees, including delaying imposition of the medical device excise tax on non-exempt medical devices through December 31, 2019. As a result, there is significant uncertainty regarding future healthcare reform and its impact on our operations.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals for spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation’s automatic reduction to several government programs. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, reduced Medicare payments to several types of providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several U.S. Congressional inquiries and proposed federal legislation designed to, among other things, bring more transparency to product pricing, reduce the cost of certain products under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies. At the state level, individual states in the United States are also increasingly passing legislation and

implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures.

We expect additional state and federal healthcare reform measures to be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure.

Risks Related to This Offering and Ownership of Our Common Stock

We will incur significant costs as a result of operating as a public company and our management expects to devote substantial time to public company compliance programs.

As a public company, we will incur significant legal, accounting and other expenses due to our compliance with regulations and disclosure obligations applicable to us, including compliance with the Sarbanes-Oxley Act, as well as rules implemented by the Securities and Exchange Commission, or the SEC, and Nasdaq. Our management and other personnel will devote a substantial amount of time to these compliance programs and monitoring of public company reporting obligations and as a result of the corporate governance and executive compensation related rules, regulations and guidelines promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and further regulations and disclosure obligations expected in the future, we will likely need to devote additional time and costs to comply with such compliance programs and rules. These rules and regulations will cause us to incur significant legal and financial compliance costs and will make some activities more time-consuming and costly.

The price of our common stock may be volatile, and you may be unable to resell your shares at or above the initial public offering price.

Prior to this offering, there was no public market for shares of our common stock. The initial public offering price for the shares of our common stock sold in this offering will be determined by negotiation between the underwriters and us. This price may not reflect the market price of our common stock following this offering. You may be unable to sell your shares of common stock at or above the initial public offering price due to fluctuations in the market price of our common stock. In addition, the trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. Factors that could cause volatility in the market price of our common stock include, but are not limited to:

- the actual or anticipated fluctuations in our financial condition and operating results;
- the actual or anticipated changes in our growth rate;
- the commercial success and market acceptance of our products;
- the success of our competitors in developing or commercializing products;
- media exposure of our products or of those of others in our industry;
- our ability to commercialize or obtain regulatory approvals for our products, or delays in commercializing or obtaining regulatory approvals;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- the addition or departure of key personnel;
- product liability claims;
- general prevailing economic, industry and market conditions, including factors unrelated to our operating performance or the operating performance of our competitors;

- business disruptions caused by earthquakes, fires or other natural disasters;
- disputes or other developments concerning our intellectual property or other proprietary rights, including litigation;
- the FDA or other U.S. or foreign regulatory actions affecting us or the healthcare or medical device industry;
- healthcare reform measures in the United States;
- sales of our common stock by us or our stockholders in the future;
- the timing and amount of our investments in the growth of our business;
- inability to obtain additional funding;
- future sales or issuances of equity or debt securities by us;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public; and
- the issuance of new or changed securities analysts' reports or recommendations regarding us.

In addition, the stock markets in general, and the markets for companies like ours in particular, have from time to time experienced extreme volatility that has been often unrelated to the operating performance of the issuer. A certain degree of stock price volatility can be attributed to being a newly public company. These broad market and industry fluctuations may negatively impact the price or liquidity of our common stock, regardless of our operating performance.

Moreover, because of these fluctuations, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenues or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenues or earnings forecasts that we may provide.

We may be subject to securities litigation, which is expensive and could divert our management's attention.

In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Regardless of the merits or the ultimate results of such litigation, securities litigation brought against us could result in substantial costs and divert our management's attention from other business concerns.

We are an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. We may remain an emerging growth company until as late as December 31, 2023, though we may cease to be an emerging growth company earlier under certain circumstances, including (i) if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30, in which case we would cease to be an emerging growth company as of the following December 31, or (ii) if our gross revenues exceeds $1.07 billion in any fiscal year. "Emerging growth companies" may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and

proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors could find our common stock less attractive because we may 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.

In addition, Section 102 of the JOBS Act also 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 of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are choosing not to "opt out" of such extended transition period, and as a result, we will not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

Future sales of our common stock or securities convertible or exchangeable for our common stock may cause our stock price to decline.

If our existing stockholders or optionholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and legal restrictions on resale discussed in this prospectus lapse, the price of our common stock could decline. The perception in the market that these sales may occur could also cause the price of our common stock to decline. Based on shares of common stock outstanding as of March 31, 2018, upon the completion of this offering, we will have outstanding a total of shares of common stock. Of these shares, the shares of common stock sold by us in this offering, plus any shares sold upon exercise of the underwriters' option to purchase additional shares of common stock, will be freely tradable without restriction, unless held by our affiliates, in the public market immediately following this offering.

After the lock-up agreements entered in connection with this offering expire, shares of common stock covered by those agreements will be eligible for sale in the public market, subject in certain instances to volume limitations under Rule 144 under the Securities Act, with respect to shares held by directors, executive officers and other affiliates. Piper Jaffray & Co. may, in its sole discretion, permit our directors, our executive officers and other stockholders and the holders of our outstanding options or warrants who are subject to the lock-up agreements to sell shares prior to the expiration of the lock-up agreements. Sales of these shares, or perceptions that they will be sold, could cause the price of our common stock to decline.

In addition, based on the number of shares subject to outstanding awards under the 2003 Plan, or available for issuance thereunder, as of March 31, 2018, and including the initial reserve under the 2018 Plan, shares of common stock that are either subject to outstanding options, outstanding but subject to vesting or reserved for future issuance under the 2018 Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, the lock-up agreements and Rule 144 and Rule 701 under the Securities Act. We also plan to file a registration statement permitting shares of common stock issued in the future pursuant to the 2018 Plan to be freely resold by plan participants in the public market, subject to the lock-up agreements, applicable vesting schedules and, for shares held by directors, executive officers and other affiliates, volume limitations under Rule 144 under the Securities Act. The 2018 Plan contains provisions for the annual increase of the number of shares reserved for issuance under such plan, as described elsewhere in this prospectus, which shares we also intend to register. If the shares we may issue from time to time under the 2018 Plan are sold, or if it is perceived that they will be sold, by the award recipients in the public market, the price of our common stock could decline.

Approximately 321,723,164 shares of common stock will be entitled to rights with respect to registration under the Securities Act, subject to the lock-up agreements described above. Such registration would

result in these shares becoming fully tradable without restriction under the Securities Act when the applicable registration statement is declared effective. Sales of such shares could cause the price of our common stock to decline. See "Description of Capital Stock—Registration Rights" for additional information.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States, or U.S. GAAP, are subject to interpretation by the Financial Accounting Standards Board, or FASB, the U.S. Securities and Exchange Commission, or SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

In particular, in May 2014, the FASB issued Accounting Standards Update, or ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised 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. As an "emerging growth company," the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act with respect to ASU 2014-09, which will result in ASU 2014-09 becoming applicable to us after we cease to be an emerging growth company, unless we choose to adopt it beforehand. We are currently evaluating the impact that ASU 2014-09 may have on our financial reporting.

If there is no viable public market for our common stock, you may be unable to sell your shares at or above the initial public offering price.

Prior to this offering there has been no public market for shares of our common stock. Although we expect our common stock will be approved for listing on the Nasdaq Global Market, an active trading market for our shares may never develop or be sustained following this offering. You may be unable to sell your shares quickly or at the market price if trading in shares of our common stock is not active. The initial public offering price for our common stock will be determined through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of the common stock after the offering. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the initial public offering price. Further, an inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common stock or other equity-linked securities as consideration.

Investors in this offering will suffer immediate and substantial dilution of their investment.

If you purchase common stock in this offering, you will pay more for your shares than our pro forma as adjusted net tangible book value per share. Based upon an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, you will incur immediate and substantial dilution of $ per share, representing the difference between our assumed initial public offering price and our pro forma as adjusted net tangible book value per share as of March 31, 2018. Based upon the assumed initial public offering price of $ per share, purchasers of common stock in this offering will have contributed approximately % of the aggregate purchase price paid by all purchasers of our stock and will own approximately % of our common stock outstanding after this offering. To the extent outstanding stock options or warrants are exercised, new investors may incur further dilution. For information on how the foregoing amounts were calculated, see the section titled "Dilution."

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

We have experienced and may continue to experience meaningful variability in our sales and gross profit among quarters. A number of factors over which we have limited control, such as seasonal variations in revenues, may contribute to fluctuations in our financial results. In the first quarter, our results can be impacted by severe weather and by the resetting of annual U.S. patient healthcare insurance plan deductibles, which may cause delays in patients seeking NeuroStar Advanced Therapy treatments. Historically, we have seen a sequential decline in third quarter revenues, which we believe is attributable to summer vacation plans of psychiatrists and patients. In addition, the fourth quarter has consistently been a strong revenue quarter on a sequential basis primarily due to U.S. psychiatrists' historical timing for capital expenditures and patients' needs to exhaust remaining balances in flexible spending accounts.

Additional factors that we expect may contribute to variability in our sales and gross profit over the course of the year include:

- the growth or decline of our installed system base;
- the unpredictability of future sales by our international distributors, including our exclusive distributor in Japan;
- the demand for, and pricing of, our products and the products of our competitors;
- the timing of or failure to obtain regulatory clearances or approvals for other products, indications or treatments; or
- the costs, benefits and timing of new product introductions.

We will have broad discretion in the use of the net proceeds from this offering and may invest or spend the proceeds in ways which you do not agree or that may not be effective.

We discuss our plan for the use of the net proceeds of this offering in the section titled "Use of Proceeds." However, our management will have broad discretion over the use of the net proceeds from this offering. Because of the number and variability of factors that will determine our use of such proceeds, you may not agree with how we allocate or spend the proceeds from this offering. We may pursue additional domestic and international sales and marketing efforts, commercialization and product development strategies, clinical trials, regulatory approvals or collaborations that decrease the market value of our common stock and that increase our losses. You will not have the opportunity, as part of your investment decision, to assess whether we are using the net proceeds appropriately and you will be relying on the judgment of our management regarding the use of these net proceeds. Our failure to allocate and spend the net proceeds from this offering effectively could harm our business, financial condition and results of operations.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert control over matters subject to stockholder approval.

Excluding any shares that may be purchased in this offering, including pursuant to the directed share program or otherwise, our officers and directors, together with holders of 5% or more of our outstanding common stock before this offering and their respective affiliates, will beneficially own approximately % of our common stock. Accordingly, these stockholders will continue to have an influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, mergers, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. The interests of these stockholders may not be the same as or may even conflict with your interests. For example, these stockholders could attempt to delay or prevent a change in control of the company, even if such a change in control would benefit our other stockholders, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of the company or our assets and might affect the prevailing price of our common stock. The

significant concentration of stock ownership may negatively impact the price of our common stock due to investors' perception that conflicts of interest may exist or arise.

As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and the value of our common stock.

To comply with the requirements of being a public company, we expect to undertake various actions, including implementing new internal controls and procedures and hiring new accounting or internal finance staff. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and regulations, and that information required to be disclosed in reports under the Securities Exchange Act of 1934, or the Exchange Act, is communicated to our principal executive and financial officers. Our current controls and any new controls that we develop may become inadequate and weaknesses in our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls when we become subject to this requirement could negatively impact the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will be required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act, harm our operating results, cause us to fail to meet our reporting obligations or result in a restatement of our prior period financial statements. In the event that we are not able to demonstrate compliance with the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and the price of our common stock could decline. In addition, if we are unable to continue to meet these requirements, we may be unable to remain listed on .

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company," as defined in the JOBS Act, depending on whether we choose to rely on certain exemptions set forth in the JOBS Act.

Provisions of our amended and restated charter documents or Delaware law could delay or prevent an acquisition of the company, even if the acquisition would be beneficial to our stockholders, which could make it more difficult for you to change management.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws that will become effective upon the completion of this offering may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove our board of directors. These provisions include:

- a prohibition on stockholder action through written consent;
- no cumulative voting in the election of directors;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director;

- a requirement that special meetings of stockholders be called only by the board of directors, the chairman of the board of directors, the chief executive officer or, in the absence of a chief executive officer, the president;
- an advance notice requirement for stockholder proposals and nominations;
- the authority of our board of directors to issue blank-check preferred stock with such terms as our board of directors may determine; and
- a requirement of approval of not less than 66 2/3% of all outstanding shares of our capital stock entitled to vote to amend any bylaws by stockholder action, or to amend specific provisions of our amended and restated certificate of incorporation.

In addition, Delaware law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person who, together with its affiliates, owns, or within the last three years has owned, 15% or more of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Delaware law may discourage, delay or prevent a change in control of our company.

Provisions in our charter documents and other provisions of Delaware law could limit the price that investors are willing to pay in the future for shares of our common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation that will become effective upon the completion of this offering provides that the Court of Chancery of the State of Delaware is the exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or amended and restated bylaws, (iv) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws or (v) any action asserting a claim governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future; therefore, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to do so in the foreseeable future. We currently intend to retain all available funds and any future earnings to finance the growth and development of our business. In addition, the terms of our credit agreements contain, and the terms of any future credit agreements we may enter into may contain, terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

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

If a trading market for our common stock develops, it will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on the company. If no securities or industry analysts commence coverage of the company, the price for our common stock could be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our stock price could decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price could decline. If one or more of these analysts cease coverage of the company or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price and trading volume to decline.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains 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, business strategy, current and prospective products, product approvals, research and development costs, current and prospective collaborations, timing and likelihood of success, plans and objectives of management for future operations and future results of current and anticipated products, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this prospectus are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this prospectus and are subject to a number of risks, uncertainties and assumptions described under the sections in this prospectus entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this prospectus. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for us to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

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 certain exemptions from certain reporting requirements and other burdens that are otherwise applicable generally to public companies that are not emerging growth companies. These exemptions include, but are not limited to:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data in the Registration Statement on Form S-1 of which this prospectus is a part;
- an exception from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act;
- reduced disclosure about our executive and director compensation arrangements in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding non-binding advisory votes on executive and director compensation or golden parachute arrangements.

We may take advantage of these exemptions for up to five years or such earlier time that we no longer qualify as an emerging growth company. We would cease to qualify as an emerging growth company if we have more than $1.07 billion in annual revenues, we are deemed to be a "large accelerated filer" under the rules of the U.S. Securities and Exchange Commission, or SEC, which means the market value of our common stock that is held by non-affiliates exceeds $700 million or we 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. For example, we may take advantage of the exemption from auditor attestation on the effectiveness of our internal control over financial reporting. We have taken advantage of certain reduced reporting burdens in this prospectus. To the extent that we take advantage of these reduced reporting requirements, the information that we provide stockholders may be different than you might obtain from other public companies in which you hold equity interests.

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 elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from our own management estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties. Management estimates are derived from publicly available information, the study we commissioned Symphony Health to conduct in order to guide and inform our market strategy, our knowledge of our industry and assumptions based on such information and knowledge, which we believe to be reasonable. This data involves a number of assumptions and limitations, and you are encouraged not to give undue weight to such estimates. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise.

In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled "Risk Factors." These and other factors could cause our future performance to differ materially from our assumptions and estimates.

USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of shares of our common stock in this offering will be approximately $ million (or $ million if the underwriters exercise in full their option to purchase additional shares), 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, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by $ million, assuming 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. Each increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering by $ million, assuming the assumed initial public offering price of $ per share stays the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

As of March 31, 2018, we had cash and cash equivalents of $20.4 million. We intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, as follows:

- approximately $ million to fund the further commercialization of our NeuroStar Advanced Therapy System, primarily through expansion of our sales and customer support team;
- approximately $ million to fund research and development activities, which may include hardware and software product development and enhancements of our NeuroStar Advanced Therapy System and clinical development expenses relating to additional indications, which may include bipolar depression, post-traumatic stress disorder and potential other clinical indications yet to be determined; and
- the balance for general corporate purposes, including general and administrative expenses and working capital.

Our expected use of net proceeds from this offering represents our current intentions based upon our present plans and business condition. As of the date of this prospectus, we cannot predict with complete certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the actual amounts that we will spend on the uses set forth above. We believe opportunities may exist from time to time to expand our current business through the acquisition or in-license of complementary businesses, technologies or intellectual property. While we have no current agreements for any specific acquisitions or in-licenses at this time, we may use a portion of the net proceeds for these purposes.

The amounts and timing of our actual expenditures will depend on numerous factors, including the results of our sales and marketing expansion efforts, the progress of our clinical trials and other development efforts for our NeuroStar Advanced Therapy System and the amount of cash used in our operations. We therefore cannot estimate with certainty the amount of net proceeds to be used for the purposes described above. For example, at this stage of development, it is not possible to predict the total costs associated with completing the clinical development and approval process of the NeuroStar Advanced Therapy System or a similar product for the treatment of post-traumatic stress disorder, bipolar depression or any other indication. We may find it necessary or advisable to use the net proceeds for other purposes, and we will have broad discretion in the application of the net proceeds. Pending the uses described above, we plan to invest the net proceeds from this offering in short-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, in the foreseeable future, any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. In addition, under the terms of our loan and security agreement with Oxford Finance LLC we may not declare or pay any cash dividends or distributions, subject to certain exceptions, without the consent of Oxford Finance LLC. Any future determination related to our dividend policy will be made at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, the consent of Oxford Finance LLC, other contractual restrictions, business prospects and other factors our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2018:

- on an actual basis;
- on a pro forma basis to give effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 318,676,911 shares of common stock, which will occur upon the closing of this offering; (ii) the automatic conversion of outstanding warrants to purchase shares of our convertible preferred stock into warrants to purchase shares of our common stock, which will occur upon the closing of this offering; and (iii) the effectiveness of our amended and restated certificate of incorporation; and
- on a pro forma as adjusted basis to give further effect to our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is 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.

You should read this information in conjunction with our audited and unaudited interim financial statements and the related notes thereto appearing at the end of this prospectus, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other financial information contained in this prospectus.

	As of March 31, 2018		
	Actual	Pro forma	Pro forma as Adjusted[1]
	(in thousands, except per share data)		
Cash and cash equivalents	$ 20,354	$ 20,354	
Long-term debt, net	$ 29,803	$ 29,803	
Convertible preferred stock warrant liability	485	—	
Convertible preferred stock: $0.01 par value: actual: 308,593 shares authorized, issuable in series; 304,958 shares issued and outstanding; aggregate liquidation value of $108,324; pro forma and pro forma as adjusted: no shares authorized, issued or outstanding and no liquidation value	187,136	—	
Stockholders' (deficit) equity:			
Preferred stock, $0.01 par value: actual: no shares authorized, issued or outstanding; pro forma and pro forma as adjusted shares authorized; no shares issued or outstanding	—	—	
Common stock, $0.01 par value: actual: 413,918 shares authorized; 7,287 shares issued and outstanding; pro forma: shares authorized; 325,964 shares issued and outstanding; pro forma as adjusted: shares authorized; shares issued and outstanding	73	3,260	
Additional paid-in capital	4,396	188,830	
Accumulated deficit	(202,443)	(202,443)	
Total stockholders' (deficit) equity	$(197,974)	$ (10,353)	
Total capitalization	$ 19,450	$ 19,450	

[1] Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash and

cash equivalents, additional paid-in capital and total stockholders' equity by $ million, 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. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares offered by us at the assumed initial public offering price would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, additional paid-in capital and total stockholders' equity by $ million.

The number of shares of common stock outstanding as of March 31, 2018, after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock upon the closing of this offering, excludes:

- 77,374,095 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2018, with a weighted-average exercise price of $0.09 per share;
- 3,445,812 shares of common stock issuable upon the exercise of stock options granted after March 31, 2018, with a weighted-average exercise price of $0.18 per share;
- 3,046,253 shares of common stock issuable upon the exercise of warrants outstanding as of March 31, 2018 to purchase shares of convertible preferred stock that will become warrants to purchase shares of common stock upon the closing of this offering, at a weighted-average exercise price of $0.38 per share;
- 4,244,820 shares of common stock reserved for future issuance under our 2003 Plan;
- shares of common stock reserved for future issuance under the 2018 Plan and shares that become available under the 2018 Plan pursuant to provisions that automatically increase the share reserve under the 2018 Plan each year; and
- shares of common stock reserved for issuance under the 2018 ESPP and shares that become available under the 2018 ESPP pursuant to provisions that automatically increase the share reserve under the 2018 ESPP each year.

DILUTION

As of March 31, 2018, we had a historical net tangible book deficit of $198.0 million, or $27.17 per share of common stock. Our historical net tangible book deficit per share represents total tangible assets less total liabilities and convertible preferred stock, which is not included within stockholders' deficit, divided by the number of shares of our common stock outstanding as of March 31, 2018.

Our pro forma net tangible book deficit as of March 31, 2018 was $10.4 million, or $0.03 per share of our common stock. Pro forma net tangible book deficit per share represents total tangible assets less total liabilities, divided by the number of shares of our common stock outstanding as of March 31, 2018, after giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 318,676,911 shares of common stock upon the closing of this offering and (ii) the reclassification of our convertible preferred stock warrant liability to additional paid-in capital upon the automatic conversion of outstanding warrants to purchase shares of our convertible preferred stock into warrants to purchase shares of our common stock, which will occur upon the closing of this offering.

After giving further effect to the receipt of the net proceeds from our sale of shares of common stock in this offering at an assumed 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 after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2018 would have been $ million, or $ per share. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and immediate dilution of $ per share to new investors in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the amount of cash that a new investor paid for a share of 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 deficit per share of common stock as of March 31, 2018	$(27.17)	
Decrease in net tangible book deficit per share of common stock attributable to pro forma adjustments	27.14	
Pro forma net tangible book deficit per share of common stock as of March 31, 2018	(0.03)	
Increase in net tangible book value per share of common stock attributable to this offering		
Pro forma as adjusted net tangible book value per share of common stock after this offering		
Dilution per share of common stock to new investors participating in this offering		$

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is 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 per share after this offering by $, and dilution in pro forma net tangible book value per share to new investors by $, 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. An increase of 1,000,000 shares in the number of shares we are offering would increase the pro forma as

adjusted net tangible book value per share after this offering by $ and decrease the dilution per share to new investors participating in this offering by $, assuming no change in the assumed initial public offering price per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. A decrease of 1,000,000 shares in the number of shares we are offering would decrease the pro forma as adjusted net tangible book value per share after this offering by $ and increase the dilution per share to new investors participating in this offering by $, assuming no change in the assumed initial public offering price per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of our common stock, the pro forma as adjusted net tangible book value after this offering would be $ per share, the increase in pro forma net tangible book value per share would be $ and the dilution per share to new investors would be $ per share, in each case 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 following table summarizes, as of March 31, 2018 on the pro forma as adjusted basis described above, the differences between the number of shares purchased from us, the total consideration paid to us in cash and the average price per share that existing stockholders and investors in this offering paid for such shares. The calculation below is based on an assumed initial public offering price of $ per share, which is 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	
Existing stockholders	325,963,768	%	$179,519,577	%	$ 0.55
Investors in this offering					
Total		100%	$	100%	

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, the midpoint of the range listed on the cover of this prospectus, would increase or decrease, respectively, total consideration paid by investors in this offering and total consideration paid by all stockholders by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

If the underwriters exercise their option to purchase additional shares of our common stock in full:

- the percentage of shares of common stock held by existing stockholders will decrease to approximately % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares held by new investors will increase to , or approximately % of the total number of shares of our common stock outstanding after this offering.

The foregoing tables and calculations are based on the number of shares of our common stock outstanding as of March 31, 2018, after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock upon the closing of this offering, and excludes:

- 77,374,095 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2018, with a weighted-average exercise price of $0.09 per share;

- 3,445,812 shares of common stock issuable upon the exercise of stock options granted after March 31, 2018, with a weighted-average exercise price of $0.18 per share;
- 3,046,253 shares of common stock issuable upon the exercise of warrants outstanding as of March 31, 2018 to purchase shares of convertible preferred stock that will become warrants to purchase shares of common stock upon the closing of this offering, at a weighted-average exercise price of $0.38 per share;
- 4,244,820 shares of common stock reserved for future issuance under our 2003 Plan;
- shares of common stock reserved for future issuance under the 2018 Plan, and shares that become available under the 2018 Plan pursuant to provisions that automatically increase the share reserve under the 2018 Plan each year; and
- shares of common stock reserved for issuance under the 2018 ESPP, and shares that become available under the 2018 ESPP pursuant to provisions that automatically increase the share reserve under the ESPP each year.

To the extent any of our outstanding options or warrants is exercised, there will be further dilution to new investors.

We may choose to raise additional capital through the sale of equity or equity-linked securities due to market conditions or strategic considerations for our current or future development and commercialization plans. To the extent that we issue additional shares of common stock or other equity or equity-linked securities in the future, there will be further dilution to our stockholders.

SELECTED FINANCIAL DATA

The following tables set forth, for the periods and as of the dates indicated, our selected historical financial data. The statements of operations data for the years ended December 31, 2016 and 2017 and the balance sheet data as of December 31, 2016 and 2017 are derived from our audited financial statements appearing at the end of this prospectus. The statements of operations data for the three months ended March 31, 2017 and 2018 and the balance sheet data as of March 31, 2018 are derived from our unaudited interim financial statements appearing at the end of this prospectus. We have prepared our unaudited interim financial statements on the same basis as our audited financial statements and have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth in those statements. You should read this data together with the more detailed information contained in our audited financial statements and the related notes thereto and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in the future. Our interim results are not necessarily indicative of results to be expected for the full year ending December 31, 2018, or any other period.

	Years ended December 31,		Three Months ended March 31,	
	2016	2017	2017	2018
	(in thousands, except per share data)			
Statements of Operations Data:				
Revenues	$ 34,228	$ 40,433	$ 7,526	$ 10,152
Cost of revenues	6,622	9,632	1,538	2,457
Gross Profit	27,606	30,801	5,988	7,695
Operating expenses:				
Sales and marketing	21,794	27,900	6,306	8,109
General and administrative	6,926	8,572	1,642	2,636
Research and development	8,223	7,937	2,028	1,555
Total operating expenses	36,943	44,409	9,976	12,300
Loss from Operations	(9,337)	(13,608)	(3,988)	(4,605)
Other (income) expense:				
Interest expense	1,835	2,808	550	921
Other (income) expense, net	62	(357)	(24)	(29)
Net Loss	$ (11,234)	$ (16,059)	$(4,514)	$ (5,497)
Net loss per share of common stock outstanding, basic and diluted[1]	$ (2.65)	$ (2.97)	$ (0.93)	$ (0.84)
Weighted-average common shares outstanding, basic and diluted[1]	4,246	5,401	4,829	6,533
Pro forma net loss per share of common stock outstanding, basic and diluted (unaudited)[1]		$ (0.05)		$ (0.02)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)[1]		307,288		325,210

[1] See "Note 11. Loss per Share" in our audited and unaudited interim financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the historical and pro forma basic and diluted net loss per common share.

	As of December 31, 2016	As of December 31, 2017	As of March 31, 2018
		(in thousands)	
Balance Sheet Data:			
Cash and cash equivalents	$ 17,040	$ 29,147	$ 20,354
Working capital	9,582	25,011	19,522
Total assets	24,798	38,938	32,016
Long-term debt, net	15,647	29,556	29,803
Convertible preferred stock warrant liability	459	478	485
Convertible preferred stock	172,311	187,136	187,136
Accumulated deficit	(180,887)	(196,946)	(202,443)
Total stockholders' deficit	(177,124)	(192,652)	(197,974)

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and related notes thereto and other financial information included elsewhere in this prospectus. In addition to historical financial information, some of the information contained in the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. You should review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from psychiatric disorders. Our first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses transcranial magnetic stimulation, or TMS, to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system is cleared by the United States Food and Drug Administration, or FDA, to treat adult patients with major depressive disorder, or MDD, that have failed to achieve satisfactory improvement from prior antidepressant medication in the current MDD episode. NeuroStar Advanced Therapy is safe, clinically effective, reproducible and precise and we believe is supported by the largest clinical data set of any competing TMS system. We believe we are the market leader in TMS therapy based on our U.S. installed base of 777 active NeuroStar Advanced Therapy Systems in approximately 615 psychiatrist offices and the estimated 50,000 patients treated with approximately 1.8 million treatment sessions. We generated revenues of $40.4 million for the year ended December 31, 2017 and $10.2 million for the three months ended March 31, 2018.

We designed the NeuroStar Advanced Therapy as a non-invasive therapeutic alternative to treat patients who suffer from MDD and to address many of the key limitations of existing treatment options. We generate revenues from initial capital sales of our systems, recurring treatment sessions and from service and repair and extended warranty contracts. We derive the majority of our revenues from our recurring treatment sessions, which represented 71% of our U.S. revenues for the year ended December 31, 2017. Revenues from our NeuroStar Advanced Therapy Systems represented 25% of our U.S. revenues for the same period. For the three months ended March 31, 2018, revenues from treatment sessions and NeuroStar Advanced Therapy Systems represented 72% and 24% of our U.S. revenues, respectively.

We currently sell our NeuroStar Advanced Therapy System and recurring treatment sessions in the United States through our direct sales and customer support team, which was comprised of 106 people as of December 31, 2017. Our sales force primarily targets 15,100 psychiatrists at 3,600 high-decile psychiatric practices that we estimate, based on data from Symphony Health and our own internal estimates, treat approximately 33% of the total MDD patients in the United States who meet our labeled indication and are insured. We expect to continue to expand our direct sales and customer support team to further penetrate the market by demonstrating the benefits of our NeuroStar Advanced Therapy to psychiatrists and their MDD patients. Some of our customers have and may purchase more than one NeuroStar Advanced Therapy System. Based on our commercial data, we believe psychiatrists can recoup their initial capital investment in our system by providing a standard course of treatment to approximately 12 patients. We believe psychiatrists can generate approximately $7,500 to $10,000 of revenue per patient for a standard course of treatment, which may provide meaningful incremental income to their practices. We have a diverse customer base of psychiatrists in group psychiatric practices in the United States. No single customer accounted for more than 7% of our revenues in each of 2016

and 2017 or for more than 8% of our revenues for the three months ended March 31, 2018. Patients are reimbursed by Medicare and the vast majority of commercial payors in the United States for treatment sessions utilizing our NeuroStar Advanced Therapy System.

We market our products in a few select markets outside the United States through independent distributors. International revenues represented 1% of our total revenues for the year ended December 31, 2017 and 2% of our total revenues for the three months ended March 31, 2018. In October 2017, we entered into an exclusive distribution agreement with Teijin Pharma Limited, or Teijin, for the distribution of our NeuroStar Advanced Therapy Systems and treatment sessions to customers who will treat patients with MDD in Japan. We received Shonin approval for our system in Japan in September 2017, and we plan to work with Teijin to obtain reimbursement or approval for NeuroStar Advanced Therapy in Japan in 2018. We expect our international revenues to increase as a percentage of our total revenues as we grow our presence in Japan.

Our research and development efforts are focused on the following: hardware and software product developments and enhancements of our NeuroStar Advanced Therapy System and clinical development relating to additional indications, which may include bipolar depression and post-traumatic stress disorder. We outsource the manufacture of components of our NeuroStar Advanced Therapy Systems that are produced to our specifications, and individual components are either shipped directly from our third-party contract manufacturers to our customers or consolidated into pallets at our Malvern, Pennsylvania facility prior to shipment. Final installation of these systems occurs at the customer site.

Revenues increased by $6.2 million, or 18%, from $34.2 million for the year ended December 31, 2016 to $40.4 million for the year ended December 31, 2017. For the year ended December 31, 2017, our U.S. revenues were $39.9 million, compared to $31.6 million for the year ended December 31, 2016, which represented an increase of 26% period over period. Revenues increased by $2.6 million, or 35%, from $7.5 million for the three months ended March 31, 2017 to $10.2 million for the three months ended March 31, 2018. For the three months ended March 31, 2018, our U.S. revenues were $10.0 million, compared to $7.4 million for the three months ended March 31, 2017, which represented an increase of 35% period over period. Due to the seasonality of our sales, during the first quarter of each year, we typically experience reduced revenues compared to our other quarters. We incurred net losses of $16.1 million and $5.5 million for the year ended December 31, 2017 and the three months ended March 31, 2018, respectively. We expect to continue to incur losses for the next several years as we expand our commercial organization to support our planned sales growth and while continuing to invest in our pipeline indications. As of March 31, 2018, we had an accumulated deficit of $202.4 million. Our primary sources of capital to date have been from private placements of our convertible preferred securities, borrowings under our credit facilities and sales of our products.

Components of Our Results of Operations

Revenues

To date, we have generated revenues primarily from the capital portion of our business and related sales and rentals of the NeuroStar Advanced Therapy System and the recurring revenues from our sale of treatment sessions in the United States.

NeuroStar Advanced Therapy System Revenues. NeuroStar Advanced Therapy System revenues consist primarily of a capital component, including upgrades to the equipment attributable to the initial sale of the system. NeuroStar Advanced Therapy Systems can be purchased outright or on a rent-to-own basis by certain customers. We had an installed base of 647 and 752 active NeuroStar Advanced Therapy Systems as of December 31, 2016 and December 31, 2017, respectively.

Treatment Session Revenues. Treatment session revenues primarily include sales of NeuroStar Treatment Sessions and SenStar treatment links. The NeuroStar Treatment Sessions are access codes that are delivered electronically in the United States. The SenStar treatment links are disposable units containing single-use access codes that are sold and used outside the United States. Access codes are purchased separately by our customers, primarily on an as-needed basis, and are required by the NeuroStar Advanced Therapy System in order to deliver treatment sessions.

Other Revenues. Other revenues are derived primarily from service and repair and extended warranty contracts with our existing customers.

We refer you to the section titled "Critical Accounting Policies and Use of Estimates—Revenue Recognition" appearing elsewhere in this prospectus for additional information regarding how we account for revenues.

The United States represented 99% of our total revenues in 2017, and our sales in this region have been generated by our direct sales force. Outside the United States, our sales are made through local third-party distributors. International revenues were 8% for the year ended December 31, 2016, compared with 1% for the year ended December 31, 2017. In 2017, we terminated our relationship with our Japanese distributor in anticipation of entering into a new distribution agreement with Teijin, which significantly impacted our international sales for the year. We expect that both our United States and international revenues will increase in the near term as we continue to expand the installed base of NeuroStar Advanced Therapy Systems and increase the related patient utilization in the United States, as well as grow our presence in Japan. We expect our revenues to be positively impacted to the extent our direct sales force is successful in increasing the rate of adoption and utilization of treatment with TMS Therapy as an alternative to other MDD treatments.

Cost of Revenues and Gross Margin

Cost of revenues primarily consists of the costs of components and products purchased from our third-party contract manufacturers of our NeuroStar Advanced Therapy Systems as well as the cost of treatment packs for individual treatment sessions. We use third-party contract manufacturing partners to produce the components for and assemble the completed NeuroStar Advanced Therapy Systems. Cost of revenues also includes costs related to personnel, royalties, warranty, shipping, and our operations and field service departments. We expect our cost of revenues to increase in absolute dollars as and to the extent our revenues grow.

Our gross profit is calculated by subtracting our cost of revenues from our revenues. We calculate our gross margin as our gross profit divided by our revenues. Our gross margin has been and will continue to be affected by a variety of factors, primarily product sales mix, pricing and third-party contract manufacturing costs. Our gross margins on revenues from sales of NeuroStar Advanced Therapy Systems are lower than our gross margins on revenues from sales of treatment sessions and, as a result, the sales mix between NeuroStar Advanced Therapy Systems and treatment sessions can affect the gross margin in any reporting period.

Sales and Marketing Expenses

Sales and marketing expenses consist of market research and commercial activities related to the sale of our NeuroStar Advanced Therapy Systems and treatment sessions and salaries and related benefits, sales commissions and share-based compensation for employees focused on these efforts. Other significant sales and marketing costs include conferences and trade shows, promotional and marketing activities, including direct and online marketing, practice support programs, television and radio media campaigns, travel and training expenses.

We anticipate a significant increase in headcount in our commercial organization and in expenses in executing on our growth initiatives as we continue to expand our business in the United States and internationally. As a result, we expect our sales and marketing expenses to continue to increase in absolute dollars.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel expenses, including salaries and related benefits, share-based compensation and travel expenses, for employees in executive, finance, information technology, legal and human resource functions. General and administrative expenses also include the cost of insurance, outside legal fees, accounting and other consulting services, audit fees from our independent registered public accounting firm, board of directors fees and other administrative costs, such as corporate facility costs, including rent, utilities, depreciation and maintenance not otherwise included in cost of revenues.

We anticipate that our general and administrative expenses will increase in absolute dollars because of an expanded infrastructure and an increased headcount. We anticipate higher corporate infrastructure costs including, but not limited to, accounting, legal, human resources, consulting and investor relations fees, listing fees on the Nasdaq Global Market, costs associated with Securities and Exchange Commission, or SEC, reporting and compliance, as well as increased director and officer insurance premiums, as a result of becoming a public company.

Research and Development Expenses

Research and development expenses consist primarily of personnel expenses, including salaries and related benefits and share-based compensation for employees in clinical development, product development, regulatory and quality assurance functions, as well as expenses associated with outsourced professional scientific development services and costs of investigative sites and consultants that conduct our preclinical and clinical development programs. We typically use our employee, consultant and infrastructure resources across our research and development programs.

We plan to incur research and development expenses for the near future as we expect to continue our development of TMS Therapy for the treatment of additional patient populations and new indications, which may include bipolar depression, post-traumatic stress disorder and potential other clinical indications yet to be determined, as well as for various hardware and software development projects. As a result, we expect our research and development expenses to continue to increase in absolute dollars.

Interest Expense

Interest expense consists of cash interest payable under our credit facility and non-cash interest attributable to the accrual of final payment fees and the amortization of deferred financing costs related to our indebtedness.

Other (Income) Expense, Net

Other (income) expense, net consists primarily of the fair value remeasurement related to our outstanding convertible preferred stock warrants, which are accounted for as a liability and marked-to-market at each reporting period, as well as gains and losses on the disposal of fixed assets and interest income earned on our money market account balances.

Results of Operations

Comparison of the Three Months ended March 31, 2017 and 2018

	Three Months ended March 31,		Increase / (Decrease)	
	2017	2018	Dollars	Percentage
	(in thousands, except percentages)			
Revenues	$ 7,526	$10,152	$2,626	35%
Cost of revenues	1,538	2,457	919	60%
Gross Profit	5,988	7,695	1,707	29%
Gross Margin	80%	76%		
Operating expenses:				
Sales and marketing	6,306	8,109	1,803	29%
General and administrative	1,642	2,636	994	61%
Research and development	2,028	1,555	(473)	(23)%
Total operating expenses	9,976	12,300	2,324	23%
Loss from Operations	(3,988)	(4,605)	617	15%
Other (income) expense:				
Interest expense	550	921	371	67%
Other income, net	(24)	(29)	(5)	21%
Net Loss	$(4,514)	$ (5,497)	$ 983	22%

Revenues by Geography
Three Months ended March 31,

	2017		2018	
	Amount	% of Revenues	Amount	% of Revenues
	(in thousands, except percentages)			
United States	$7,394	98%	$ 9,972	98%
International	132	2%	180	2%
Total revenues	$7,526	100%	$10,152	100%

U.S. Revenues by Product Category

	Three Months ended March 31,			
	2017		2018	
	Amount	% of Revenues	Amount	% of Revenues
	(in thousands, except percentages)			
NeuroStar Advanced Therapy System	$1,321	18%	$2,373	24%
Treatment sessions	5,749	78%	7,240	72%
Other	324	4%	359	4%
Total U.S. revenues	$7,394	100%	$9,972	100%

Revenues

Total revenues increased by $2.6 million, or 35%, from $7.5 million for the three months ended March 31, 2017 to $10.2 million for the three months ended March 31, 2018. Revenues in the United States increased

by $2.6 million from the three months ended March 31, 2017 compared to the three months ended March 31, 2018 due to higher unit sales of both NeuroStar Advanced Therapy Systems and treatment sessions. International revenues increased slightly for the three months ended March 31, 2018 compared to the three months ended March 31, 2017, primarily due to the recognition of deferred revenue related to the upfront and milestone payments received in 2017 under our distribution agreement with Teijin for Japan.

Revenues in the United States increased by $2.6 million, or 35%, from $7.4 million for the three months ended March 31, 2017 to $10.0 million for the three months ended March 31, 2018. NeuroStar Advanced Therapy System revenues in the United States grew by $1.1 million, or 80%, in the three months ended March 31, 2018 compared to the three months ended March 31, 2017, based on 74% higher unit volume and 6% higher average selling prices. NeuroStar Advanced Therapy System revenues represented 18% and 24% of U.S. revenues for the three months ended March 31, 2017 and 2018, respectively. We believe the growth in NeuroStar Advanced Therapy System revenues between these two periods was the result of the efforts of our expanded commercial organization and increased marketing efforts. As of March 31, 2018, we had an installed base of 777 active systems in the United States, compared to 669 as of March 31, 2017.

Treatment session revenues in the United States represented 78% and 72% of total revenues in the United States for the three months ended March 31, 2017 and 2018, respectively, and increased by 26% from the three months ended March 31, 2017 to the three months ended March 31, 2018. The increase in United States treatment session revenues was primarily the result of a 30% increase in the number of treatment sessions performed. This was offset by a 4% decline in average selling price due to certain volume pricing discounts within our existing customer base.

Cost of Revenues and Gross Margin

Cost of revenues increased by $0.9 million, or 60%, from $1.5 million for the three months ended March 31, 2017 to $2.5 million for the three months ended March 31, 2018. The increase was primarily due to increased NeuroStar Advanced Therapy System sales becoming a larger portion of the sales mix. Gross margin decreased from 80% for the three months ended March 31, 2017 to 76% for the three months ended March 31, 2018. The decrease was due to the higher mix of NeuroStar Advanced Therapy System revenues in the three months ended March 31, 2018 in relation to treatment session revenues, as well as the reduction in the average selling price of our treatment sessions contributed to the decline in gross margin.

Sales and Marketing Expenses

Sales and marketing expenses increased by $1.8 million, or 29%, from $6.3 million for the three months ended March 31, 2017 to $8.1 million for the three months ended March 31, 2018. The increase was primarily due to increased personnel costs as a result of our sales and marketing expansion activities, as well as higher marketing expenses and sales commission costs, consistent with our growth in revenues.

General and Administrative Expenses

General and administrative expenses increased by $1.0 million, or 61%, from $1.6 million for the three months ended March 31, 2017 to $2.6 million for the three months ended March 31, 2018. The increase was primarily due to an increase in personnel and legal, accounting and other professional services expenses required to support the growth of our business and to ready the infrastructure for public company reporting.

Research and Development Expenses

Research and development expenses decreased $0.5 million, or 23%, from $2.0 million for the three months ended March 31, 2017 to $1.6 million for the three months ended March 31, 2018. The decrease was primarily due to declines in spending relating to our adolescent study, which were partially offset by expenses relating to the launch of the next generation of our NeuroStar Advanced Therapy System and TrakStar practice management system.

Interest Expense

Interest expense increased $0.4 million, or 67%, from $0.6 million for the three months ended March 31, 2017 to $0.9 million for the three months ended March 31, 2018, primarily as a result of higher cash interest expenses related to the $10.0 million increase during 2017 in principal borrowings under our $35.0 million credit facility and higher non-cash interest expenses accrued in connection with the final payment fees due to the lender under the agreement.

Other (Income) Expense, Net

Other (income) expense, net, which includes the change in the fair value of the liability related to our outstanding convertible preferred stock warrants, was unchanged in total for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

Comparison of the Years ended December 31, 2016 and 2017

	Years ended December 31,		Increase/(Decrease)	
	2016	2017	Dollars	Percentage
	(in thousands, except percentages)			
Revenues	$ 34,228	$ 40,433	$6,205	18%
Cost of revenues	6,622	9,632	3,010	45%
Gross Profit	27,606	30,801	3,195	12%
Gross Margin	81%	76%		
Operating expenses:				
Sales and marketing	21,794	27,900	6,106	28%
General and administrative	6,926	8,572	1,646	24%
Research and development	8,223	7,937	(286)	(3)%
Total operating expenses	36,943	44,409	7,466	20%
Loss from Operations	(9,337)	(13,608)	4,271	46%
Other (income) expense:				
Interest expense	1,835	2,808	973	53%
Other (income) expense, net	62	(357)	(419)	*
Net Loss	$(11,234)	$(16,059)	$4,825	43%

* Calculation is not meaningful.

	Revenues by Geography Years ended December 31,			
	2016		2017	
	Amount	% of Revenues	Amount	% of Revenues
	(in thousands, except percentages)			
United States	$31,577	92%	$39,853	99%
International	2,651	8%	580	1%
Total revenues	$34,228	100%	$40,433	100%

	U.S. Revenues by Product Category Years ended December 31,			
	2016		2017	
	Amount	% of Revenues	Amount	% of Revenues
	(in thousands, except percentages)			
NeuroStar Advanced Therapy System	$ 5,694	18%	$10,120	25%
Treatment sessions	24,630	78%	28,391	71%
Other	1,253	4%	1,342	4%
Total U.S. revenues	$31,577	100%	$39,853	100%

Revenues

Total revenues increased by $6.2 million, or 18%, from $34.2 million for the year ended December 31, 2016 to $40.4 million for the year ended December 31, 2017. Revenues in the United States increased by $8.3 million from 2016 to 2017 due to higher unit sales of both NeuroStar Advanced Therapy Systems and treatment sessions. International revenues declined by $2.1 million primarily due to the transition of our Japanese distributor during the fourth quarter of 2016. During the fourth quarter of 2017, we entered into an exclusive distribution agreement with Teijin, which we believe will allow us to increase our revenues in Japan once we obtain reimbursement in that country.

Revenues in the United States increased by $8.3 million, or 26%, from $31.6 million for the year ended December 31, 2016 to $39.9 million for the year ended December 31, 2017. NeuroStar Advanced Therapy System revenues in the United States grew by $4.4 million from 2016 to 2017, or 78%, based on 64% higher unit volume and 14% higher average selling prices. NeuroStar Advanced Therapy System revenues represented 18% and 25% of U.S. revenues for 2016 and 2017, respectively. We believe the growth in NeuroStar Advanced Therapy System revenues between the two periods was the result of the efforts of our expanded sales and customer support team to place additional systems. Treatment sessions revenues in the United States increased by $3.8 million from 2016 to 2017, primarily due to an increase in the installed base of NeuroStar Advanced Therapy Systems. Treatment sessions revenues represented 78% and 71% of U.S. revenues for 2016 and 2017, respectively. The increase in treatment session revenues in the United States was primarily the result of a 24% increase in the number of treatment sessions performed. This was offset by a 9% decline in average selling price due to certain volume pricing discounts within our existing customer base.

Cost of Revenues and Gross Margin

Cost of revenues increased by $3.0 million, or 45%, from $6.6 million for the year ended December 31, 2016 to $9.6 million for the year ended December 31, 2017. The increase was primarily due to increased NeuroStar Advanced Therapy System sales becoming a larger portion of the sales mix. Gross margin was 76% for the year ended December 31, 2017 compared to 81% for the year ended December 31, 2016. The decrease in gross margin was primarily due to the higher mix of NeuroStar Advanced Therapy System revenues in 2017 in relation to treatment sessions revenues and the reduction in the average selling price of our treatment sessions.

Sales and Marketing Expenses

Sales and marketing expenses increased by $6.1 million, or 28%, from $21.8 million for the year ended December 31, 2016 to $27.9 million for the year ended December 31, 2017. The increase was primarily due to increased personnel costs as a result of our sales and marketing expansion activities, as well as higher marketing expenses and sales commission costs, consistent with our growth in revenues. During 2017, we added 15 new sales territories and undertook several marketing projects to support our expansion plans, including increasing our presence at trade shows, expanding our media campaigns and enhancing our practice support program to include patient starter kits.

General and Administrative Expenses

General and administrative expenses increased by $1.7 million, or 24%, from $6.9 million for the year ended December 31, 2016 to $8.6 million for the year ended December 31, 2017. The increase was primarily due to an increase in personnel and legal, accounting and other professional services expenses required to support the growth of our business and ready the infrastructure for public company reporting.

Research and Development Expenses

Research and development expenses decreased $0.3 million, or 3%, from $8.2 million for the year ended December 31, 2016 to $7.9 million for the year ended December 31, 2017. The decrease was primarily

due to declines in spending relating to our adolescent study, which were partially offset by expenses relating to the launch of the next generation of our NeuroStar Advanced Therapy System and TrakStar practice management system.

Interest Expense

Interest expense increased $1.0 million, or 53%, from $1.8 million for the year ended December 31, 2016 to $2.8 million for the year ended December 31, 2017, primarily as a result of higher cash interest expenses related to the increase in principal borrowings under our $35.0 million credit facility and higher non-cash interest expenses accrued in connection with final payment fees due to the lender under the agreement.

Other (Income) Expense, Net

The fair value remeasurement of the liability related to our outstanding convertible preferred stock warrants decreased by $0.3 million during the year ended December 31, 2017 as a result of the change in the fair value of our Series E and Series F convertible preferred stock during 2017.

Quarterly Results of Operations

The following tables set forth our unaudited quarterly results of operations for each quarter in the years ended December 31, 2016 and 2017 and the first quarter of 2018. We have prepared the unaudited quarterly results of operations on a consistent basis with our audited annual financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited quarterly results of operations reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation. The unaudited quarterly results of operations should be read in conjunction with our audited annual financial statements and related notes thereto included elsewhere in this prospectus. Unaudited interim results of historical periods are not necessarily indicative of the results to be expected for a full year, or for any other period.

	Three Months ended								
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
	(in thousands, except percentages)								
Revenues	$ 6,857	$ 9,276	$ 8,280	$ 9,815	$ 7,526	$ 10,308	$ 10,491	$ 12,108	$ 10,152
Cost of revenues	1,357	1,667	1,429	2,169	1,538	2,501	2,636	2,957	2,457
Gross Profit	5,500	7,609	6,851	7,646	5,988	7,807	7,855	9,151	7,695
Gross Margin	80%	82%	83%	78%	80%	76%	75%	76%	76%
Operating expenses:									
Sales and marketing	4,472	4,982	5,289	7,051	6,306	6,400	6,566	8,628	8,109
General and administrative	1,553	1,765	1,635	1,973	1,642	1,837	2,256	2,837	2,636
Research and development	1,958	2,163	1,885	2,217	2,028	2,147	1,843	1,919	1,555
Total operating expenses	7,983	8,910	8,809	11,241	9,976	10,384	10,665	13,384	12,300
Loss from Operations	(2,483)	(1,301)	(1,958)	(3,595)	(3,988)	(2,577)	(2,810)	(4,233)	(4,605)
Other (income) expense:									
Interest expense	410	411	459	555	550	711	807	740	921
Other (income) expense, net	(135)	104	(24)	117	(24)	(420)	136	(49)	(29)
Net Loss	$ (2,758)	$ (1,816)	$ (2,393)	$ (4,267)	$ (4,514)	$ (2,868)	$ (3,753)	$ (4,924)	$ (5,497)

Seasonality

Our business has historically been affected by seasonality. In the first quarter, our results can be impacted by severe weather and by the resetting of annual U.S. patient healthcare insurance plan deductibles, which may cause delays in patients seeking NeuroStar Advanced Therapy treatments. Historically, we have seen a sequential decline in third quarter revenues, which we believe is attributable to summer vacation plans of psychiatrists and patients. In addition, the fourth quarter has consistently been a strong revenue quarter on a sequential basis primarily due to U.S. psychiatrists' historical timing for capital expenditures and patients' needs to exhaust remaining balances in their flexible spending accounts.

Liquidity and Capital Resources

Overview

As of March 31, 2018, we had cash and cash equivalents of $20.4 million and an accumulated deficit of $202.4 million, compared to cash and cash equivalents of $29.1 million and an accumulated deficit of $196.9 million as of December 31, 2017. We incurred negative cash flows from operating activities of $8.5 million and $11.1 million for the years ended December 31, 2016 and 2017, respectively. We incurred negative cash flows from operating activities of $6.7 million and $8.3 million for the three months ended March 31, 2017 and 2018, respectively. We have incurred operating losses since our inception, and we anticipate that our operating losses will continue in the near term as we seek to expand our sales and marketing initiatives to support our growth in existing and new markets and invest funds in additional research and development activities. Our primary sources of capital to date have been from private placements of our convertible preferred securities, borrowings under our credit facilities and sales of our products. Through March 31, 2018, we raised $178.9 million from private placements of our convertible preferred securities and at such date we had $30.0 million of borrowings outstanding under our credit facility, which matures in March 2022 and has $5.0 million of additional capacity, subject to the achievement of $45.0 million of trailing twelve month revenues in 2018, which is currently expected to occur in 2018.

We expect our revenues and expenses to increase in connection with our on-going activities, particularly as we continue to execute on our growth strategy, including expansion of our sales and customer support teams. Furthermore, following the completion of this offering, we expect to incur additional costs as a public company. Based on our current business plan, we believe that our cash and cash equivalents as of March 31, 2018, availability of borrowing under our credit facility, anticipated cash receipts from sales of our products and net proceeds from this offering will be sufficient to meet our anticipated cash requirements through at least the next 24 months. However, if these sources are insufficient to satisfy our liquidity requirements, we may seek to sell additional common or preferred equity or debt securities, or enter into a new credit facility. If we raise additional funds by issuing equity or equity-linked securities, our stockholders would experience dilution and any new equity securities could have rights, preferences and privileges superior to those of holders of our common stock, including the shares of common stock sold in this offering. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. We cannot be assured that additional equity, equity-linked or debt financing will be available on terms favorable to us or our stockholders, or at all. It is also possible that we may allocate significant amounts of capital towards products or technologies for which market demand is lower than expected and, as a result, abandon such efforts. If we are unable to obtain adequate financing when we require it, or if we obtain financing on terms which are not favorable to us, or if we expend capital on products or technologies that are unsuccessful, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, or we may be required to delay the development, commercialization and marketing of our products.

Our current and future funding requirements will depend on many factors, including:

- our ability to achieve revenue growth and improve operating margins;

- our ability to improve or maintain coverage and reimbursement arrangements with domestic third-party and government payors;
- our rate of progress in establishing coverage and reimbursement arrangements from international commercial third-party and government payors, particularly in Japan;
- the cost of expanding our operations and offerings, including our sales and marketing efforts;
- our rate of progress in, and cost of the sales and marketing activities associated with, establishing adoption of our products and maintaining or improving our sales to our current customers;
- the cost of research and development activities, including research and development relating to additional indications, which may include bipolar depression and PTSD;
- the effect of competing technological and market developments;
- costs related to international expansion; and
- the potential cost of and delays in product development as a result of any regulatory oversight applicable to our products.

Cash Flows

The following table sets forth a summary of our cash flows for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018:

	Years ended December 31,		Three Months ended March 31,	
	2016	2017	2017	2018
	(in thousands)			
Net Cash Used in Operating Activities	$ (8,541)	$ (11,144)	$(6,685)	$(8,297)
Net Cash Used in Investing Activities	(324)	(594)	(84)	(297)
Net Cash Provided by (Used in) Financing Activities	4,896	23,845	3,985	(199)
Net (Decrease) Increase in Cash and Cash Equivalents	$ (3,969)	$ 12,107	$(2,784)	$(8,793)

Net Cash Used in Operating Activities

Net cash used in operating activities for the three months ended March 31, 2018 was $8.3 million, consisting primarily of a net loss of $5.5 million and a decrease in net operating liabilities of $3.4 million, partially offset by non-cash charges of $0.6 million. The decrease in net operating liabilities was primarily due to a decrease in accrued expenses as a result of first quarter 2018 payments of 2017 incentive compensation and commissions accrued as of December 31, 2017. Non-cash charges consisted of depreciation and amortization, non-cash interest expense, share-based compensation, the cost of rental units purchased by customers and the change in the fair value of the liability related to our outstanding convertible preferred stock warrants.

Net cash used in operating activities for the three months ended March 31, 2017 was $6.7 million, consisting primarily of a net loss of $4.5 million and a decrease in net operating liabilities of $2.5 million, partially offset by non-cash charges of $0.3 million. The decrease in net operating liabilities was primarily due to a decrease in accrued expenses as a result of first quarter 2017 payments of 2016 incentive compensation and commissions accrued as of December 31, 2016. Non-cash charges consisted of depreciation and amortization, non-cash interest expense, share-based compensation and the change in the fair value of the liability related to our outstanding convertible preferred stock warrants.

Net cash used in operating activities for 2017 was $11.1 million, consisting primarily of a net loss of $16.1 million, offset by an increase in net operating liabilities of $3.2 million and non-cash charges of $1.8 million. The increase in net operating liabilities was primarily due to an increase in deferred revenue representing the initial payment and first milestone payment received in accordance with our Japanese distribution agreement as well as expanding commercial and research activities. Non-cash charges consisted of depreciation and amortization, non-cash interest expense, share-based compensation, the cost of rental units purchased by customers and the change in the fair value of the liability related to our outstanding convertible preferred stock warrants.

Net cash used in operating activities for 2016 was $8.5 million, consisting primarily of a net loss of $11.2 million, offset by an increase in net operating liabilities of $1.4 million and non-cash charges of $1.3 million. The increase in net operating liabilities was primarily due to increases in accounts payable and accrued expenses, offset by an increase in inventory primarily due rent-to-own units from one large customer. Non-cash charges consisted of depreciation and amortization, non-cash interest expense, share-based compensation and the change in the fair value of the liability related to our outstanding convertible preferred stock warrants.

Net Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2018 was $0.3 million, compared to net cash used in investing activities for the three months ended March 31, 2017 of $0.1 million, in each case attributable to purchases of property and equipment and capitalized software costs.

Net cash used in investing activities for 2017 was $0.6 million, compared to net cash used in investing activities for 2016 of $0.3 million, in each case attributable to purchases of property and equipment and capitalized software costs in 2017.

Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activates for the three months ended March 31, 2018 was $0.2 million, consisting primarily of $0.2 million of payments of initial public offering costs, slightly offset by cash proceeds from the exercises of stock options. Net cash provided by financing activities for the three months ended March 31, 2017 was $4.0 million, consisting of $5.0 million of borrowings under our current credit facility, offset by payment of $1.0 million of deferred debt issuance costs incurred in connection with our March 2017 amendment to our $35.0 million credit facility.

Net cash provided by financing activities for 2017 was $23.8 million, consisting of $14.8 million of net proceeds from the issuance of Series G convertible preferred stock and $10.0 million of borrowings under our current credit facility, offset by payment of $1.0 million of deferred debt issuance costs incurred in connection with our March 2017 amended credit facility. Net cash provided by financing activities for 2016 was $4.9 million, consisting primarily of $5.0 million of borrowings under our previous credit facility, offset by payment of the related deferred debt issuance costs incurred in connection with a March 2016 amendment.

Indebtedness

Current $35.0 Million Credit Facility

In March 2017, we entered into a new loan and security agreement with Oxford Finance LLC, or Oxford, for a credit facility that replaced our previous $25.0 million credit facility with Oxford and which allows us to borrow up to $35.0 million in three tranches of term loans: a Term A Loan in the amount of $25.0 million, which was drawn down immediately upon closing in March 2017, a Term B

Loan in the amount of $5.0 million, which was drawn down in December 2017, and a Term C Loan in the amount of $5.0 million, which will become available to us upon the achievement of $45.0 million of trailing twelve month revenues in 2018, which we expect to achieve in 2018. Each term loan accrues interest from the date of borrowing through the date of repayment at a floating per annum rate of interest, which resets monthly and is equal to the greater of 8.15% or the 30 day U.S. LIBOR rate on the last business day of the month plus 7.38%. At the date of each borrowing, we are required to issue to Oxford warrants to purchase our Series F or later series of convertible preferred stock or, if we are a public company at the date of borrowing, warrants to purchase our common stock, with a seven year term and in an amount equal to 3.95% of the first $5.0 million of each tranche borrowed. The credit facility matures and all amounts borrowed thereunder are due on March 1, 2022. As of March 31, 2018, we had borrowed and had outstanding an aggregate of $30.0 million of principal under our credit facility.

The Term A Loan features an interest-only period through March 2019, during which time we are required to make monthly interest payments, after which time we are required to make monthly payments of principal and interest based on a 36-month amortization schedule. However, if $45.0 million of trailing twelve month revenues is achieved in 2018, the interest-only period can be extended for an additional 12 months through March 2020 and the amortization period then becomes 24 months. In connection with the drawdown of the Term A Loan, we issued to the lender a warrant to purchase 588,498 shares of our Series F convertible preferred stock, which has an exercise price of $0.3356 per share and which expires in March 2024.

The Term B Loan features an interest-only period through March 2019, during which time we are required to make monthly interest payments, after which time we are required to make monthly payments of principal and interest based on a 36-month amortization schedule. However, if $45.0 million of trailing twelve month revenues is achieved in 2018, then the interest-only period can be extended for an additional 12 months through March 2020 and the amortization period then becomes 24 months. In connection with the drawdown of the Term B Loan, we issued to the lender a warrant to purchase 588,498 shares of our Series F convertible preferred stock, which has an exercise price of $0.3356 per share and which expires in December 2024.

In addition to principal and interest payments due under the credit facility, we are required to make final payment fees to the lender due upon the earlier of prepayment or maturity of each tranche, which are equal to 8%, 7% and 6.5% of the principal amounts of the Term A, Term B and Term C Loans, respectively, except that if the interest-only periods on the Term A and Term B Loans are extended then the final payment fees increase to 8.5%, 7.5% and 7% of the principal amounts of the Term A, Term B and Term C Loans, respectively. We accrue the estimated final payment fees using the effective interest rate, with a charge to non-cash interest expense, over the term of borrowing for each tranche. As of both December 31, 2017 and March 31, 2018, the effective interest rates for the Term A and Term B Loans were 10.7% and 11.6%, respectively. If we prepay our term loans prior to their respective scheduled maturities, we will also be required to make prepayment fees to the lender equal to 3% if prepaid on or before the first anniversary of funding, 2% if prepaid after the first and on or before the second anniversary of funding or 1% if prepaid after the second anniversary of funding of the principal amounts borrowed.

Our obligations under the credit facility are secured by a first priority security interest in substantially all of our assets, other than our intellectual property. We have agreed not to pledge or otherwise encumber any of our intellectual property. The loan and security agreement related to our credit facility includes a financial maintenance covenant that requires us to achieve at least 75% of our trailing 12-month forecasted revenues, as measured each month in accordance with a forecast that we provided to Oxford upon signing the agreement and future forecasts that we are required to deliver to the lenders each year for the life of the credit facility, as well as customary affirmative and negative covenants. We were in compliance with all of the covenants under our credit facility as of March 31, 2018.

The loan and security agreement related to our credit facility contains events of default, including, without limitation, events of default upon: (i) failure to make payment pursuant to the terms of the agreement; (ii) violation of covenants; (iii) material adverse changes to our business; (iv) attachment or levy on our assets or judicial restraint on our business; (v) insolvency; (vi) significant judgments, orders or decrees for payments by us not covered by insurance; (vii) incorrectness of representations and warranties; (viii) incurrence of subordinated debt; (ix) revocation of governmental approvals necessary for us to conduct our business; and (x) failure by us to maintain a valid and perfected lien on the collateral securing the borrowing.

Based on a 36-month amortization of the outstanding principal amounts of the Term A and Term B Loans beginning on April 1, 2019 as discussed above, the following table sets forth by year our required future principal payments (in thousands):

Year:	Principal Payments
2018	$ —
2019	7,500
2020	10,000
2021	10,000
2022	2,500
Total principal payments	$30,000

We currently anticipate that we will extend the interest-only periods on the Term A and Term B Loans upon achieving $45.0 million of trailing twelve month revenues, which is currently expected to occur in 2018.

Previous $25.0 Million Credit Facility

Prior to March 2017, we had a $25.0 million credit facility in place with Oxford, which we entered into in February 2014 and which allowed us to borrow up to $25.0 million in three tranches of term loans: a Term A Loan in the amount of $15.0 million, a Term B Loan in the amount of $5.0 million, and a Term C Loan in the amount of $5.0 million, which was never drawn down. Each term loan accrued interest at per annum rates ranging from 8.5% to 8.9%. This facility featured an interest-only period on all tranches through March 2017, and we were also required to issue convertible preferred stock warrants to the lender at the time of borrowing of each tranche.

We accrued final payment fees using the effective interest rate, with a charge to non-cash interest expense, over the term of borrowing and until our entry into our current credit facility in March 2017, at which time we paid the lender $1.0 million in satisfaction of all final payment fee liabilities due under the prior credit facility. As of December 31, 2016, the effective interest rates for the previous Term A and Term B Loans were 10.4% and 11.6%, respectively.

We evaluated whether our current credit facility entered into in March 2017 represented a debt modification or extinguishment in accordance with ASC 470-50, Debt—Modifications and Extinguishments. Upon determining that the change in cash flows between the previous and current credit facilities was not greater than 10%, we accounted for the transaction as a debt modification. As of March 2017, the unamortized balance of deferred financing costs incurred in connection with the $25.0 million credit facility, and certain additional deferred financing costs incurred in connection with entry into our current credit facility, are being amortized to interest expense through March 2022 utilizing the effective interest method.

For the three months ended March 31, 2017, we recognized interest expense of $0.6 million, of which $0.5 million was cash and $0.1 million was non-cash interest expense related to the amortization of

deferred financing costs and accrual of final payment fees. For the three months ended March 31, 2018, we recognized interest expense of $0.9 million, of which $0.7 million was cash and $0.2 million was non-cash interest expense related to the amortization of deferred financing costs and accrual of final payment fees.

For the year ended December 31, 2016, we recognized interest expense of $1.8 million, of which $1.4 million was cash and $0.4 million was non-cash interest expense related to the amortization of deferred financing costs and accrual of final payment fees. For the year ended December 31, 2017, we recognized interest expense of $2.8 million, of which $2.1 million was cash and $0.7 million was non-cash interest expense related to the amortization of deferred financing costs and accrual of final payment fees.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, partnerships or other relationships with unconsolidated entities, often referred to as structured finance or special-purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Commitments and Contractual Obligations

The following table sets forth a summary of our contractual obligations as of December 31, 2017, which have not materially changed as of March 31, 2018:

	Payments Due by Period				
	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(in thousands)				
Principal payments on long-term debt	$ —	$17,500	$12,500	$ —	$30,000
Interest and lender fees on long-term debt[1]	2,630	4,034	3,089	—	9,753
Operating leases[2]	490	1,107	88	—	1,685
Total	$ 3,120	$22,641	$15,677	$ —	$41,438

(1) Interest payable reflects the rate in effect as of December 31, 2017. The interest rate on borrowings under the credit facility is variable and resets monthly. Lender fees reflect final payment fees due assuming no extension of the interest-only period.
(2) Reflects obligations primarily related to our office and warehouse/storage leases in Malvern, PA.

Distribution Agreement with Teijin Pharma Limited

In October 2017, we entered into a seven and a half year distribution agreement with Teijin Pharma Limited, or Teijin, for the exclusive distribution of our NeuroStar Advanced Therapy System to customers who will treat patients with MDD in Japan. Under the distribution agreement, Teijin is generally restricted from selling competing products in Japan. Our distribution agreement provides that we will have primary responsibility for obtaining reimbursement approval for use of NeuroStar Advanced Therapy System for the treatment of MDD in Japan, and Teijin will promote the sales of NeuroStar Advanced Therapy System for treatment of MDD in Japan. We have agreed to provide sales and technical support training to Teijin for our NeuroStar Advanced Therapy Systems.

Teijin is required to purchase minimum dollar values of NeuroStar Advanced Therapy Systems and treatment sessions from us following reimbursement approval by the Japanese Ministry of Health, Labour and Welfare, or JMHLW, for TMS treatment for MDD (or, if such approval requires certified training on the NeuroStar Advanced Therapy System by a third party, then upon the first psychiatrist being issued his or her training certification).

In 2017, under our distribution agreement with Teijin, we received an upfront payment of $0.75 million and a milestone payment of $2.0 million following JMHLW's approval of marketing the NeuroStar Advanced Therapy System for the treatment of MDD in Japan. These upfront and milestone payments have been deferred and are being recognized as revenue over the seven and one half year term of the agreement. Teijin is required to pay us a milestone payment tied to JMHLW issuing reimbursement for use of our products for the treatment of MDD in Japan.

The distribution agreement is scheduled to expire on March 31, 2025, subject to earlier termination if we or Teijin breach the agreement, Teijin fails to maintain distributor-level permits and approvals, Teijin fails to purchase from us specified dollar values of its sales forecasts, reimbursement for treatment of MDD using the NeuroStar Advanced Therapy System is not obtained from JMHLW by specified dates or such reimbursement is below specified minimums, Teijin reasonably believes that it is not commercially reasonable to continue distributing the NeuroStar Advanced Therapy System in Japan or bankruptcy related events occur. The term of the distribution agreement will be automatically extended for two years unless either party gives the other party at least two years' prior written of notice of non-renewal, except that we cannot decline to renew the agreement if Teijin has purchased 100% of its sales forecasts over the term of the agreement.

Executive Employment Agreements

We are party to an employment agreement and offer letters with certain members of our executive team that provide for severance and other payments following termination of their employment for various reasons. We refer you to the "Executive and Director Compensation" section of this prospectus for a more complete description of our executive employment agreements.

Quantitative and Qualitative Disclosures about Market Risk

Our cash is held on deposit in demand accounts at a large financial institution in amounts in excess of the Federal Deposit Insurance Corporation, or FDIC, insurance coverage limit of $250,000 per depositor, per FDIC-insured bank, per ownership category. We have reviewed the financial statements of this institution and believe it has sufficient assets and liquidity to conduct its operations in the ordinary course of business with little or no credit risk to us.

Financial instruments that potentially subject us to concentrations of credit risk principally consist of cash equivalents and accounts receivable. We limit our credit risk associated with cash equivalents by placing investments in highly-rated money market funds. We limit our credit risk with respect to accounts receivable by performing credit evaluations when deemed necessary, but we do not require collateral to secure amounts owed to us by our customers.

As discussed above in the section of this prospectus titled "—Liquidity and Capital Resources—Indebtedness," our credit facility bears interest at a floating per annum rate of interest, which resets monthly and is equal to the greater of 8.15% or the 30 day U.S. LIBOR rate on the last business day of the month plus 7.38%. As a result, we are exposed to risks from changes in interest rates. We believe that a one point increase in interest rates would result in an approximate $0.2 million increase to our interest expense for the year ended December 31, 2017.

Inflationary factors, such as increases in our cost of revenues and operating expenses, may adversely affect our operating results. Although we do not believe inflation has had a material impact on our financial condition, results of operations or cash flows to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin or decrease our operating expenses as a percentage of our revenues if our selling prices of our products do not increase as much or more than our costs increase.

We do not currently have any exposure to foreign currency fluctuations and do not engage in any hedging activities as part of our normal course of business.

Critical Accounting Policies and Use of Estimates

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, and the rules and regulations of the SEC requires us to make estimates and assumptions, based on judgments considered reasonable, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates and assumptions on historical experience, known trends and events and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Although we believe our estimates and assumptions are reasonable when made, they are based upon information available to us at the time they are made. We evaluate our estimates and assumptions on an ongoing basis and, if necessary, make adjustments. Due to the risks and uncertainties involved in our business and evolving market conditions, and given the subjective element of the estimates and assumptions made, actual results may differ from estimated results.

We define our critical accounting policies as those accounting policies that are most important to the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments. While our significant accounting policies are more fully described in “Note 3. Summary of Significant Accounting Policies” in our audited financial statements and related notes thereto appearing elsewhere in this prospectus, we believe the following discussion addresses our most critical accounting policies.

Revenue Recognition

Revenue is recognized when title and risk of ownership has been transferred, provided that persuasive evidence of an arrangement exists, the price is fixed and determinable and collectability is reasonably assured. Transfer of title and risk of ownership occurs when the product is shipped or transferred to the customer. We sell to end users in the United States and to third-party distributors outside the United States and do not provide return rights. Sales to distributors outside the United States are made in U.S. dollars.

Our NeuroStar Advanced Therapy System sales in the United States typically have post sale obligations of installation and training. These obligations are fulfilled after product shipment, and we defer recognizing revenue until installation occurs. In accordance with the accounting guidance related to multiple element arrangements, we defer the fair value attributable to the post shipment training and recognize such revenue when the obligation is fulfilled. We base the fair value of the training using stand-alone service rates. Our sales to our third-party distributors outside the United States do not have these post-sale obligations. Our consumable single use and accessory products have no post sale obligations and no return rights. Revenue from the sales of these products are recognized upon delivery. Revenue attributable to the NeuroStar Advanced Therapy Systems purchased on a rent-to-own basis are accounted for as operating leases and revenue is recognized on a straight-line basis over the term of the lease.

In addition, we provide a one to two-year warranty for systems sold in the United States. Terms of product warranty differ amongst our third-party distributors outside the United States, but are generally three years or less. We provide for the estimated cost to repair or replace products under any warranty at the time of sale. We also offer our customers in the United States annual service contracts. Revenue from the sale of annual service contracts is recognized on a straight line basis over the period of the applicable contract. We also earn revenue from customers from services outside of their warranty term or annual service contracts. Such service revenue is recognized as the services are provided.

We had deferred revenue of $1.3 million, $1.6 million and $1.2 million at December 31, 2016 and 2017 and March 31, 2018, respectively, primarily related to training, warranty and rent to own units. During

the fourth quarter of 2017, we entered into an exclusive Distribution Agreement with Teijin Pharma Limited, which we expect will allow us to increase deliveries to Japan. In connection with the Distribution Agreement, we received an upfront payment as well as the first milestone payment, which are being recognized as revenue over the seven and a half-year term of the agreement. The last milestone payment is due upon achieving reimbursement approval in Japan. At December 31, 2017 and March 31, 2018, we had $2.7 million and $2.6 million in deferred revenue, respectively, related to this agreement.

Share-based Compensation

We recognize the grant-date fair value of share-based awards issued as compensation as expense on a straight-line basis over the requisite service period, which is generally the vesting period of the award. The fair value of restricted stock awards is based on a determination by the board of directors of the estimated fair value of the common stock at the date of grant. The fair value of stock options is estimated at the time of grant using the Black-Scholes option pricing model, which requires the use of inputs and assumptions, the most critical of which is the estimated fair value of our common stock.

We expect the amount of share-based compensation expense recognized for stock options and restricted stock awards to increase for future awards in future periods due to the potential increase in both the value of our common stock and the size of our company in terms of headcount.

Stock Options Granted

We recognized de minimis and $0.1 million of share-based compensation expense related to stock options during the three months ended March 31, 2017 and 2018, respectively. As of March 31, 2018, we had $2.0 million of total unrecognized compensation cost related to non-vested stock options which we expect to recognize over a weighted-average period of 3.3 years. The weighted-average grant-date fair value of stock options granted during the three months ended March 31, 2018 was estimated at $0.10 per option.

We recognized $0.2 million and $0.4 million of share-based compensation expense related to stock options during the years ended December 31, 2016 and 2017, respectively. As of December 31, 2017, we had $1.4 million of total unrecognized compensation cost related to non-vested stock options which we expect to recognize over a weighted-average period of 3.2 years. The weighted-average grant-date fair value of stock options granted during the years ended December 31, 2016 and 2017 was estimated at $0.04 and $0.05 per option, respectively.

The following table summarizes by grant date the number of shares of common stock underlying stock options granted from January 1, 2017 through the date of this prospectus, as well as the associated per share exercise price and the estimated fair value per share of our common stock as determined by our board of directors as of the grant date:

Grant Date	Number of Shares Subject to Options Granted (in thousands)	Exercise Price per Share of Common Stock	Estimated Fair Value per Share of Common Stock	Estimated Fair Value per Share of Common Stock Option Award
February 6, 2017	9,348	$ 0.11	$ 0.11	$ 0.05
February 14, 2017	426	$ 0.11	$ 0.11	$ 0.05
April 12, 2017	3,152	$ 0.11	$ 0.11	$ 0.05
July 20, 2017	10,108	$ 0.08	$ 0.08	$ 0.04
September 22, 2017	500	$ 0.14	$ 0.14	$ 0.09
October 19, 2017	2,818	$ 0.14	$ 0.14	$ 0.09
December 6, 2017	974	$ 0.14	$ 0.14	$ 0.09
December 7, 2017	731	$ 0.14	$ 0.14	$ 0.09
January 24, 2018	3,081	$ 0.16	$ 0.16	$ 0.10
March 16, 2018	4,948	$ 0.16	$ 0.16	$ 0.10
April 25, 2018	1,588	$ 0.18	$ 0.18	$ 0.10
April 25, 2018	1,858	$ 0.18	$ 0.18	$ 0.11

Based on an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, the intrinsic value of vested and unvested stock options outstanding as of , 2018 was $ million and $ million, respectively.

Restricted Stock Awards Granted

To date, we have granted restricted stock awards only to an independent member of our board of directors and only as compensation for board service. We granted the independent director restricted stock awards of 1.2 million shares at an estimated grant-date fair value of $0.07 per share on July 20, 2016 and 0.3 million shares at an estimated grant-date fair value of $0.14 per share on October 19, 2017. We recognized $0.1 million of share-based compensation expense related to restricted stock awards during the year ended December 31, 2017, with a de minimis amount recognized during the three months ended March 31, 2018. As of March 31, 2018, we had minimal unrecognized compensation cost related to non-vested restricted stock awards which we expect to recognize over a weighted-average period of 1.3 years.

Valuation of Common Stock

All options to purchase shares of our common stock are granted with an exercise price per share equal to or greater than the estimated fair value per share of our common stock on the date of grant, based on the information known to us on the date of grant. Prior to this offering, on each grant date, the fair values of the shares of common stock underlying our stock options were estimated on each grant date by our board of directors, based on information known to us at the date of grant. In order to determine the estimated fair value of our common stock, our board of directors considered, among other things, contemporaneous valuations of our preferred and common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants 2013 Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Given the absence of a public trading market for our capital stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our preferred and common stock, including:

- contemporaneous third-party valuations of our preferred and common stock;
- the prices, rights, preferences and privileges of our preferred stock relative to the common stock;

- our business, financial condition and results of operations, including related industry trends affecting our operations;
- the likelihood of achieving a liquidity event, such as an initial public offering or the sale of our company, given prevailing market conditions;
- the lack of marketability of our preferred and common stock;
- the market performance of comparable publicly traded companies; and
- United States and global economic and capital market conditions and outlook.

After the closing of this offering, our board of directors will determine the per share fair value of our common stock based on the closing price of our common stock as reported by the Nasdaq Global Market on the date of grant.

Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. As a result of becoming a public company, we will be required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ended December 31, 2019. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The SEC defines a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be detected or prevented on a timely basis.

In accordance with the provisions of the Sarbanes-Oxley Act, neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting during any period included in this prospectus.

JOBS Act Accounting Election

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 107 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 of 1933, or Securities Act, for complying with new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable. We have elected to avail ourselves of this exemption from complying with new or revised accounting standards and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth 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) providing 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) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the

auditor's report providing additional information about the audit and the financial statements, 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 $1.07 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 SEC.

Recent Accounting Pronouncements

We refer you to "Note 4. Recent Accounting Pronouncements" in our audited financial statements and related notes thereto included elsewhere in this prospectus.

BUSINESS

Overview

We are a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from psychiatric disorders. Our first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses transcranial magnetic stimulation, or TMS, to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system is cleared by the United States Food and Drug Administration, or FDA, to treat adult patients with major depressive disorder, or MDD, that have failed to achieve satisfactory improvement from prior antidepressant medication in the current MDD episode. NeuroStar Advanced Therapy is safe, clinically effective, reproducible and precise and we believe is supported by the largest clinical data set of any competing TMS system. We believe we are the market leader in TMS therapy based on our U.S. installed base of 777 active NeuroStar Advanced Therapy Systems in approximately 615 psychiatrist offices and the estimated 50,000 patients treated with approximately 1.8 million treatment sessions. We generated revenues of $40.4 million for the year ended December 31, 2017 and $10.2 million for the three months ended March 31, 2018.

MDD is a mood disorder characterized by the presence of one or both of two major diagnostic criteria: a depressed mood or loss of interest in pleasure that continues for at least two weeks. The presence of at least one of these diagnostic symptoms must be accompanied by several of the following additional symptoms: sleep disturbance, changes in appetite, sexual dysfunction, anxiety, fatigue, difficulty concentrating and suicidal thinking. MDD is a recurrent disease and follows a fluctuating course over an individual's lifetime, with periods of remission and relapse.

The World Health Organization, or WHO, ranks MDD as the single largest contributor to global disability and a major contributor to suicide worldwide. According to a study published in the *Journal of Clinical Psychiatry*, the economic burden of the disease was estimated to be $210 billion in 2010 in the United States, including outpatient and inpatient medical costs, pharmacy costs, suicide related costs and workplace costs. A study published in *Psychological Medicine* reported a global incidence rate of MDD is 3.0% and the WHO estimates that there are over 300 million people in the world living with depression. Based on U.S. Census Bureau data and a study published in the *Journal of the American Medical Association*, we estimate that approximately 21 million people in the United States suffer from MDD annually. Of these people, we estimate approximately 13.3 million are adults aged 22 to 70 years, of whom an estimated 7.6 million, based on data from the *Journal of the American Medical Association*, are being treated by a psychiatrist. We estimate, based on data from the Sequenced Treatment Alternatives to Relieve Depression, or the STAR*D study, that approximately 5.5 million of these patients have failed to achieve remission of their MDD from their prior antidepressant medication therapy and that approximately 3.8 million of those patients have commercial insurance or Medicare coverage for NeuroStar Advanced Therapy. As a result, based on our expected revenues for a standard course of treatment, we believe our total annual addressable market opportunity for treatment sessions in the United States is approximately $9.6 billion.

Initial treatment options for MDD often consist of antidepressant medication prescribed by a primary care physician. Although a variety of antidepressant medications are available, drug therapy has two primary limitations: limited effectiveness and treatment-emergent side effects. These limitations were demonstrated in the STAR*D study, a large clinical trial funded by the U.S. National Institute of Mental Health, or NIMH, that enrolled more than 4,000 adult MDD patients at 41 clinical sites to examine the outcomes to a sequenced series of antidepressant medication attempts that mimicked best practices. In the study, approximately 28% and 21% of patients achieved remission in their first and second medication attempts, respectively. Many patients taking antidepressant medications experience intolerable or troubling side effects that contribute to a delay or failure in attaining an effective or

optimal antidepressant dose, poor patient treatment adherence or discontinuation of treatment therapy. The likelihood of achieving remission is limited and declines with each successive medication attempt.

TMS is considered to be an appropriate therapy for the treatment of MDD patients who have failed to achieve satisfactory improvement from prior antidepressant medication. TMS is typically performed as an office-based procedure using a capital equipment system designed to deliver the magnetic pulses necessary to stimulate the specific areas of the brain associated with mood. A course of treatment typically requires treatment sessions five times a week for up to six weeks that can last from 19 to as long as 45 minutes per session. The effectiveness of TMS depends on the psychiatrist's ability to deliver a precise amount of magnetic pulses to a specific area of the brain in a manner that can be consistently repeated during each treatment session. While TMS has been demonstrated to be a safe and effective treatment alternative for patients suffering from MDD, we believe that competing TMS systems have experienced limited adoption because of their lack of the following: the ability to reproduce consistent treatments, significant clinical data from randomized outcome trials, practice development resources and a cloud-based practice management system.

We designed the NeuroStar Advanced Therapy as a non-invasive therapeutic alternative to treat patients who suffer from MDD and to address many of the key limitations of existing treatment options. We believe our NeuroStar Advanced Therapy provides our psychiatrist customers and their patients with several benefits, including clinically demonstrated response and remission with durable results, a demonstrated safety profile with limited treatment-emergent side effects and high patient adherence. Additionally, NeuroStar Advanced Therapy was designed to provide a precise and reproducible office-based therapy that is also efficient and convenient. Our therapy is delivered without general anesthesia or sedation, enabling the patient to drive and resume normal activities immediately following each treatment session. We couple our product's clinical benefits with significant practice development resources, on-site clinical training and reimbursement and service support to help our psychiatrist customers develop a successful NeuroStar Advanced Therapy practice. We also provide cloud-based practice management solutions that enhance convenience for both psychiatrists and patients. Based on our commercial data, we believe psychiatrists can recoup their initial capital investment in our system by providing a standard course of treatment to approximately 12 patients, assuming these patients receive reimbursement from Medicare or commercial insurance at rates that are similar to what our customers have observed for existing and prior patients. We believe psychiatrists can generate approximately $7,500 to $10,000 of revenue per patient for a standard course of treatment, which may provide meaningful incremental income to their practices.

The safety, effectiveness and durability of NeuroStar Advanced Therapy is supported by a large clinical data set published in 23 articles in peer-reviewed medical journals, including from 11 clinical studies that have collectively enrolled more than 900 adult patients suffering from MDD. In a 307 patient, naturalistic, prospective, observational trial conducted at 42 U.S. clinical sites in patients who had tried and failed to receive relief from one or more medication trials in their current MDD episode, following an acute course of NeuroStar Advanced Therapy, 58% of patients responded, which means they achieved a clinically meaningful reduction in symptoms, and 37% achieved remission. Response and remission were maintained over a 12-month period for a majority of these patients. In the STAR*D study approximately 28% and 21% of patients achieved remission in their first and second medication trials, respectively.

Our growth strategy includes expanding our commercialization efforts in the United States, expanding international opportunities and pursuing pipeline development of our therapy for additional indications. Outside the United States, our products have received marketing authorizations in the European Union and Japan. Our initial international commercial focus is Japan, which has the third largest healthcare spend globally. We recently entered into an exclusive distribution agreement with Teijin Pharma Limited, or Teijin, a leading Japanese healthcare company, to further expand our commercialization efforts in this

market. We are also evaluating the use of enhancements to our NeuroStar Advanced Therapy System to treat additional indications, which may include bipolar depression and post-traumatic stress disorder.

As of March 31, 2018, we had an installed base of 777 active NeuroStar Advanced Therapy Systems in the United States. We currently sell our NeuroStar Advanced Therapy System and recurring treatment sessions in the United States through our direct sales and customer support team, which was comprised of 106 people as of December 31, 2017. Our sales force primarily targets 3,600 high-decile psychiatric practices that we estimate, based on data from Symphony Health and our own internal estimates, treat approximately 33% of the total MDD patients in the United States who meet our labeled indication and are insured. Patients are reimbursed by Medicare and the vast majority of commercial payors in the United States for treatment sessions utilizing our NeuroStar Advanced Therapy System.

We generate revenues from initial capital sales of our systems, sales of our recurring treatment sessions and from service and repair and extended warranty contracts. For the year ended December 31, 2017, we generated revenues of $40.4 million and had a net loss of $16.1 million. Our revenues increased 18% during the year ended December 31, 2017 compared to the year ended December 31, 2016. For the year ended December 31, 2017, our U.S. revenues were $39.9 million, compared to $31.6 million for the year ended December 31, 2016, which represented an increase of 26% compared to the prior period. Revenues from treatment sessions represented 71% of our U.S. revenues for the year ended December 31, 2017 compared to 78% of our U.S. revenues for the prior year. For the three months ended March 31, 2018, we generated revenues of $10.2 million, which represented an increase of 35% compared to the same period in the prior year. For the three months ended March 31, 2018, U.S. revenues were $10.0 million, which represented an increase of 35% compared to the same period in the prior year. Revenues from treatment sessions represented 72% of our U.S. revenues for the three months ended March 31, 2018, compared to 78% of our U.S. revenues for the same period in the prior year.

Market Opportunity and Major Depressive Disorder

Market Opportunity

The WHO estimates that there are over 300 million people in the world living with depression and ranks MDD as the single largest contributor to global disability and a major contributor to suicide worldwide. In the United States, the economic burden of the disease was estimated by the *Journal of Clinical Psychiatry* to be $210 billion in 2010, including outpatient and inpatient medical costs, pharmacy costs, suicide related costs and workplace costs. There were approximately 333 million antidepressant medication prescriptions written in the United States in 2017, representing pharmaceutical sales totaling $5.0 billion, according to IMS Health. Based on U.S. Census Bureau data and a study published in the *Journal of the American Medical Association*, we estimate that approximately 21 million people in the United States suffer from MDD annually. Of these people, we estimate approximately 13.3 million are adults aged 22 to 70 years, of whom an estimated 7.6 million, based on data from the *Journal of the American Medical Association*, are being treated by a psychiatrist. We estimate, based on data from the STAR*D study, that approximately 5.5 million of these patients have failed to achieve remission of their MDD from their prior antidepressant medication therapy and that approximately 3.8 million of those patients have commercial insurance or Medicare coverage for the NeuroStar Advanced Therapy. As a result, based on our expected revenues for a standard course of treatment, we believe our total annual addressable market opportunity for treatment sessions in the United States is approximately $9.6 billion.

In Japan, the country with the third highest aggregate healthcare expenditures worldwide according to Deloitte, we estimate, based on data from the National Center for Biotechnology and Information, that approximately 2.4 million adults suffer from MDD and approximately 655,000 of these adults are being treated for their MDD by a psychiatrist. We estimate, based on data from the STAR*D study, that approximately 475,000 of these patients, all of whom are covered by Japan’s single payor healthcare system, have failed to achieve remission of their MDD from prior antidepressant medication therapy and

are candidates for treatment with NeuroStar Advanced Therapy. As a result, we believe our total addressable market opportunity for treatment sessions in Japan is over $1.0 billion, assuming psychiatrist reimbursement levels per treatment course per patient are similar to those in the United States.

Major Depressive Disorder

Disease Overview

MDD is a mood disorder characterized by the presence of one or both of two major diagnostic criteria that continues for at least two weeks: a depressed mood or loss of interest in pleasure. The presence of at least one of these diagnostic symptoms must be accompanied by several of the following additional symptoms, for a total of five or more symptoms: sleep disturbance, changes in appetite, sexual dysfunction, anxiety, fatigue, difficulty concentrating and suicidal thinking. In order to be diagnosed with MDD, a patient must display symptoms that are present most of the day, nearly every day, for at least two weeks. A diagnosis of MDD is established by clinical interview and an assessment of whether a patient reports a collection of symptoms defined in the American Psychiatric Association's *Diagnostic and Statistical Manual of Mental Disorders, fifth edition*, or DSM-5. The severity of a patient's symptoms is typically measured by a standardized rating scale from a self-reported questionnaire, such as the Patient Health Questionnaire-9, or PHQ-9, or from an observer-dependent interview, such as the Hamilton Depression Rating Scale, or HAMD. Based in part on these rating scale measures, MDD can be graded on a continuum from mild to severe. The symptoms of the disease may result in role impairment, which refers to a loss of functioning or enjoyment in work, or impairment of household relationships and/or social roles. MDD is often accompanied by, or comorbid with, other mental disorders, with an estimated three-fourths of patients with recurrent MDD suffering from another psychiatric illness or substance abuse disorder. MDD patients also have an increased risk of death from suicide and other more typical causes, such as heart disease.

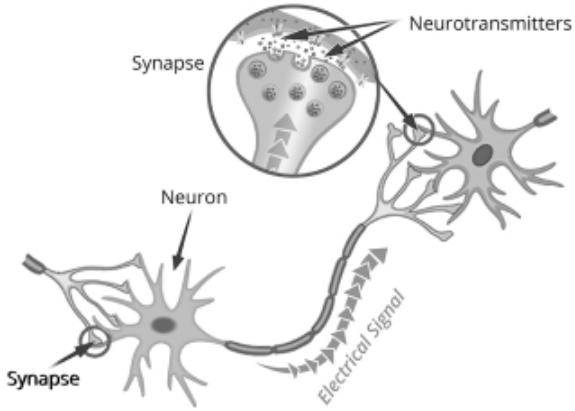
MDD is a recurrent disease and follows a fluctuating course over an individual's lifetime, with periods of remission and relapse. If an initial episode of MDD is resolved, the return of depressive symptoms during the first nine months thereafter is referred to as a relapse of the illness and is generally considered to be part of the same depressive episode. When depressive symptoms return more than 12 months after the initial episode of MDD is resolved, it is considered to be a recurrence of the illness and is deemed a new and distinct episode. A response to treatment is commonly measured as a clinically significant decrease in symptoms on a standardized rating scale from baseline scores. When a patient shows no or nearly no symptoms, the patient is referred to as being in remission. An average episode of MDD lasts approximately four to eight months and approximately three-fourths of all patients who experience an episode of MDD will experience recovery within a year. However, experiencing one episode of MDD places an individual at an estimated 50% risk of experiencing an additional episode of MDD. Approximately 80% of those individuals who have experienced two episodes of MDD will experience an additional episode.

Neuroscience of MDD

The exact causes of MDD are not known but, as with many psychiatric disorders, a variety of factors may be involved, including the physical and chemical characteristics of the brain, hormonal changes, genetics, acute life events, chronic stress, childhood exposure to adversity and other environmental factors. Researchers have identified a network in the brain that affects a person's mood, which can play a significant role in MDD and includes the prefrontal cortex, the anterior cingulate cortex and the limbic brain structures. The basic unit of organization in this network of the brain is the neuron, a specialized cell that responds to both chemical and electrical signals. The release of chemical messengers, or neurotransmitters, in the brain occurs across synapses, or the space between neurons. This release of neurotransmitters results in changes in the electrical properties of the receiving neuron, which in turn triggers a cascade of neuron-to-neuron electro-chemical reactions along a pathway of the brain referred to as a neuronal circuit.

The following diagram depicts the chemical reactions across the neuronal network:

Neurotransmission Mechanism



This communication process across different regions of the brain is ordinarily self-regulated by feedback mechanisms that instruct the originating neuron to stop releasing the neurotransmitter and start reabsorbing it into the cell, a process called reabsorption or reuptake.

In people with MDD, however, this complex system of neuronal communication does not function properly. Receptors may be either oversensitive or insensitive to a specific neurotransmitter, causing their response to its release to be excessive or inadequate. The signal might also be weakened if the originating cell produces too little of a neurotransmitter or if an overly efficient reuptake process reabsorbs too much of the neurotransmitter before the molecules have the chance to bind to the receptors on other neurons.

One of the most important discoveries in neuroscience has been the recognition that improper regulation of one or more of the three major neurotransmitters, serotonin, norepinephrine and dopamine, plays a key role in a patient's depression. This understanding has guided psychiatric drug development and the treatment of depression for more than three decades by placing a major focus on targeting chemically-based mechanisms. The relatively recent introduction of TMS as a targeted, circuit-based treatment option has reintroduced the importance of electrical mechanisms in restoring proper function to neuronal pathways to treat depression.

Current Treatment Landscape

First Line Therapy

In the United States, an initial diagnosis of adult MDD is typically made by the patient's primary care physician. Upon diagnosis, the most common form of treatment is antidepressant medication, which may or may not be accompanied by psychotherapy. The physician typically discusses a number of different treatment options and then designs a treatment plan tailored to the patient's specific symptoms, personal preferences and the psychiatric services that are available near the patient's home.

The most commonly prescribed antidepressant medications are selective serotonin reuptake inhibitors, or SSRIs. SSRIs primarily affect the levels and activity of serotonin in the brain and attempt to address depression by blocking the reuptake of this neurotransmitter, thereby making more serotonin available. During the initial treatment course, a patient may experience uncomfortable side effects and it is common for a patient and the primary care physician to spend time testing different medications within the same and different chemical classes before arriving at a medication regimen that provides symptom relief and is tolerable. Different classes of antidepressant medications may also work on different

combinations of underlying neurotransmitters. For example, serotonin norepinephrine reuptake inhibitors, or SNRIs, work by blocking the reuptake of both serotonin and norepinephrine. Other medications may have more diverse effects on all three major neurotransmitters.

Depression-focused psychotherapies are a commonly recommended treatment option for MDD and are generally used in conjunction with an antidepressant medication. The two most well studied and commonly available psychotherapy techniques include cognitive behavioral therapy and interpersonal psychotherapy. These are interactive therapies between a trained professional and a patient.

Second Line Therapy

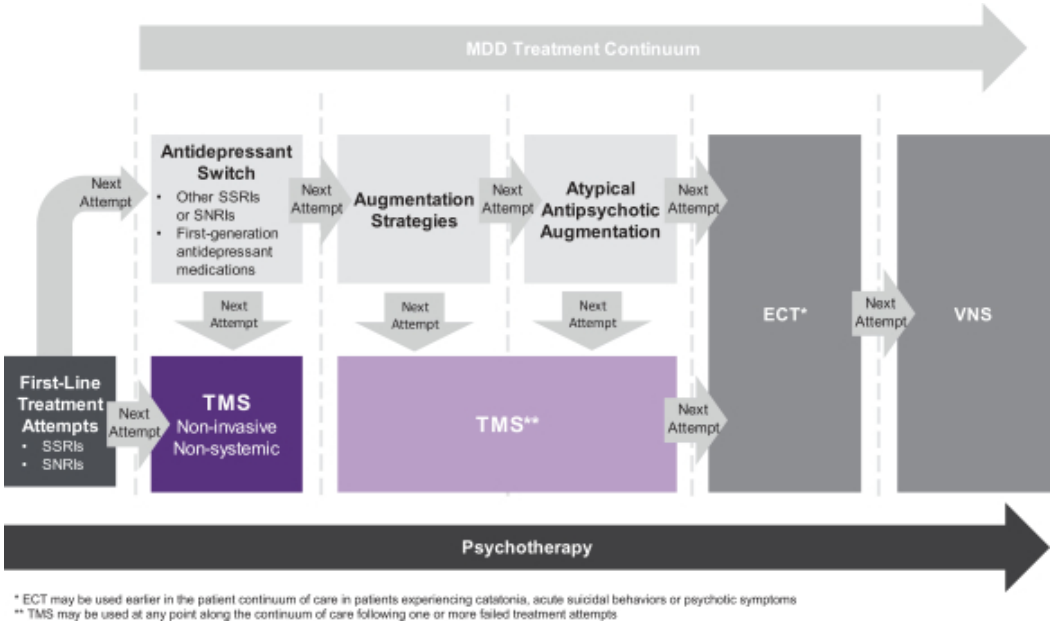
If initial treatment approaches do not adequately relieve a patient's symptoms, a primary care physician will often make a referral for consultation with a psychiatrist trained in psychopharmacology. There are a wide array of options that a psychiatrist may consider as second line therapies after an initial treatment has failed. For example, a psychiatrist may recommend either combining two or more antidepressant medications, which is referred to as combination therapy, or using a second medication such as an atypical antipsychotic that is not an antidepressant along with the initial antidepressant medication to augment the efficacy of such antidepressant, which is referred to as augmentation.

Another second line therapy is TMS, which is considered to be an appropriate alternative for the treatment of a patient with MDD who has failed to achieve satisfactory improvement from prior antidepressant medication in the current MDD episode. TMS differs from drug therapy approaches by using a pulsed, MRI-strength magnetic field to induce electrical currents designed to stimulate specific areas of the brain associated with mood. The target for brain stimulation is the prefrontal cortex, which serves as a starting point to regulate the neuronal circuitry connected to this region of the brain. This stimulation triggers a cascading electro-chemical effect that can pass along the neuronal circuit and reach into the deeper structures of the brain that also regulate mood. This action changes the connections among these structures in a manner that improves the activity of the neuronal circuit and results in an improvement in mood. TMS is typically performed as an office-based procedure using a piece of capital equipment designed to deliver the magnetic pulses necessary to stimulate the neurons. A course of treatment typically requires treatment sessions five times a week for up to six weeks that can last from 19 to as long as 45 minutes per session. The effectiveness of TMS therapy depends on the psychiatrist's ability to deliver a precise amount of magnetic pulses to a specific area of the brain in a manner that can be consistently repeated during each treatment session.

Later Stage Treatment Options

More aggressive options, which are associated with greater medical risk, are sometimes considered for patients that require later stages of treatment and include electroconvulsive therapy, or ECT, and vagus nerve stimulation, or VNS. ECT is a hospital-based treatment approach that is usually reserved for the most critical MDD patients and is considered most frequently in instances where the patient is experiencing catatonia, acute suicidal behaviors requiring inpatient hospitalization or psychotic symptoms. ECT involves the direct application of high voltage electrical current to the surface of the head and must be administered under anesthesia in a controlled hospital setting. VNS is considered the most invasive treatment option currently approved by the FDA for MDD patients who have proven to be severely treatment resistant. VNS involves the surgical implantation of an electrode wrapped around the vagus nerve, which travels through the neck near the carotid artery, and utilizes a pulse generator that is separately implanted under the skin near the patient's collarbone. The pulse generator sends electrical impulses to the electrode throughout the day with the goal of modifying the regions of the brain known to be involved in the regulation of mood.

A general overview of the treatment sequence for a patient with MDD is shown in the diagram below.



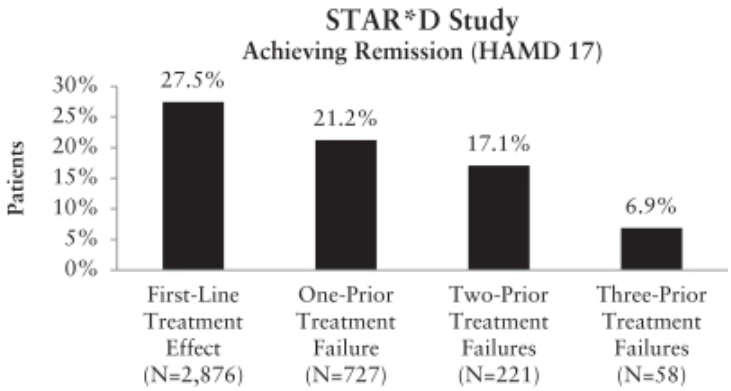
Limitations of Current Therapies

Antidepressant medication therapy

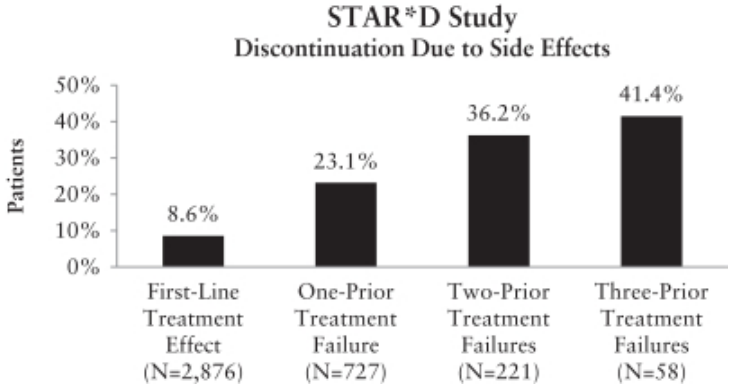
Although a variety of antidepressant medications are available for the treatment of MDD, antidepressant therapy has two primary limitations: limited efficacy and treatment-emergent side effects that interfere with patient adherence to the prescribed treatment regimen. These limitations were demonstrated in the STAR*D study. This study was sponsored by the NIMH and enrolled more than 4,000 adult patients at 41 clinical sites, including outpatients with nonpsychotic MDD. The trial examined the outcomes to a sequenced series of antidepressant medication treatment options that mimicked best practices. Patients whose depression did not remit after the initial treatment trial of using a single-medication SSRI treatment were able to participate in a sequence of up to three treatment trials. The progression that followed included switching to a different class and more complex combination and augmentation treatments for patients who were unable to achieve remission with each of the trials. Brain stimulation techniques, including ECT and VNS, were not examined in this study.

- ***Limited Efficacy***. In the STAR*D study, approximately 28% and 21% of patients achieved remission in their first and second medication attempts, respectively. The likelihood of achieving remission from a medication regimen was limited and declined with each successive augmentation attempt. For patients that had three prior treatment attempts, only approximately 7% achieved remission in response to the fourth monotherapy treatment option used in that

study. The following figure depicts the percentage of patients who achieved remission at each stage of monotherapy treatment in the STAR*D study based on analysis of HAMD scores:



- ***Treatment-Emergent Side Effects***. The STAR*D study showed that the likelihood of discontinuing treatment due to treatment-emergent side effects increased with each incremental course of medication. According to the study and as shown in the figure below, approximately 41% of patients who progressed to the fourth monotherapy treatment attempt subsequently discontinued drug treatment. Many patients taking antidepressant medications experience intolerable or troubling side effects that contribute to a delay or failure in attaining an effective or optimal antidepressant dose and often result in poor patient treatment adherence or discontinuation of therapy. These side effects include sexual dysfunction, drowsiness, fatigue, weight gain and nausea. The severity of side effects generally increase as a patient proceeds from initial drug treatment to combination or augmented drug treatments. Later stage treatment options, such as first-generation antidepressants and antipsychotics, have potentially more serious side effects and intolerability, with the risk of potential fatal overdose. The discontinuation of treatment can also result in severe side effects, including dizziness, nausea, lethargy, headache, anxiety and agitation that can last for extended periods.



Since the publication of the STAR*D study results, additional drug therapies have been introduced, including most prominently atypical antipsychotics, which are used as augmentation agents for patients with partial or non-response to initial antidepressant medications given alone. Unfortunately, these augmentation treatments have not significantly improved overall MDD patient response rates and have also introduced additional side effects.

Depression-Focused Psychotherapies

Antidepressant medication therapy for MDD is often administered along with a recommendation for a depression-focused psychotherapy. While these treatment options have demonstrated efficacy in some clinical studies, they also are associated with limitations in practice. For instance, the experience level of the therapist may significantly affect the treatment outcome. Additionally, in order to access these treatments, patients usually require a referral to a psychotherapist who may be located at a different clinical site than their treating psychiatrist. Psychotherapy requires a commitment by a patient to numerous treatment sessions in order to potentially achieve significant improvement, with a typical treatment regimen consisting of 16 sessions.

Later Stage Treatment Options

Both ECT and VNS have significant drawbacks. ECT requires general anesthesia and is administered in a controlled hospital setting with access to emergency resuscitation equipment. ECT is typically administered three times per week for up to 12 treatments, with some patients requiring as many as 20 treatments. ECT patients may experience confusion and memory loss, the two most common side effects of ECT treatments, immediately following a treatment session. Other side effects may include nausea, headache, jaw pain, muscle ache, hypertension and hypotension and life threatening complications including adverse reactions to anesthesia, arrhythmias, ischemia or prolonged seizures. Because of the potentially disabling side effects of ECT, the patient is typically unable to work for the duration of the course of treatment. VNS is considered the most invasive treatment option currently approved by the FDA for MDD patients who have proven to be severely treatment resistant. VNS includes surgical related risks, such as infection or local damage to the recurrent laryngeal nerve, which may lead to permanent voice alteration. Other drawbacks of VNS include the development of cardiac arrhythmias and the periodic repeat surgeries required to replace the pulse generator battery. Finally, reimbursement for the implantation and ongoing monitoring of the VNS device remains problematic, limiting access to the procedure for most patients.

Transcranial Magnetic Stimulation

While TMS has been demonstrated to be a safe and effective treatment alternative for patients suffering from MDD, we believe that most TMS systems have experienced limited adoption for several reasons, including:

- ***Challenges in delivering precise and reproducible treatments***. We believe the design and technology of most TMS systems makes it difficult for psychiatrists to reliably administer precise and reproducible treatments during each treatment session. Notably, most TMS systems do not provide the psychiatrist with the ability to stabilize the patient's head during treatment. If a slight separation of the TMS treatment coil from the patient's head occurs, it may reduce the magnetic field in the patient's brain, resulting in the delivery of a lower dose than what was prescribed. Most TMS systems are unable to track the number of pulses not delivered as a result of this separation and therefore may not administer the prescribed dose.
- ***Lack of clinical data from randomized outcome and other trials.*** Most TMS providers have not conducted, and their systems have not been the subject of, significant clinical trials or naturalistic studies to demonstrate their effectiveness. As a result, when selling their products most TMS providers must rely on smaller or more general studies or clinical trials that were conducted using other TMS systems or the NeuroStar Advanced Therapy System, which may present a barrier to adoption by psychiatrists and patients.
- ***Lack of cloud-based practice management system***. Many psychiatrists and psychiatrist practice groups operate in multiple locations and may use multiple TMS devices. Most TMS systems, however, only allow for the storage of patient data and treatment information on a local computer. Unless connected through an inter or intra-office network, psychiatrists may not be able to access patient treatment data and information regarding the use of the TMS

system. Moreover, this can create logistical challenges when psychiatrists seek to treat the patient at multiple locations or on multiple systems at the same location.

- ***Lack of comfort and convenience***. Most TMS systems are adaptations of research devices that have been repurposed. As a result, they frequently lack the ergonomic and other human factors that provide comfort and convenience and that are important for improving the patient experience and acceptance of the treatment. Other TMS systems may also require treatment to be administered for up to 45 minutes per treatment session. Some TMS systems require patients to wear a cap that fits firmly around the head and/or utilizes a chin strap that is attached from one ear to the other, which patients may consider uncomfortable.
- ***Lack of customer support and practice development resources.*** Many psychiatrists are not accustomed to implementing a piece of capital equipment into their practice. As a result, we believe they need multi-day, on-site training for themselves and their staff, marketing and reimbursement support, and help determining the allocation of office space and proper roles of staff for the use of TMS systems. We believe that most TMS providers do not provide comprehensive clinical support and practice development resources that are necessary to operationalize a TMS service line into their practice.

Our Solution

We designed the NeuroStar Advanced Therapy as a non-invasive and non-systemic therapeutic alternative for patients who suffer from MDD. We believe our solution addresses the key limitations of existing MDD treatment options and that NeuroStar Advanced Therapy provides the following principal benefits to our psychiatrist customers and their patients:

- ***Clinically demonstrated safety, efficacy, response and remission with durable results.*** The safety and efficacy of NeuroStar Advanced Therapy has been demonstrated in two large prospective, multisite, randomized, sham-controlled trials. In addition, the efficacy of NeuroStar Advanced Therapy has been demonstrated in a multisite, real world, open-label, clinical trial in which patients who failed to achieve satisfactory improvement from antidepressant medication treatment in their current episode of MDD received an acute treatment course of TMS therapy. Overall, the results of this trial demonstrated that 58% of patients responded to treatment, and 37% achieved remission. In this trial, similar response and remission rates were observed across patients with a wide range of prior drug treatment attempts. The majority of patients in this trial also participated in a 12-month follow-up phase at the conclusion of which the clinician-assessed response rate in these patients was 68% and remission rate was 45%.
- ***Demonstrated safety profile with limited treatment-emergent side effects and high patient adherence.*** NeuroStar Advanced Therapy has a demonstrated safety profile without the systemic side effects typically experienced with antidepressant medications. The adverse events discontinuation rate in our sham-controlled clinical studies has been approximately 5%. For single medication treatment in the STAR*D Study, the adverse events discontinuation rate was 9% to 41%. The most common side effect associated with NeuroStar Advanced Therapy is transient, localized pain or discomfort at or near the treatment location.
- ***Precise and reproducible office-based therapy.*** Patients receive NeuroStar Advanced Therapy for five days a week for up to six weeks in a psychiatrist’s office without the need for general anesthesia or sedation. The NeuroStar Advanced Therapy System’s proprietary components and software are designed to deliver the recommended TMS treatment dose to the indicated location on the patient’s prefrontal cortex consistently. The treatment location is determined with a three-dimensional, laser-guided, six-point coordinate system. The SenStar Connect is a proprietary component of the device designed to ensure our NeuroStar Treatment Coil is functioning properly and positioned against a patient’s head. SenStar

Connect provides continuous real-time feedback to the clinician throughout the course of treatment and it tracks lost pulses during each treatment session and provides the clinician with the opportunity to readminister any lost pulses at the end of the treatment, all of which helps to ensure that a patient receives the prescribed dose of NeuroStar Advanced Therapy.

- ***Efficient and convenient treatment for the patient and the psychiatrist.*** We have developed and deployed one of the shortest duration treatment for MDD using TMS approved by the FDA, with each treatment cleared to be performed in as little as 19 minutes (but may take up to 39 minutes due to patient sensitivity or at the discretion of the treating psychiatrist). Our therapy is delivered while a patient is awake and alert, enabling the patient to drive a vehicle and resume normal activities immediately following each treatment session. The NeuroStar Advanced Therapy System was designed for patient and psychiatrist convenience by establishing a proprietary software system, which we refer to as MT Assist, that allows the psychiatrist to determine the proper dose and motor threshold unique to each patient. After the initial treatment session, the NeuroStar Advanced Therapy System records the treatment coordinates so they do not need to be re-identified in future treatments. Once a psychiatrist has established the patient's coordinates during the initial treatment session, a trained member of the office staff under the supervision of the psychiatrist may administer subsequent treatment sessions.
- ***Unique cloud-based practice management system.*** Our TrakStar practice management system captures all treatment relevant information, and the encrypted information can be downloaded to any NeuroStar Advanced Therapy System in a psychiatrist's network in order to make it convenient for a patient to receive care and increase scheduling flexibility. Patients do not need to be treated by the same NeuroStar Advanced Therapy System for each treatment session, and therefore psychiatrists who own multiple systems do not need to schedule patients to specific devices. A treating psychiatrist can download a patient's encrypted information from TrakStar and analyze it real-time from their laptop, mobile phone or tablet. TrakStar also manages the inventory of purchased treatment sessions, which can be replenished by an office administrator online at any time. We expect the next version of TrakStar will also enable remote software updates, diagnostics and troubleshooting and performance monitoring to maintain industry-leading up time. TrakStar also captures and records daily system utilization, office productivity and patient outcomes.
- ***Comprehensive customer support and practice development resources***. We believe that we offer the most comprehensive practice support services among all TMS system providers to help our psychiatrist customers operationalize and grow their TMS service line. We provide our customers with marketing support, such as tools to increase awareness with referring psychiatrists, providing customizable advertising materials designed to educate patients within an existing practice and in the local community, and through our digital marketing campaign, which is comprised of paid search, display advertising, social media and public relations. Our clinical practice consultants focus their efforts on helping psychiatrist customers implement our six step Practice Success Program, which includes practice management planning, patient identification, staff training on practice roles, patient consult training, outcomes data analysis, practice marketing, public relations strategies and other support services. Our reimbursement managers help our psychiatrist customers to understand how they can navigate all issues regarding the insurance reimbursement process, including investigation of benefits, prior authorizations and claims documentation. Our field service engineers are responsible for maintenance, repairs and installation of upgrades of our systems, and typically provide a response within 24 hours of a service call. This responsiveness has allowed us to realize over 99% uptime of our installed base. Finally, we also offer our customers a 24/7 support hotline to respond to medical information inquiries and technical questions that arise.

We believe these characteristics address the limitations of antidepressant medications and competing TMS systems and as a result make our NeuroStar Advanced Therapy the most attractive non-invasive therapeutic alternative for our psychiatrist customers when they treat patients who suffer from MDD.

Our Strengths

We are focused on improving the quality of life for patients who suffer from psychiatric disorders, including MDD. Our executive team on average has 20 years of experience in healthcare, developing and commercializing innovative medical technology products. We believe that our focus and experience in treating patients with MDD, combined with the following strengths, will allow us to build our business and potentially expand our market opportunity:

- ***A market leader in TMS therapy.*** We believe we are the market leader in TMS therapy based on our U.S. installed base of 777 active NeuroStar Advanced Therapy Systems in approximately 615 psychiatrist offices and the estimated 50,000 patients treated with over 1.8 million treatment sessions. We generated revenues of $40.4 million for the year ended December 31, 2017 and $10.2 million for the three months ended March 31, 2018. We believe this commercial scale, combined with our investments in comprehensive practice support services and an experienced direct sales and customer support team provides us meaningful competitive advantages by creating significant barriers to entry to other TMS providers.
- ***Significant body of clinical data and key opinion leader support.*** The safety, efficacy and durability of NeuroStar Advanced Therapy is supported by what we believe is the largest clinical data set of any TMS system. Our therapy has been the subject of 11 clinical studies that have collectively enrolled more than 900 patients suffering from MDD. The results of these studies have been published in 23 articles in peer reviewed medical journals. We have also established strong relationships with key opinion leaders within the psychiatric community, who help us to educate psychiatrists from around the world on innovative treatment modalities such as TMS therapy. These key opinion leaders also help inform our clinical development programs.
- ***Proprietary technology with a broad IP portfolio.*** Our NeuroStar Advanced Therapy incorporates several key proprietary technologies that are designed to ensure the precise delivery and repeatability of our therapy in the clinical setting. As of March 31, 2018, we owned or licensed 30 issued or allowed U.S. patents, 49 issued or allowed foreign patents, seven pending U.S. patent applications, and 14 pending foreign patent applications. We believe this patent portfolio is substantially larger than that of any competing TMS companies. This portfolio covers key aspects of our technology, including contact sensing, MT Assist and our iron core magnet that allows high patient throughput.
- ***Extensive reimbursement coverage and experience.*** NeuroStar Advanced Therapy is a well-established treatment option for patients with MDD and is reimbursed by many commercial payors and Medicare contractors in the United States. We estimate that, over 65 major private insurers in the United States, including the top 25 largest private insurers, have adopted coverage policies for reimbursement of NeuroStar Advanced Therapy, representing 95% of the total private payor covered lives in the United States. TMS treatment sessions using NeuroStar Advanced Therapy are also eligible for reimbursement for all Medicare regions, representing an additional 58.5 million covered lives in the United States in as of January 2018. In addition, our reimbursement team has significant experience working with our psychiatrist customers to help them navigate the reimbursement process. Our reimbursement team has assisted our customers to conduct more than 20,000 benefits investigations, and have helped approximately 50,000 patients gain access to our therapy. We are also in the process of obtaining reimbursement coverage for NeuroStar Advanced Therapy in Japan, which we expect to receive in 2018.

- ***Potential to enhance psychiatrist practice economics.*** Based on our commercial data, we believe our psychiatrist customers can generate between approximately $7,500 to $10,000 of revenues per patient for a standard course of treatment using the NeuroStar Advanced Therapy System, and can recoup their capital investment in our system by treating approximately 12 patients, assuming these patients receive reimbursement from Medicare or commercial insurance at levels that are similar to what our customers have observed for existing and prior patients. We believe that subsequent treatments using our system may significantly increase practice economics for our psychiatrist customers.

Our Strategy

Our goal is to maintain and extend our leadership position in TMS therapy for patients with psychiatric disorders. The key elements of our strategy include:

- ***Improve customer targeting and expand our direct sales and customer support team to accelerate growth.*** To capture new psychiatrist customers, we plan to expand our specialized, direct sales organization that targets MDD treating psychiatric practices that accept reimbursement from private insurance and Medicare. Symphony Health estimates that there are approximately 26,300 group and solo practice sites in the United States with psychiatrists that prescribe antidepressant medications. Our direct sales force primarily targets psychiatrists at 3,600 of these practice sites, referred to as high-decile practices, which, based on data from Symphony Health and our own internal estimates, we estimate treat approximately 2.5 million patients, representing 33% of the total MDD patients in the United States. We estimate that approximately 1.2 million of these patients have failed prior antidepressant medication attempts in the current MDD episode and are covered by insurance that will provide reimbursement based on this medical status, resulting in a targeted total addressable market of approximately $3.0 billion. After nearly doubling the number of our business development managers in the last twelve months, we intend to continue to expand our team of 29 business development managers and seven inside sales representatives that are responsible for driving new customer acquisitions. To reach our target practices, we also plan to expand our advertising efforts, both online and through more traditional approaches, such as targeting leading psychiatric journals, practice outreach and education through monthly webcasts, attendance at key psychiatric trade shows and sponsoring clinical symposiums and product theaters.
- ***Increase utilization of our new and existing installed base of NeuroStar Advanced Therapy Systems.*** We plan to expand our sales and customer support team to increase the number of patients treated by our existing installed base of 777 active NeuroStar Advanced Therapy Systems in the United States and any additional systems that we sell in the future. We intend to hire additional clinical training consultants who will focus on the ongoing training of our psychiatrist customers and their staff in order to allow our existing team of 28 clinical practice consultants to focus exclusively on helping increase patient utilization of NeuroStar Advanced Therapy in a practice. Our clinical practice consultants focus their efforts on helping psychiatrist customers implement our six step Practice Success Program. We intend to make further investments in marketing tools, like our marketing portal, which consists of customizable practice development and advertisement materials all of which are designed to drive patient awareness within an existing practice and in the local community. We also plan to invest further in our direct to consumer marketing programs, primarily through digital marketing, which is comprised of paid search, display advertising, social media and public relations to our psychiatrist customers.
- ***Expand our international market opportunities.*** We primarily sell our products within the United States and also sell our products through distributors in Japan, Saudi Arabia, The United Arab Emirates, Singapore, the Republic of Korea and Australia. Our products have

received regulatory approval in the European Union and Japan and we plan to primarily focus our commercial efforts outside of the United States on Japan. We plan to work with Teijin to obtain reimbursement approval for the NeuroStar Advanced Therapy System in 2018, and to provide sales, marketing and clinical support to ensure our commercial success. We will continue to opportunistically evaluate additional markets outside the United States and Japan for commercial expansion.

- ***Pursue enhancements of our NeuroStar Advanced Therapy System and pipeline development for additional indications.*** We plan to continue our research and development efforts to enhance the hardware and software components of our NeuroStar Advanced Therapy System for the treatment of MDD and other psychiatric disorders. We also plan to evaluate the use of enhancements to our NeuroStar Advanced Therapy System to treat other psychiatric disorders, which may include bipolar depression and post-traumatic stress disorder, or PTSD.

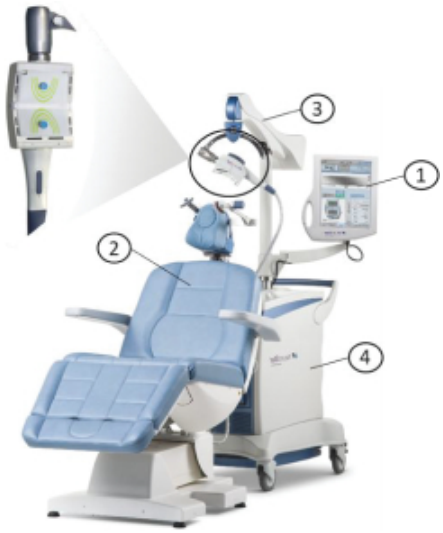
The NeuroStar Advanced Therapy System

Product

Our NeuroStar Advanced Therapy System is comprised of the NeuroStar Mobile Console, Patient Positioning System, NeuroStar Treatment Coil and TrakStar practice management system. NeuroStar Treatment Sessions and SenStar Treatment Links, which we refer to as treatment sessions, represent the consumable portion of the NeuroStar Advanced Therapy Treatment System.

NeuroStar Mobile Console and Patient Positioning System

Our NeuroStar Mobile Console and Patient Positioning System are comprised of the following components:



1. ***LCD touch screen and graphical user interface***. Our LCD touch screen and graphical user interface provide the operator clear visual directions for sequencing the TMS treatment. User confirmation is required on critical steps to ensure accuracy.

2. ***Patient Positioning System***. The patented patient positioning system includes an electromechanically controlled chair to recline the patient during treatment and a three-dimensional positioning device that uses laser alignment and six calibrated coordinates to accurately position the patient's head during treatment.

3. ***Gantry Arm***. The gantry arm mechanically counterbalances the NeuroStar Treatment Coil and allows the operator to consistently move and place it into position. Once in position, electromechanical brakes stabilize the NeuroStar Treatment Coil and gantry arm.

4. ***Mobile Console.*** The mobile console houses the embedded computer and power electronics responsible for generating the prescribed pulse sequence.

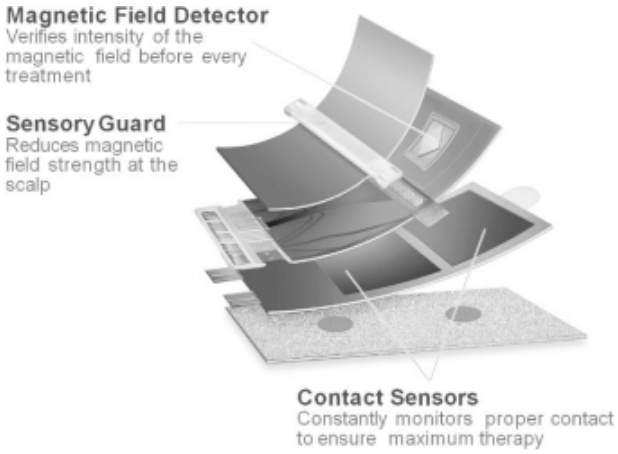
NeuroStar Treatment Coil

Our proprietary NeuroStar Treatment Coil produces the magnetic field that induces the electric current at the prescribed treatment site. The iron core in our NeuroStar Treatment Coil provides efficient energy conversion and management of the magnetic field. This allows our NeuroStar Treatment Coil to function at higher operating power and lower temperatures. Our NeuroStar Treatment Coil assembly includes a small fan and sensor to assist in cooling, and temperature tracking, and ensure patient comfort and safety. This temperature management feature allows for short intervals between treatment sessions. The coil face is set at a 140-degree angle to conform with the patient's head to ensure contact across the magnet face.

SenStar

SenStar is a thin, flexible electronic circuit, as shown in the figure below, that functions in both the treatment delivery and procedure fee management for our NeuroStar Advanced Therapy System. Embedded in each SenStar is a magnetic field detector. At the start of each treatment, the NeuroStar Advanced Therapy System performs a self-test that includes verifying the magnetic field is operating within the specified limits. Each SenStar also includes a sensory guard to reduce topical irritation and improve patient comfort at the skin-coil interface.

SenStars also contain a patented contact sensor that allows the NeuroStar Advanced Therapy System to monitor and provide real-time visual feedback to the operator that the NeuroStar Treatment Coil is in proper contact with the patient's head. The system tracks any pulses lost during treatment and will highlight lost pulses on the graphical user interface. At the end of treatment, the system allows the operator to administer any missed pulses to complete the full prescribed dose.



We sell two versions of the SenStar: the SenStar Treatment Link and the SenStar Connect. *SenStar Connect* is a multi-use device for the U.S. market. To activate a treatment session, a provider needs to purchase an encrypted activation code to enable the SenStar Connect to deliver one treatment session. NeuroStar Treatment Sessions are purchasable online 24 hours a day, any day of the year. The treatment inventory is electronically managed between the NeuroStar Advanced Therapy System and TrakStar systems using digital encryption technology. *SenStar Treatment Link* is a single use consumable. SenStar treatment links are used outside the United States and enable one treatment session. Each is programmed for the country of use.

TrakStar Practice Management System

The TrakStar patient data management system component is a cloud or local application that interfaces with the NeuroStar Advanced Therapy Systems. TrakStar maintains patient information, prescription, treatment and medication history, positioning coordinates, depression scores and psychiatrist notes.

TrakStar automatically synchronizes patient data on all NeuroStar Advanced Therapy Systems on the network. Thus the information to treat a patient is available on every system in every office within a practice. After each treatment is completed, the data is automatically uploaded to TrakStar. This seamless data integration simplifies record management and office workflow. TrakStar supports multiple reports including patient treatment history, patient depression score trending, practice outcomes and system utilization.

TrakStar cloud allows the psychiatrist to see status of other NeuroStar Advanced Therapy Systems in real-time, and access patient data anywhere and anytime using an internet browser. TrakStar cloud is hosted in Microsoft Azure and employs multiple levels of security. Patient data is encrypted both in transit and at rest. Third-party experts successfully completed penetration testing and an overall business security assessment and certified us as compliant with National Institute of Standards and Technology, or NIST, and Health Information Technology for Economic and Clinical Health, or HITECH, standards. We also monitor traffic for cybersecurity threats on an ongoing basis.

The NeuroStar Advanced Therapy Process

The Treatment Procedure

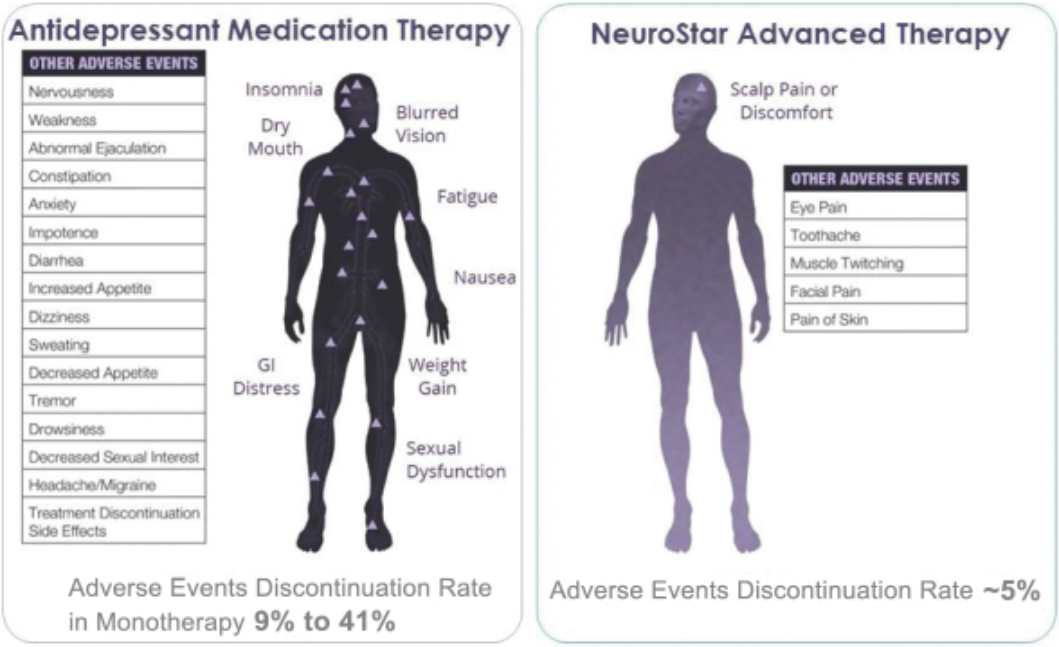
NeuroStar Advanced Therapy is an in-office treatment that has been cleared to be performed in as little as 19 minutes per session (but may take up to 39 minutes due to patient sensitivity or at the discretion of the treating psychiatrist) and is performed while the patient is awake, alert and seated and reclined comfortably in the treatment chair. A course of treatment consists of sessions administered five days a week for up to six weeks. During the first treatment session, two essential steps are performed. First, the patient's cortex is mapped with the NeuroStar Treatment Coil to identify the area of the brain controlling the thumb. Once the specific location on the motor cortex is found, the second step involves the use of a proprietary software algorithm, which assists the psychiatrist in estimating the physiologically appropriate magnetic field intensity for each treatment session based on the intensity needed to stimulate movement in the thumb. After these two steps are performed, the location of the motor cortex then also serves as a reference point to enable the psychiatrist to properly position the NeuroStar Treatment Coil over the left prefrontal cortical surface, resting the coil lightly in contact with the patient's scalp. Accuracy of positioning of the treatment coil for pulse delivery is assured by use of the NeuroStar Advanced Therapy System's three-dimensional positioning device. Once the coil is properly positioned, the device delivers NeuroStar Advanced Therapy using a highly targeted pulsed magnetic field to stimulate cortical neurons. Our therapy provides targeted stimulation of the prefrontal cortex and engages the neuronal circuitry connected to this region and known to be involved in the regulation of mood.

During treatment, accurate positioning of our NeuroStar Treatment Coil is maintained by use of a proprietary contact sensing and navigation system, which helps to ensure precise targeting of the treatment and assurance of accurate therapeutic dosing for each session. The patient typically hears a clicking sound during coil operation and feels a tapping sensation on the head for the duration of the session. Over the course of each treatment, the patient receives 3,000 pulses. Real-time feedback ensures the patient receives a full dose with safe and effective care. When the session is completed, the psychiatrist removes the coil and the patient is able to immediately resume normal activities.

The Patient Experience

Our clinical studies indicate that most patients find the NeuroStar Advanced Therapy easy to tolerate when contrasted with alternative MDD treatments. After completion of a treatment session, a patient

may immediately resume his or her normal activities, including work and exercise. NeuroStar Advanced Therapy patients generally do not experience the systemic side effects associated with drug therapy. The most typical side effect after treatment with NeuroStar Advanced Therapy, as shown in the figure below, is pain or discomfort near the treatment area, which is generally temporary and typically self-resolves within one week. In our sham-controlled clinical trials, approximately 5% of patients discontinued treatment due to adverse events.



Potential Indications for Use and Research and Development

We selectively invest in research and development for the use of the NeuroStar Advanced Therapy System in psychiatric disorders. Throughout our history, we have provided material support to 50 investigator-initiated trials of such prospective additional indications. We are currently considering a number of potential future indications for the use of the NeuroStar Advanced Therapy System, including, but not limited to, those described below.

Bipolar Depression

Bipolar depression is a psychiatric disorder characterized by a recurrent episodes of mania and depression. The depressed phase of bipolar disorder is considered to be a form of treatment resistant depression and is the most difficult to treat phase of bipolar disorder. The depressive episode diagnostic criteria in bipolar depression are identical to our current MDD indication. Although bipolar depression represents a smaller market than MDD, this disease state has few treatment options available and many patients experience suboptimal outcomes. Current treatment options for patients with bipolar depression include the use of mood stabilizers, including lithium carbonate, anticonvulsant, and second-generation antipsychotics. While these treatments are effective in managing the recurrent mania, there are few effective treatments for the depressed phase of the illness. For example, antidepressant medications may lead to instability in resolution of the manic episodes if administered alone, and the use of second-generation antipsychotic medications can be associated with undesirable long-term medical side effects, including weight gain or the development of metabolic syndrome. Based on early research, we are evaluating whether treatment with our NeuroStar Advanced Therapy System could be beneficial to these

patients. If we were to pursue an additional indication in bipolar depression, we would need to conduct additional clinical trials, file an investigational device exemption and clinical trial protocols with the FDA, submit a 510(k) pre-market notification and receive clearance prior to commercialization.

Post-Traumatic Stress Disorder

Post-traumatic stress disorder, or PTSD, is a psychiatric disorder that develops in some people who have experienced an overwhelming traumatic event, such as witnessing death in a military or civilian setting, or as a result of severe physical abuse such as assault or rape. This exposure to a traumatic stressor can lead to a later unwanted re-experiencing of symptoms, avoidance behavior, alteration in cognition and mood and states of increased physiological arousal. Treatment options for PTSD include psychotherapy and SSRI antidepressant medications. We believe NeuroStar Advanced Therapy may represent a potential new treatment option for PTSD patients. If we were to pursue an additional indication in PTSD, we would need to conduct additional clinical trials, file an investigational device exemption and clinical trial protocols with the FDA, submit a 510(k) pre-market notification and receive clearance prior to commercialization.

Adolescent MDD

We completed patient enrollment with 112 adolescent MDD patients in a prospective, 13-center, randomized, sham-controlled, double-blind pivotal clinical trial with three phases that mirrors the design of our original adult, randomized, controlled trial. The purpose of this study is to evaluate the acute and long-term safety and efficacy of NeuroStar Advanced Therapy in treating adolescents with MDD. The trial utilizes a double-blind control design to minimize variability and allow for blinded assessment of the safety and efficacy of NeuroStar Advanced Therapy, using an active NeuroStar Treatment Coil compared to a system utilizing a sham NeuroStar Treatment Coil. Patients were randomly allocated in a one-to-one ratio to either active NeuroStar Treatment Coil or sham NeuroStar Treatment Coil. At the time of enrollment, patients were antidepressant-free for at least one week and up to four weeks, depending on medication washout period.

The first phase is designed to evaluate the antidepressant effects of active NeuroStar Advanced Therapy compared with sham treatment when administered five times per week for a six week acute course of therapy. The primary endpoint of this phase is the difference between active and sham arms using the 24-Item Hamilton Depression Rating Scale, or HAMD24, total score change from baseline score over the six week acute phase. Safety will be assessed at every treatment visit by recording adverse events. We expect all analyses for the first phase to be available by the fourth quarter of 2018. Based on a preliminary analysis conducted in the second quarter of 2018, the primary endpoint in the first phase of the trial was not met. Although we cannot directly attribute clinical trial outcomes from other studies to our own trials, we believe several clinical trials for antidepressant medications failed to meet the primary efficacy endpoint in their studies for MDD in adolescents and children. These include duloxetine, venlafaxine and, most recently, desvenlafaxine. To date, the data safety monitoring board has not identified any serious safety issues in the study population, including suicidality and seizure.

Consistent with our clinical trial protocols, we will continue to allow eligible patients who have completed the first phase to participate in the second phase of our clinical trial, which is a separate, open-label extension study. The second phase trial is designed to evaluate the benefit of active treatment administered five times per week for a six-week acute course of NeuroStar Advanced Therapy in patients who received active or sham treatment and did not receive protocol-defined clinical benefit in the first phase. Patients will remain antidepressant medication free during the second phase. This trial will provide descriptive data on patients who are switched from sham to active treatments or receive a longer course of active treatment up to 12 weeks.

Patients who meet the criteria for at least partial response in either the first or second phases of the trial will be eligible to be followed in a third phase that will be a separate six-month follow up phase. Patients

entering the third phase will first undergo a three-week transition during which they will be gradually tapered off NeuroStar Advanced Therapy. Patients who experience symptom worsening during this phase of the study may receive reintroduction of NeuroStar Advanced Therapy. Patients will remain antidepressant medication free during the third phase of the trial. The purpose of this phase is to provide descriptive data on the six-month follow-up period and any retreatments received by patients.

Although we believe we are unlikely to seek a label expansion for the NeuroStar Advanced Therapy System for the treatment of adolescent MDD, we plan to evaluate next steps with respect to our clinical development efforts for this indication following the completion of our clinical trials. The Data Safety Monitoring Board for the Adolescent Study reviewed the safety data by treatment group in the first phase of the clinical trial and provided the guidance that we should continue the study through Phases 2 and 3 of the trial. However, despite this recommendation, we do not expect that the results from the clinical trial will be sufficient to obtain approval of our system for this indication. Nevertheless, we do not believe these clinical trial results or the failure to obtain approval of our NeuroStar Advanced Therapy System for the treatment of adolescents with MDD will have a material impact on our current or future business.

Research and Development and Clinical Operations

Continued innovation through research and development is critical to our future success as a leader in improving the quality of life for patients who suffer from psychiatric disorders. Our research and development activity is performed with a mix of internal and third party contract resources. As of December 31, 2017, our research and development and clinical operations team consisted of 15 employees with expertise in electronic, mechanical or electrical design, software, biomedical engineering and clinical trial design and management. Our research and development expenses, including spending on our clinical trials and development efforts, totaled $8.2 million and $7.9 million for the years ended December 31, 2016 and 2017, respectively. For the three months ending March 31, 2017 and 2018, our research and development expenses were $2.0 million and $1.6 million, respectively. Our current research and development efforts are focused primarily on platform extensions for our NeuroStar Advanced Therapy System and a series of enhancements to our TrakStar cloud-based software application. Our clinical development efforts are focused on further expanding the use of our products in additional indications. We coordinate our development efforts with our intellectual property strategies in order to enhance our ability to obtain patent and other intellectual property protection.

Clinical Results and Studies

Overview of Clinical Trial Evidence for the Safety and Efficacy of NeuroStar Advanced Therapy

Clinical evidence supporting the safety and efficacy of NeuroStar Advanced Therapy has been published in 23 peer reviewed medical journals, involving an aggregate of over 900 adult patients and more than 60 investigators. We have sponsored the largest prospective, multisite, randomized, sham-controlled trial ever conducted of a TMS device, enrolling 325 patients with treatment resistant MDD at 23 U.S. and international study sites. Results from this trial served as the basis of our initial FDA 510(k) clearance of the NeuroStar Advanced Therapy System in 2008. The clinical data from this trial were reported in *Biological Psychiatry* in 2007. A second, industry-independent prospective, multisite, randomized, sham-controlled trial, funded by the NIMH using the NeuroStar Advanced Therapy System, enrolled 199 patients with treatment resistant MDD across four major academic medical centers in the United States. The clinical data from this trial were submitted to the FDA in 2014, leading to an expanded labeling for our NeuroStar Advanced Therapy System for an indication of use in adult patients who have failed to benefit from one or more prior antidepressant medications in the current episode of MDD. This data was published in 2010 in *Archives of General Psychiatry*, now published as *JAMA Psychiatry*. We sponsored the largest, post-market naturalistic outcomes study of the use of the NeuroStar Advanced Therapy System in routine clinical practice. This study enrolled 307 patients with treatment resistant MDD

seeking care at 42 U.S. study sites. Patients in this study were assessed at the beginning and end of their prescribed acute treatment course, and 257 of these patients agreed to be followed for a period of 12 months to characterize the durability of the long-term outcome in clinical practice. Results of this study were published in the *Journal of Clinical Psychiatry* in 2012 and in *CNS Spectrums* in 2014.

Efficacy endpoints reported in these clinical trials used validated and well-accepted measures of symptomatic benefit to characterize antidepressant medication treatment in clinical trials and included those measures listed in Figure 1. An accepted goal of treatment with an antidepressant is the definitive resolution of the symptoms, which is defined as remission. Remission is defined using a validated, clinician-administered rating scale such as the 17 or 24-item versions of HAMD or the Montgomery-Asberg Depression Rating Scale, or MADRS. Patients who achieve an endpoint score below 8 points on the 17-item HAMD, below 11 points on the 24-item HAMD or below 10 points on the MADRS, are considered to have reached remission of illness. A clinically global, psychiatrist rated scale, such as the Clinical Global Impressions-Severity of Illness, or CGI-S, scale can also grade remission if a patient reaches an end of treatment score of one or two on that scale.

Depression Assessment Scale	Response Criteria	Remission Criteria
MADRS	50% change from baseline	<10
HAMD17	50% change from baseline	<8
HAMD24	50% change from baseline	<11
CGI-S	£3 score	£2 score
PHQ-9	<10	<5

Figure 1. Validated measures of symptomatic benefit to characterize antidepressant treatment effect.

Patient-rated outcomes are also used to verify symptom improvement. In the NeuroStar Advanced Therapy clinical trial data, the PHQ-9 scale was used, with a score below five indicating remission of illness. Significant clinical improvement that does not constitute remission is termed response, and is graded by a 50% or greater reduction of score from baseline on the HAMD and MADRS scales, and a score of one, two or three on the CGI-S or a score below 10 on the PHQ-9. Outcomes are also reported for each of these rating scales as a mean change in total score from baseline, called continuous outcome measures. Standardized effect size measures are used to assess the statistical magnitude of treatment benefit (active versus control) in a clinical trial, and because they are normalized measures, allow the comparison of treatment benefit across different clinical studies. Standardized effect sizes of greater than 0.50 are considered large, between 0.30 and 0.50 are considered medium and below 0.30 are considered small.

Randomized Controlled Trial

Our U.S. registration trial was a prospective, multisite, randomized, sham-controlled trial at 23 U.S. and international study sites that enrolled 325 patients from January 2004 through August 2005 to evaluate the safety and efficacy of NeuroStar Advanced Therapy in patients who met DSM-IV criteria for MDD, with a moderate level of treatment resistance based on rigorous evidence of failure of benefit from prior treatment with a research-grade exposure to at least one and up to four complete antidepressant medication trials. Patients were randomized to either active NeuroStar Advanced Therapy or sham-controlled TMS. The primary efficacy endpoint of this trial was a statistically significant, or P<0.05, average baseline to endpoint change in MADRS score for patients in the active NeuroStar Advanced Therapy treatment group when compared to the change in MADRS score for the sham-controlled TMS patient treatment group using the last visit MADRS score through week four of the acute phase. The trial design consisted of three phases: a

one week, no-treatment lead-in phase; a six week acute treatment phase of daily TMS sessions scheduled in a 5-day sequence, for a maximum of 30 sessions during which NeuroStar Advanced Therapy was given in the active treatment arm as a monotherapy in medication-free patients, and a three week taper phase during which time all patients were begun on an open-label, single antidepressant medication and followed for six months to examine the durability of the acute effect of TMS.

Results for the overall trial population demonstrated clinically meaningful improvement on the primary efficacy outcome measure, baseline to endpoint change on the MADRS at four weeks, as shown in Figure 2 (MADRS, P=0.057, standardized effect size = 0.38), although the primary efficacy endpoint of the trial was not achieved. Additionally, several secondary outcome measures demonstrated statistically and clinically significant benefit for active NeuroStar Advanced Therapy compared with sham-controlled TMS. Among these secondary outcome measures were a superior outcome on the HAMD, with both the 17 and 24-item versions showing baseline to endpoint change for active NeuroStar Advanced Therapy at four weeks, as shown in Figure 3 (17-Item change: P=0.006, standardized effect size = 0.55) and as shown in Figure 4 (24-Item change: P=0.012, standardized effect size = 0.48). These outcomes were sustained at the secondary efficacy time point at week six, with a significant advantage in favor of active NeuroStar Advanced Therapy.

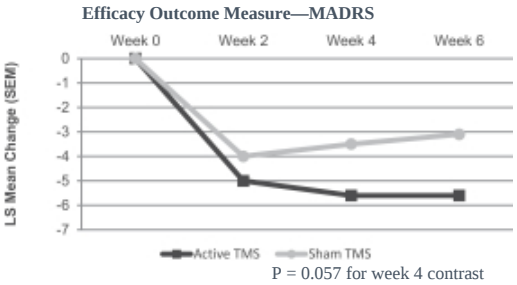


Figure 2. MADRS total score change from baseline during the acute treatment phase.

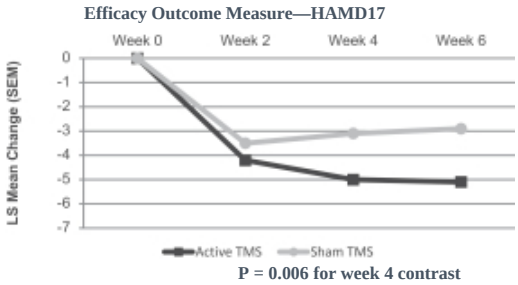


Figure 3. HAMD17 total score change from baseline during the acute treatment phase.

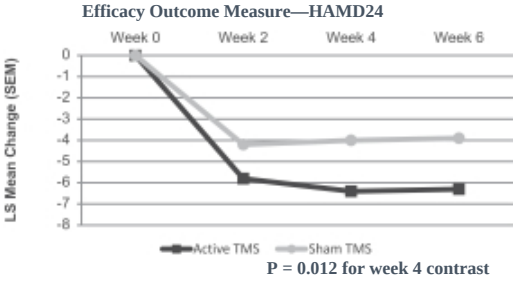


Figure 4. HAMD24 total score change from baseline during the acute treatment phase.

We also observed a statistically significant benefit in categorical outcomes of response and remission rates on the MADRS, as shown in Figure 5, the HAMD17, as shown in Figure 6, and the HAMD24, as shown in Figure 7. In this trial, NeuroStar Advanced Therapy was well tolerated and safe. The dropout rate for any reason was low and similar in the active therapy (7.7%) and sham-controlled TMS (8.2%) treatment groups at four weeks, and discontinuation specifically because of side effects was similar in the active therapy (4.5%) and sham-controlled TMS (3.4%) treatment groups. The trial demonstrated that NeuroStar Advanced Therapy administered over a period of six weeks was effective in treating MDD and with a favorable tolerability profile.

Figure 5. MADRS categorical outcome assessments during the acute treatment phase.

Figure 6. HAMD17 categorical outcome assessments during the acute treatment phase.

Figure 7. HAMD24 categorical outcome assessments during the acute treatment phase.

Our NeuroStar Advanced Therapy System received marketing authorization from the FDA in 2008 based on the results of this initial registration trial. The FDA review determined that statistical significance for the primary outcome measure was obtained for the patients in that portion of the study population (N=164) who had failed to benefit from one prior research grade antidepressant medication treatment trial (MADRS, P=0.0006). The original FDA-authorized indication for use in MDD based on this trial was for adult patients who failed to benefit from one prior antidepressant medication in the current episode.

NIMH-Sponsored Randomized Controlled Trial—the Optimization of TMS, or OPT-TMS Study

The U.S. NIMH sponsored a prospective, multisite, randomized, sham-controlled trial at four U.S. study sites that enrolled 199 patients from October 2004 through March 2009 to evaluate the safety and efficacy of NeuroStar Advanced Therapy in patients who met DSM-IV criteria for MDD, with at least a moderate level of treatment resistance to at least one and up to four complete antidepressant medication trials. Patients were randomly allocated 1:1 to either active NeuroStar Advanced Therapy or sham-controlled TMS. The primary efficacy endpoint of this trial was remission, measured using the 24-item HAMD scale. The trial design consisted of three phases: a two week no treatment lead-in phase, a three-week fixed-treatment phase of daily TMS sessions scheduled in a 5-day sequence, for a maximum of 15 sessions during which NeuroStar Advanced Therapy was given in the active treatment arm as a monotherapy in antidepressant medication-free patients and a variable, three-week treatment continuation for clinical improvers.

Results from the trial demonstrated that for the entire treatment resistant patient population, for the primary analysis of remission, there was a statistically significant effect of daily NeuroStar Advanced

Therapy as monotherapy (odds ratio, 4.2; 95% confidence interval, 1.32–13.24; P=0.02). There were 18 remitters (N=13 or 14.1% in the active therapy and N=5 or 5.1% in the sham-controlled TMS treatment groups). NeuroStar Advanced Therapy was well tolerated, with no difference in adverse events between the active therapy and sham-controlled TMS treatment groups. Discontinuation specifically because of side effects was 5.4% in the active therapy treatment group. These results indicate that the likelihood of achieving remission using the NeuroStar Advanced Therapy System increased by more than four times when compared to sham-control TMS, which is clinically meaningful.

The results of this clinical trial became available after we received our original marketing authorization in 2008. We submitted the clinical data from this trial to the FDA and received a new FDA 510(k) clearance in 2014 that expanded our original indication to adult patients who have failed to benefit from one or more prior antidepressant medications in the current episode of MDD.

Acute Efficacy and Long-Term Durability in Real-World Clinical Settings Study

The acute efficacy of treatment with the NeuroStar Advanced Therapy System was evaluated in a prospective, multisite, naturalistic, observational trial at 42 U.S. study sites that enrolled 307 patients from 2010 through 2012 to evaluate the effectiveness of NeuroStar Advanced Therapy in real-world clinical practice settings in patients who met DSM-IV criteria for MDD. The mean patient age was 48.6 years and the mean number of medication trials in the current episode that were of adequate dose and duration was 2.5, indicating a treatment resistant population of patients with MDD. Outcome assessments were obtained at baseline, week two, at the point of maximal acute treatment benefit and at week six in cases where the acute course of TMS therapy extended beyond six weeks. This naturalistic study design permitted patients to continue concurrent antidepressant medications during treatment with NeuroStar Advanced Therapy if they were directed to do so by the prescribing psychiatrist. The primary efficacy endpoint of this trial was the change from baseline to endpoint on the CGI-S. Secondary outcome measures included baseline to endpoint change on the PHQ-9.

The average number of NeuroStar Advanced Therapy treatment sessions across the acute phase was 28.3 (standard deviation: 10.1). Results from the trial demonstrated that there was a statistically significant mean change in depression severity from baseline to end of treatment on the CGI-S (-1.9 ± 1.4, P<0.0001) and for the PHQ-9 (-8.7 ± 7.2, P<0.0001). Clinician-assessed response rate for CGI-S was 58.0% and the remission rate was 37.1%, as shown in Figure 8. Patient-reported outcomes measured using the PHQ-9 was 56.4% for response, and 28.7% for remission, as shown in Figure 9. Notably, the outcomes were consistent across patients with both low and high grades of treatment resistance. Patients with low treatment resistance had been treated without success with one antidepressant medication in their current illness episode and patients with high grades of treatment resistance had been treated with two or more antidepressants without benefit. These results further support NeuroStar Advanced Therapy as an effective therapy for those who have failed to benefit from antidepressant medication.

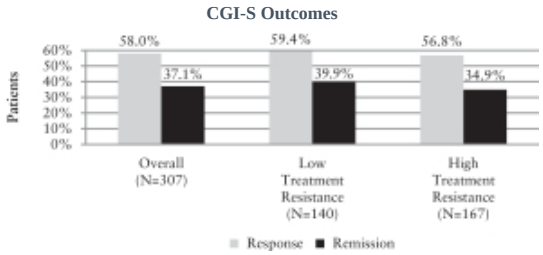


Figure 8. Categorical CGI-S response and remission outcomes—stratified by baseline level of treatment resistance (low versus high).

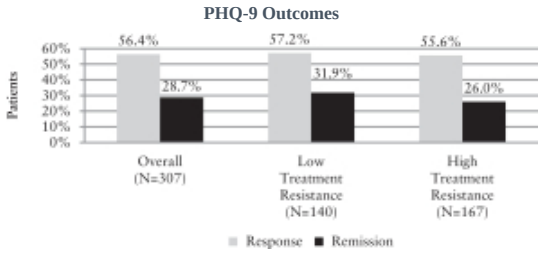


Figure 9. Categorical PHQ-9 response and remission outcomes—stratified by baseline level of treatment resistance (low vs. high).

The long-term durability of the clinical effect resulting from treatment with NeuroStar Advanced Therapy was also studied as part of this report over 12 months of follow-up. In the long-term phase, 257 patients who had participated in the acute treatment outcomes entered into long-term follow-up where their treatment outcomes were monitored over the next twelve months. This trial was conducted between March 2010 and August 2012. Clinical assessments using the CGI-S and the PHQ-9 were obtained at three, six, nine, and 12 months. A total of 205 patients provided data across the entire 12-month trial period. Concurrent medication use and NeuroStar Advanced Therapy reintroduction were allowed for recurrent symptoms and were recorded during the long-term follow-up period.

Compared with baseline scores obtained prior to acute TMS treatment, the statistically significant reduction in mean standard deviation CGI-S and PHQ-9 total scores at the end of acute TMS treatment were sustained throughout the 12-month follow-up period (end of 12 months follow-up: CGI-S 2.8 and PHQ-9 8.6, both P<0.0001). The proportion of patients who achieved remission at the conclusion of acute TMS treatment remained similar to that observed following the conclusion of the long-term follow-up phase: CGI-S (total score 1 or 2), 41.2% (end of acute) and 45.1% (end of long-term), as shown in Figure 10; PHQ-9 (total score < 5), 31.1% (end of acute) and 37.0% (end of long-term). These results demonstrate that NeuroStar Advanced Therapy provides a sustained durability of effect over 12 months of follow-up in a patient population receiving minimal to no benefit with antidepressant medications.

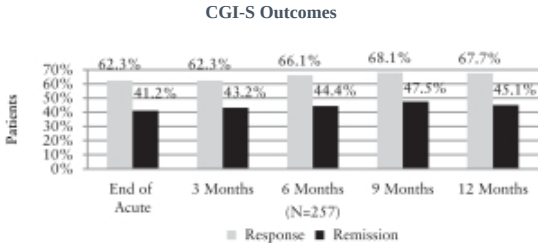


Figure 10. Categorical CGI-S response and remission outcomes during long-term follow-up phase.

Our Outcome Registry

In 2016, we launched our voluntary outcome registry to measure and record the outcomes of MDD patients treated with our NeuroStar Advanced Therapy System. Since inception, we have recorded results for almost 1,500 patients at approximately 50 treatment facilities. For the patients treated with our products who completed self-evaluations, such as PHQ-9, and have had their results submitted to the registry, our data indicates remission and response rates of 31% and 61%, respectively. For the more than 550 patients treated with our products who have been evaluated using an observer-dependent interview, such as CGI-S, and have had their results submitted to the registry, our data indicates remission and response rates of 53% and 74%, respectively. Although we believe that these results demonstrate the potential of our products to treat patients with MDD, our registry is voluntary and only a portion of psychiatrists using our products have reported their outcomes. Therefore, these results may not be representative of response and remission rates for all MDD patients treated with our products.

Sales and Customer Support Team and Psychiatrist Training

As of December 31, 2017, our sales and customer support team consisted of 106 employees working collaboratively across the following departments: 66 sales, 9 marketing, 19 field service and customer support, 3 clinical and 9 reimbursement.

Sales and Marketing—United States

Our commercialization team selectively markets and sells the NeuroStar Advanced Therapy System and recurring treatment sessions in the United States. Our primary focus is on selling to psychiatrists, with

primary care physicians and pain management specialists representing a small percentage of our customer base. We target approximately 3,600 high-decile psychiatric practices, who we estimate, based on data from Symphony Health and our own internal estimates, treat approximately 33% of MDD patients who meet our labeled indication and are insured. We target these practices by the number of psychiatrists within their practices, the number of patients they treat and their acceptance of commercial insurance and Medicare. We believe that our psychiatrist targeting strategy makes for a well-defined customer base that is accessible by our direct sales organization.

We have structured our sales and customer support team with specialized roles to sell our NeuroStar Advanced Therapy Systems and recurring treatment sessions, while delivering customer service at each stage of the implementation process. Our business development managers are responsible for identifying key customer prospects, educating them on the value of NeuroStar Advanced Therapy System, gaining their commitment for capital placement and introducing our clinical practice consultants. Our clinical practice consultants enhance the operational experience for providers and drive implementation of the NeuroStar Advanced Therapy System into our customers' practices. We created the role of clinical training consultant to partner with our psychiatrist providers to conduct initial and ongoing on-site clinical training to ensure clinical and practice success.

Practice Management Support and Psychiatrist Training—United States

Our clinical practice consultants play a pivotal role in ensuring the success of our customers as they implement a new service line into their practice. In the early stages of implementation, they help the practice set goals, educate on the types of patients that can benefit from our therapy and assist in preparing the office work flow and staffing needs. As the office prepares to begin scheduling consults, the clinical practice consultants will train the office staff on how to talk with patients about TMS and how to use patient educational tools such as presentations, videos and starter kits. Once the practice begins treating patients, they will educate the psychiatrist on how to track clinical outcomes, interpret data and how to effectively convey results to existing and potential patients and referring physicians. Our clinical practice consultants also work with our customers to increase awareness with referring physicians and develop external marketing tactics. Our dedicated reimbursement managers help each practice navigate all issues regarding the reimbursement process including investigation of benefits, prior authorizations and claims documentation. This group has assisted our customers to conduct over 20,000 benefit investigations, and have helped approximately 50,000 patients gain access to our therapy.

Psychiatrists and staff training on the NeuroStar Advanced Therapy System is a key to success within each practice. Our clinical training consultants take the burden of clinical training off our clinical practice consultants and provide a dedicated training resource to each customer. Clinical training consultants conduct at least a three-day, hands on training course that is scheduled after system installation at each practice and also provide ongoing advanced on-site clinical training.

Field Support—United States

Our field service engineers are responsible for maintenance, repairs and installation of upgrades. We provide a 24/7 support hotline to respond to medical information inquiries and technical questions that arise in all time zones. We pledge to have a field service engineer on-site within 24 hours of a service call. Because of the size and geographical coverage of our field service engineers and our standard 24-hour response time, NeuroStar Advanced Therapy Systems experience over 99% uptime, helping to ensure uninterrupted patient treatments.

International

We market our products in a few select markets outside the United States through independent distributors. In Japan, we have an exclusive distribution agreement with Teijin, for the commercialization of our products.

Distribution Agreement with Teijin Pharma Limited

In October 2017, we entered into a seven and a half year distribution agreement with Teijin Pharma Limited, or Teijin, for the exclusive distribution of our NeuroStar Advanced Therapy System to customers who will treat patients with MDD in Japan. Under the distribution agreement, Teijin is generally restricted from selling competing products in Japan. Our distribution agreement provides that we will have primary responsibility for obtaining reimbursement approval for use of NeuroStar Advanced Therapy System for the treatment of MDD in Japan, and Teijin will promote the sales of NeuroStar Advanced Therapy System for treatment of MDD in Japan. We have agreed to provide sales and technical support training to Teijin for our NeuroStar Advanced Therapy Systems.

Teijin is required to purchase minimum dollar values of NeuroStar Advanced Therapy Systems and treatment sessions from us following reimbursement approval by the Japanese Ministry of Health, Labour and Welfare, or JMHLW, for TMS treatment for MDD (or, if such approval requires certified training on the NeuroStar Advanced Therapy System by a third party, then upon the first psychiatrist being issued his or her training certification).

In 2017, under our distribution agreement with Teijin, we received an upfront payment of $0.75 million and a milestone payment of $2.0 million following JMHLW's approval of marketing the NeuroStar Advanced Therapy System for the treatment of MDD in Japan. These upfront and milestone payments have been deferred and are being recognized as revenue over the seven and one half year term of the agreement. Teijin is required to pay us a milestone payment tied to JMHLW issuing reimbursement for use of our products for the treatment of MDD in Japan.

The distribution agreement is scheduled to expire on March 31, 2025, subject to earlier termination if we or Teijin breach the agreement, Teijin fails to maintain distributor-level permits and approvals, Teijin fails to purchase from us specified dollar values of its sales forecasts, reimbursement for treatment of MDD using the NeuroStar Advanced Therapy System is not obtained from JMHLW by specified dates or such reimbursement is below specified minimums, Teijin reasonably believes that it is not commercially reasonable to continue distributing the NeuroStar Advanced Therapy System in Japan or bankruptcy related events occur. The term of the distribution agreement will be automatically extended for two years unless either party gives the other party at least two years' prior written of notice of non-renewal, except that we cannot decline to renew the agreement if Teijin has purchased 100% of its sales forecasts over the term of the agreement.

Competition

Our currently marketed products are, and any future products we develop and commercialize will be, subject to intense competition. The industry in which we operate is subject to rapid change and is highly sensitive to the introduction of new products or other market activities of current or new industry participants. If we are not successful in convincing others of the merits of our products or educating them on the use of our products, they may not use our products or use them effectively and we may be unable to increase our sales. Key competitive factors affecting the commercial success of the NeuroStar Advanced Therapy System and any other product candidates we may develop are likely to be efficacy, safety and tolerability profile, reliability, convenience of administration, price and reimbursement.

We have competitors that sell other forms of TMS therapy, including Brainsway, Magstim, Nextstim, CloudTMS and Magventure, that compete directly with the NeuroStar Advanced Therapy System and have TMS therapy treatment times as short as 20, 37, 37, 19 and 19 minutes, respectively. Competing TMS therapy companies may develop treatments that can be administered for shorter time periods, that have improved efficacy when compared to our products, or that require a less significant investment of resources from psychiatrists. We also face competition from pharmaceutical and other companies that develop products, such as antidepressant medications, for the treatment of psychiatric disorders. Our

commercial opportunity could be reduced or eliminated if these competitors develop and commercialize antidepressant medications or other treatments that are safer or more effective than the NeuroStar Advanced Therapy System. At any time, these and other potential market entrants may develop treatment alternatives that may render our products uncompetitive.

In addition, our competitors may have greater financial resources or more established distribution networks than we do, or may be acquired by enterprises that have more established distribution networks than we do. Our competitors may also develop and patent processes or products earlier than we can or obtain domestic or international regulatory clearances or approvals for competing products more rapidly than we can, which could impair our ability to develop and commercialize similar products. We also compete with our competitors in acquiring technologies and technology licenses complementary to our products or advantageous to our business. In addition, we compete with our competitors to engage the services of independent distributors outside the United States, both those presently working with us and those with whom we hope to work as we expand.

Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our products and services, to operate without infringing the proprietary rights of others, and to prevent others from infringing our proprietary rights. We rely on a combination of patents, trade secrets, copyrights and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. We seek to protect our proprietary position by, among other things, filing patent applications in the United States and internationally. Our patent estate includes patents and applications with claims directed to our NeuroStar Advanced Therapy Systems and broader claims for potential future products and developments. On a worldwide basis, as of March 31, 2018, our patent estate included 100 issued or allowed patents and pending patent applications for our products and novel design methods, manufacturing process, novel TMS devices and systems and future combination products that are mainly designed to treat psychiatric conditions or perform diagnostic procedures. In the United States, as of March 31, 2018, we owned or licensed 30 issued or allowed patents and seven patent applications filed that are directed to our TMS technology. Outside the United States, as of March 31, 2018, we owned or licensed 49 issued or allowed patents and 14 pending patent applications.

These U.S. issued patents are expected to remain in effect until between 2018 and 2030. Our core patents in the United States will not expire before 2024. Our non-U.S. patents are expected to remain in effect until between 2024 and 2035. Our worldwide intellectual property portfolio includes multiple pending patent applications relating to methods and apparatuses for the treatment of psychiatric health conditions in Australia, Canada, the European Union, Japan and the United States. Our patents and patent applications mainly relate to iron core technology, including materials, manufacturing methods, geometries, applications, and open core technologies, TMS design patents, including coil position, motor threshold level determination, contact sensing, and articulation arm designs, patient comfort, TMS support technologies and pulse monitoring, and potential next generation technologies.

In some instances, we submit patent applications directly with the USPTO as provisional patent applications. Provisional applications for patents were designed to provide a lower-cost first patent filing in the United States. Corresponding non-provisional patent applications must be filed not later than 12 months after the provisional application filing date. The corresponding non-provisional application benefits in that the priority date(s) of the patent application is/are the earlier provisional application filing date(s), and the patent term of the finally issued patent is calculated from the later non-provisional application filing date. This system allows us to obtain an early priority date, add material to the patent application(s) during the priority year, obtain a later start to the patent term and to delay prosecution costs, which may be useful in the event that we decide not to pursue examination in an application. We file U.S. non-provisional applications and Patent Cooperation Treaty, or PCT, applications that claim the

benefit of the priority date of earlier filed provisional applications, when applicable. The PCT system allows a single application to be filed within 12 months of the original priority date of the patent application, and to designate all of the 152 PCT member states in which national patent applications can later be pursued based on the international patent application filed under the PCT. The PCT searching authority performs a patentability search and issues a non-binding patentability opinion which can be used to evaluate the chances of success for the national applications in foreign countries prior to having to incur the filing fees. Although a PCT application does not issue as a patent, it allows the applicant to seek protection in any of the member states through national-phase applications.

At the end of the period of two and a half years from the first priority date of the patent application, separate patent applications can be pursued in any of the PCT member states either by direct national filing or, in some cases by filing through a regional patent organization, such as the European Patent Organization. The PCT system delays expenses, allows a limited evaluation of the chances of success for national/regional patent applications and enables substantial savings where applications are abandoned within the first two and a half years of filing.

For all patent applications, we determine claiming strategy on a case-by-case basis. Advice of counsel and our business model and needs are always considered. We file patents containing claims for protection of all useful applications of our proprietary technologies and any products, as well as all new applications and/or uses we discover for existing technologies and products, assuming these are strategically valuable. We continuously reassess the number and type of patent applications, as well as the pending and issued patent claims to ensure that maximum coverage and value are obtained for our processes, and compositions, given existing patent office rules and regulations. Further, claims may be modified during patent prosecution to meet our intellectual property and business needs.

We recognize that the ability to obtain patent protection and the degree of such protection depends on a number of factors, including the extent of the prior art, the novelty and non-obviousness of the invention, and the ability to satisfy the enablement requirement of the patent laws. The patent positions of medical device companies like ours are generally uncertain and involve complex legal, scientific and factual questions. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted or further altered even after patent issuance. Consequently, we may not obtain or maintain adequate patent protection for any of our product candidates or for our technology platform. We cannot predict whether the patent applications we are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Any patents that we hold may be challenged, circumvented or invalidated by third parties.

Our commercial success will also depend in part on not infringing the proprietary rights of third parties. In addition, we have licensed rights under proprietary technologies of third parties to develop, manufacture and commercialize specific aspects of our products and services. It is uncertain whether the issuance of any third party patent would require us to alter our development or commercial strategies, alter our processes, obtain licenses or cease certain activities. The expiration of patents or patent applications licensed from third parties or our breach of any license agreements or failure to obtain a license to proprietary rights that we may require to develop or commercialize our future technology may have a material adverse impact on us. If third parties prepare and file patent applications in the United States that also claim technology to which we have rights, we may have to participate in interference proceedings in the USPTO to determine priority of invention.

We further own trade secrets relating to our technology, and we maintain the confidentiality of proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. We seek to protect our trade secrets and know-how by entering into confidentiality agreements with third-parties, consultants and employees who have access to

such trade secrets and know-how. These agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual's relationship with us are to be kept confidential and not disclosed to third parties except in specific circumstances. In addition, we enter into employment agreements that require employees to assign to us any inventions, trade secrets or know-how that they develop while employed by us. Although we take steps to protect our proprietary information and trade secrets, including through agreements with our employees and consultants, these agreements may be breached, or third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. Thus, we may not be able to meaningfully protect our trade secrets. To the extent that our employees, consultants, scientific advisors or other contractors 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.

For a more comprehensive discussion of the risks related to our intellectual property, please see "Risk Factors—Risks Related to Intellectual Property."

Manufacturing and Supply

We manage all aspects of product supply through our operations team based in Malvern, Pennsylvania. We outsource the manufacture of components and high level assemblies, which are produced and tested to our specifications. We rely on third party providers to provide components used in existing products and we expect to continue to do so for future products.

We manage our arrangements with our third-party manufacturers and suppliers to adjust delivery schedules and quantities of components to match our changing manufacturing requirements. We forecast our component needs based on historical trends, current utilization patterns and sales forecasts of future demand. We establish our relationships with our third-party manufacturers and suppliers through supplier contracts and purchase orders. In most cases, these supplier relationships may be terminated by either party upon short notice. Currently, we are engaged with Sparton Medical Systems to supply our console; Molex Incorporated to supply our SenStar Treatment Link; Paragon Micro to supply our computer systems as well as other companies to supply components of our chairs and treatment packs.

In order to mitigate against the risks related to a single-source of supply, we qualify alternative suppliers when possible, maximize the use of commercial, off the shelf components and materials, minimize specialized or proprietary manufacturing processes, and develop contingency plans for responding to disruptions, including maintaining adequate inventory of any critical components. To date, we have not experienced material delays in obtaining any of our components, nor has the ready supply of finished products to our customers or clinicians been adversely affected by component supply issues.

Reimbursement, Payor Relations and Customer Support

Coverage and Reimbursement in the United States

Sales of a medical device, which is utilized for in-office medical treatments, depend, in part, on the extent to which such treatments using that medical device will be covered by third-party payors, such as government health care programs, private insurance and managed healthcare organizations. Even if a third-party payor covers a particular treatment, the resulting reimbursement payment rates may not be adequate to cover a provider's cost to purchase such medical device or ensure that purchase will be profitable for the provider. Additionally, patients who are treated in-office for a medical condition generally rely on third-party payors to reimburse all or part of the costs associated with the treatment and may be unwilling to undergo such treatment in the absence of coverage and adequate reimbursement.

Reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that a treatment is neither experimental nor investigational; safe, effective, and

medically necessary; appropriate for the specific patient; cost-effective; supported by peer reviewed medical journals; and included in clinical practice guidelines.

In the United States, there is no uniform policy of coverage and reimbursement among third-party payors. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies, but also have their own methods and approval process apart from Medicare coverage and reimbursement determinations. Physician reimbursement under Medicare generally is based on a defined fee schedule, the Physician Fee Schedule, through which payment amounts are determined by the relative values of the professional service rendered. Reimbursement rates from commercial payors vary depending on the procedure performed, the commercial payor, contract terms, and other factors.

Coverage and reimbursement for treatments can differ significantly from payor to payor. Decisions regarding the extent of coverage and amount of reimbursement to be provided for an in-office treatment are made on a plan-by-plan basis. One payor's determination to provide coverage for a specific treatment does not assure that other payors will also provide coverage, and adequate reimbursement.

In addition, the federal government and state legislatures have continued to implement cost containment programs, including price controls and restrictions on coverage and reimbursement. Third-party payors are increasingly challenging the price, examining the medical necessity and reviewing the cost-efficacy of medical services. Adoption of price controls and cost containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net sales and results of operations.

Based on our estimates, over 65 major private insurers in the United States, including the top 25 largest private insurers, have coverage policies for reimbursement of NeuroStar Advanced Therapy, representing 95% of the total payor covered lives in the United States. Treatments using NeuroStar Advanced Therapy are also eligible for reimbursement from Medicare, representing an additional 58.5 million covered lives in the United States as of January 2018.

Government Regulation

Our products and our operations are subject to extensive regulation by the FDA and other federal and state authorities in the United States, as well as comparable authorities in foreign jurisdictions. Our products are subject to regulation as medical devices under the FDCA, as implemented and enforced by the FDA. The FDA regulates the development, design, non-clinical and clinical research, manufacturing, safety, efficacy, labeling, packaging, storage, installation, servicing, recordkeeping, premarket clearance or approval, import, export, adverse event reporting, advertising, promotion, marketing and distribution, and import and export of medical devices to ensure that medical devices distributed domestically are safe and effective for their intended uses and otherwise meet the requirements of the FDCA.

In addition to U.S. regulations, we are subject to a variety of regulations in other jurisdictions governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA clearance or approval for a product, we must obtain authorization before commencing clinical trials or obtain marketing authorization or approval of our products under the comparable regulatory authorities of countries outside of the United States. The marketing authorization process varies from country to country and the time may be longer or shorter than that required for FDA clearance or approval.

FDA Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device commercially distributed in the United States requires either FDA clearance of a 510(k) premarket notification or PMA approval. Under the FDCA, medical devices are classified into one of three classes—Class I, Class II or Class III—depending on the degree of

risk associated with each medical device and the extent of manufacturer and regulatory control needed to ensure its safety and efficacy. Class I includes devices with the lowest risk to the patient and are those for which safety and efficacy can be assured by adherence to the FDA's General Controls for medical devices, which include compliance with the applicable portions of the quality systems regulation, or QSR, facility registration and product listing, reporting of adverse medical events, and truthful and non-misleading labeling, advertising, and promotional materials. Class II devices are subject to the FDA's General Controls, and special controls as deemed necessary by the FDA to ensure the safety and efficacy of the device. These special controls can include performance standards, post-market surveillance, patient registries and FDA guidance documents. While most Class I devices are exempt from the 510(k) premarket notification requirement, manufacturers of most Class II devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. The FDA's permission to commercially distribute a device subject to a 510(k) premarket notification is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or some implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring approval of a PMA.

Our NeuroStar Advanced Therapy System is classified as a Class II medical device. We initially received marketing authorization of this device through the *de novo* classification process. Subsequently, we have cleared any changes made to our system through the 510(k) clearance process.

510(k) Marketing Clearance Pathway

To obtain 510(k) clearance, we must submit to the FDA a premarket notification submission demonstrating that the proposed device is "substantially equivalent" to a predicate device already on the market. A predicate device is a legally marketed device that is not subject to premarket approval, i.e., a device that was legally marketed prior to May 28, 1976 (pre-amendments device) and for which a PMA is not required, a device that has been reclassified from Class III to Class II or I, or a device that was found substantially equivalent through the 510(k) process. The FDA's 510(k) clearance process usually takes from nine to twelve months, but may take significantly longer. The FDA may require additional information, including clinical data, to make a determination regarding substantial equivalence. If the FDA agrees that the device is substantially equivalent to a predicate device currently on the market, it will grant 510(k) clearance to commercially market the device. If the FDA determines that the device is "not substantially equivalent" to a previously cleared device, the device is automatically designated as a Class III device. The device sponsor must then fulfill more rigorous PMA requirements, or can request a risk-based classification determination for the device in accordance with the "de novo" process, which is a route to market for novel medical devices that are low to moderate risk and are not substantially equivalent to a predicate device.

Pre-Market Approval Process

A PMA application must be submitted if the medical device is in Class III (although the FDA has the discretion to continue to allow certain pre-amendment Class III devices to use the 510(k) process) or cannot be cleared through the 510(k) process. A PMA application must be supported by, among other things, extensive technical, preclinical, clinical trials, manufacturing and labeling data to demonstrate to the FDA's satisfaction the safety and effectiveness of the device.

After a PMA application is submitted and filed, the FDA begins an in-depth review of the submitted information, which typically takes between one and three years, but may take significantly longer. During this review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA will usually be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a pre-approval inspection of the

manufacturing facility to ensure compliance with the QSR, which imposes elaborate design development, testing, control, documentation and other quality assurance procedures in the design and manufacturing process. The FDA may approve a PMA application with post-approval conditions intended to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution and collection of long-term follow-up data from patients in the clinical study that supported approval. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including the loss or withdrawal of the approval. New PMA applications or supplements are required for significant modifications to the manufacturing process, labeling of the product and design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information as an original PMA application, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA application, and may not require as extensive clinical data or the convening of an advisory panel.

De novo Classification Process

Medical device types that the FDA has not previously classified as Class I, II, or III are automatically classified as Class III regardless of the level of risk they pose. The Food and Drug Administration Modernization Act of 1997 established a new route to market for low to moderate risk medical devices that are automatically placed into Class III due to the absence of a predicate device, called the "Request for Evaluation of Automatic Class III Designation," or the *de novo* classification procedure. This procedure allows a manufacturer whose novel device is automatically classified as Class III to request down-classification of its medical device into Class I or Class II on the basis that the device presents low or moderate risk, rather than requiring the submission and approval of a PMA application. Prior to the enactment of the Food and Drug Administration Safety and Innovation Act, or FDASIA, in July 2012, a medical device could only be eligible for *de novo* classification if the manufacturer first submitted a 510(k) premarket notification and received a determination from the FDA that the device was not substantially equivalent. FDASIA streamlined the *de novo* classification pathway by permitting manufacturers to request *de novo* classification directly without first submitting a 510(k) premarket notification to the FDA and receiving a not substantially equivalent determination. We originally obtained marketing authorization for our system using the *de novo* classification process after receiving a not substantially equivalent determination following the submission of a 510(k) premarket notification. We have subsequently used the 510(k) clearance process to obtain authorization from the FDA for changes to our marketed system.

Clinical Trials

A clinical trial is typically required to support a PMA application or *de novo* classification, and is sometimes required for a 510(k) pre-market notification. Clinical trials generally require submission of an application for an Investigational Device Exemption, or IDE, to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the investigational protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a non-significant risk device and eligible for more abbreviated IDE requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by the FDA as well as the appropriate institutional review boards, or IRBs, at the clinical trial sites, and the informed consent of the patients participating in the clinical trial is obtained. After a trial begins, the FDA may place it on hold or terminate it if, among other reasons, it concludes that the clinical subjects are exposed to an unacceptable health risk. Any trials we conduct must be conducted in accordance with FDA regulations as well as other federal regulations and state laws concerning human subject protection and privacy. Moreover, the results of a clinical trial may not be sufficient to obtain clearance or approval of the product.

Changes to Marketed Devices

After a device receives 510(k) marketing clearance, or *de novo* classification, any modification that could significantly affect its safety or efficacy, or that would constitute a major change or modification in its intended use, will require a new 510(k) marketing clearance or, depending on the modification, a de novo classification or PMA approval. The FDA requires each manufacturer to determine whether the proposed change requires submission of a 510(k) or a PMA in the first instance, but the FDA can review any such decision and disagree with a manufacturer's determination. Many minor modifications today are accomplished by a manufacturer documenting the change in an internal letter-to-file. The letter-to-file is in lieu of submitting a new 510(k) to obtain clearance for every change. The FDA can always review these letters to file in an inspection. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing and/or request the recall of the modified device until 510(k) marketing clearance or PMA approval is obtained. Also, in these circumstances, we may be subject to significant regulatory fines or penalties.

Post-Market Regulation

After a device is cleared or approved for marketing, numerous and pervasive regulatory requirements continue to apply. These include:

- establishment registration and device listing with the FDA;
- QSR requirements, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the design and manufacturing process;
- labeling and marketing regulations, which require that promotion is truthful, not misleading, fairly balanced and provide adequate directions for use and that all claims are substantiated, and also prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling; FDA guidance on off-label dissemination of information and responding to unsolicited requests for information;
- clearance or approval of product modifications to 510(k)-cleared devices that could significantly affect safety or efficacy or that would constitute a major change in intended use of one of our cleared devices;
- medical device reporting regulations, which require that a manufacturer report to the FDA if a device it markets may have caused or contributed to a death or serious injury, or has malfunctioned and the device or a similar device that it markets would be likely to cause or contribute to a death or serious injury or serious adverse events, if the malfunction were to recur;
- correction, removal and recall reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health;
- complying with regulations requiring Unique Device Identifiers (UDI) on devices and also requiring the submission of certain information about each device to the FDA's Global Unique Device Identification Database (GUDID);
- the FDA's recall authority, whereby the agency can order device manufacturers to recall from the market a product that is in violation of governing laws and regulations; and
- post-market surveillance activities and regulations, which apply when deemed by the FDA to be necessary to protect the public health or to provide additional safety and efficacy data for the device.

We may be subject to similar foreign laws that may include applicable post-marketing requirements such as safety surveillance and risk-benefit analysis. Our manufacturing processes are required to comply with the applicable portions of the QSR, which cover the methods and the facilities and controls for the design, manufacture, testing, production, processes, controls, quality assurance, labeling, packaging, distribution, installation and servicing of finished devices intended for human use. The QSR also requires, among other things, maintenance of a device master file, device history file, and complaint files. As a manufacturer, we are subject to periodic scheduled or unscheduled inspections by the FDA. Our failure to maintain compliance with the QSR requirements could result in the shut-down of, or restrictions on, our manufacturing operations and the recall or seizure of our products. The discovery of previously unknown problems with any of our products, including unanticipated adverse events or adverse events of increasing severity or frequency, whether resulting from the use of the device within the scope of its clearance or off-label by a physician in the practice of medicine, could result in restrictions on the device, including the removal of the product from the market or voluntary or mandatory device recalls.

The FDA has broad regulatory compliance and enforcement powers. If the FDA determines that we failed to comply with applicable regulatory requirements, it can take a variety of compliance or enforcement actions, which may result in any of the following sanctions:

- warning letters, untitled letters, fines, injunctions, consent decrees and civil penalties;
- recalls, withdrawals, or administrative detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusal to grant export or import approvals for our products; or
- criminal prosecution.

U.S. and Foreign Healthcare Laws and Compliance Requirements

Healthcare providers, physicians and third-party payors play a primary role in the recommendation, prescription and payment for medical treatments. A medical device manufacturer's arrangements with third-party payors, providers and patients may expose it to broadly applicable fraud and abuse and other healthcare laws and regulations that may affect its business or the financial arrangements and relationships through which it markets, sells and distributes its products. Even if a medical device manufacturer does not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, federal and state healthcare laws and regulations are applicable to its business. In addition, a portion of our business is subject to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as a business associate of our covered entity customers. To provide our covered entity customers with services that involve the use or disclosure of PHI, we are required to enter into business associate agreements. As a business associate, we are also directly liable for compliance with HIPAA. The laws that may affect a medical device manufacturer's ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits any person or entity from, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. The term "remuneration" has been broadly interpreted to include anything of value. The intent standard under the federal Anti-Kickback Statute was amended

by the Patient Protection and Affordable Care Act, or PPACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;

- the federal civil and criminal false claims laws and civil monetary penalty laws, such as the False Claims Act, or FCA, which imposes significant penalties and can be enforced by private citizens through civil qui tam actions, prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment of federal funds, and knowingly making, using or causing to be made or used 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. For example, companies have been prosecuted under the FCA in connection with alleged off-label promotion of devices and allegedly providing free products to customers with the expectation that the customers would bill federal health care programs for the product. In addition, a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to “cause” the submission of false or fraudulent claims;
- HIPAA, among other things, imposes criminal liability for 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 creates federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, which imposes privacy, security, transmission and breach reporting obligations with respect to individually identifiable health information upon entities subject to the law, including health plans, healthcare clearinghouses and certain healthcare providers and their respective business associates that perform services on their behalf that involve individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions;
- the federal physician payment transparency requirements, sometimes referred to as the “Physician Payments Sunshine Act,” created under the PPACA, which requires, among other things, certain manufacturers of drugs, devices, biologics and medical supplies reimbursed under Medicare, Medicaid, or the Children’s Health Insurance Program (with certain exceptions) to report annually to the United States Department of Health and Human Services information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- foreign and state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, that may impose similar or more prohibitive restrictions, and may apply to

items or services reimbursed by any non-governmental third-party payors, including private insurers; state laws that require device manufacturers 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; 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 and pricing information; and other federal and state laws that govern the privacy and security of health information or personally identifiable information in certain circumstances, including state health information privacy and data breach notification laws which govern the collection, use, disclosure, and protection of health-related and other personal information, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus requiring additional compliance efforts and data privacy and security laws and regulations in foreign jurisdictions that may be more stringent than those in the United States (such as the European Union, which adopted the General Data Protection Regulation, which will become effective in May 2018).

Because of the breadth of these laws and the narrowness of their statutory exceptions and regulatory safe harbors, it is possible that some of a medical device manufacturer's business activities could be subject to challenge under one or more of these laws. The scope and enforcement of each 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. Federal and state enforcement bodies have recently increased their 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.

Ensuring that business arrangements with third parties comply with applicable healthcare laws and regulations is costly and time consuming. If a medical device manufacturer's operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to it, it may be subject to penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from governmental funded healthcare programs, such as Medicare and Medicaid, additional reporting obligations and oversight if it becomes subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of operations, any of which could adversely affect the ability of a medical device manufacturer to operate its business and the results of its operations.

United States Healthcare Reform

In the United States, a number of legislative and regulatory proposals have been considered or enacted to change the healthcare system in ways that could affect a medical device manufacturer's business. Among policy makers and payors in the United States, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. For example, in 2010, the PPACA was enacted, which includes measures to significantly change the way health care is financed by both governmental and private insurers, and significantly impacts the medical device industry. Among other ways in which it may impact a medical device manufacturer's business, the PPACA:

- imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, although the effective rate paid may be lower. Under the Consolidated Appropriations Act of 2016, the excise tax was suspended through December 31, 2017, and under the continuing resolution on appropriations for fiscal year 2018, or 2018 Appropriations Resolution, signed by President Trump on January 22, 2018, was further suspended through December 31, 2019;

- establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical efficacy research in an effort to coordinate and develop such research;
- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models; and
- expands the eligibility criteria for Medicaid programs.

Some of the provisions of the PPACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the PPACA, as well as recent efforts by the Trump administration to repeal or replace certain aspects of the PPACA. President Trump has signed two Executive Orders and other directives designed to delay the implementation of any certain provisions of the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the PPACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate”. Additionally, the 2018 Appropriations Resolution delayed the implementation of certain PPACA-mandated fees, including, without limitation, the medical device excise tax. As a result, there is significant uncertainty regarding future healthcare reform and its impact on a medical device manufacturer’s operations.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. On August 2, 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation’s automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013, and due to subsequent legislative amendments to the statute, including the Bipartisan Budget Act of 2018, will stay in effect through 2027 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which, among other things, further reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. In addition, the Medicare Access and CHIP Reauthorization Act of 2015, enacted on April 16, 2015, or MACRA, repealed the formula by which Medicare made annual payment adjustments to physicians and replaced the former formula with fixed annual updates and a new system of incentive payments scheduled to begin in 2019 that are based on various performance measures and physicians’ participation in alternative payment models such as accountable care organizations.

Recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several U.S. Congressional inquiries and proposed federal legislation designed to, among other things, bring more transparency to product pricing, reduce the cost of certain products under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies. At the state level, individual states in the United States are also increasingly passing legislation and implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures.

It is likely that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for a medical device manufacturer's products or additional pricing pressure.

Japanese Regulation

In Japan, medical devices must be approved prior to importation and commercial sale by the MHLW. The approval process identifies a Marketing Authorization Holder, or MAH, who is designated as the only authorized seller of products. Manufacturers of medical devices outside of Japan who do not operate through a Japanese entity are able to designate a MAH who will apply for product approval and take responsibility for the medical device as designated. The MHLW evaluates each device for safety and efficacy. As part of its approval process, the MHLW may require that the product be tested in Japanese laboratories. The approval process ranges in length and certain medical devices may require a longer review period for approval. Once a device is approved, the MHLW issues a Shonin to the MAH or designated MAH, thereby permitting such entity to import the device into Japan for sale.

After a device is approved for importation and commercial sale in Japan, the MHLW continues to monitor sales of approved products for compliance with labeling regulations, which prohibit promotion of devices for unapproved uses, and reporting regulations, which require reporting of product malfunctions, including serious injury or death caused by any approved device. Failure to comply with applicable regulatory requirements can result in enforcement action by the MHLW, which may include fines, injunctions, and civil penalties; recall or seizure of our products; operating restrictions; partial suspension or total shutdown of sales in Japan; or criminal prosecution.

Employees

As of December 31, 2017, we had 145 employees, with 106 employees on our sales and customer support team, 21 in research and development, including clinical, regulatory and certain quality functions, three employees in operations and 15 employees in general and administrative. We have never had a work stoppage and none of our employees are covered by collective bargaining agreements or represented by a labor union. We believe our employee relations are good.

Facilities

We occupy an approximately 32,000 square foot facility in Malvern, Pennsylvania, under a lease that ends in February of 2021. We have an option to extend the lease for an additional five year term followed by a three year additional term. We believe that our existing facilities are adequate to meet our needs for the foreseeable future.

Legal Proceedings

We are subject from time to time to various claims and legal actions during the ordinary course of our business. We believe that there are currently no claims or legal actions that would reasonably be expected to have a material adverse effect on our results of operations, financial condition, or cash flows.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our current executive officers and directors, including their ages as of May 25, 2018:

NAME	AGE	POSITION(S)
Executive Officers		
Chris Thatcher	53	President and Chief Executive Officer and Director
Peter Donato	48	Vice President and Chief Financial Officer
Daniel Guthrie	41	Chief Commercial Officer
Gregory Harper	57	Vice President of Research and Development, Operations and Product Development
Non-Employee Directors		
Brian Farley	60	Chairman of the Board
Stephen Campe	52	Director
Paulina Hill	36	Director
Ron Hunt	53	Director
Wilfred Jaeger, M.D.	62	Director
Glenn Muir	59	Director

Executive Officers

Chris Thatcher has served as our President and Chief Executive Officer since 2014 and as a member of our board of directors since 2014. Prior to joining our company, Mr. Thatcher led the Reichert Technology Global Business Unit of Ametek, Inc. as its Divisional Vice President and Business Unit Manager from February 2013 to November 2014, where he was responsible for revitalizing the brand and expanding its business globally. From 2009 to 2013, Mr. Thatcher served as the President of the Neurosurgery Division at Integra LifeSciences Holdings Corporation. Prior to joining Integra, Mr. Thatcher was at Bausch and Lomb in various roles from 2002 to 2009, including Vice President of the Americas and General Manager of its Canadian Division. Before joining Bausch and Lomb, from 1997 to 2002, Mr. Thatcher worked in Allergan's Surgical Products division. Mr. Thatcher also serves as a Director of Micro Interventional Devices, Inc. He earned his bachelor's degree from Lafayette College. We believe Mr. Thatcher's leadership of both large organizations and growing businesses qualifies him to serve on our board of directors.

Peter Donato has served as our Chief Financial Officer and Vice President since March 2017. Prior to joining our company, and beginning in 2015, Mr. Donato served as the Chief Financial Officer and Senior Vice President of Assurex Health, Inc., now a division of Myriad. From 2014 to 2015, he served as the Chief Financial Officer, Executive Vice President, Secretary and Treasurer of Bovie Medical Corporation. From 2011 to 2013, Mr. Donato was the Corporate Controller of Cyberonics, Inc., now LivaNova. From 2010 to 2011, he served as the Chief Financial Officer and Principal Accounting Officer of Catasys, Inc. From 2007 to 2010, Mr. Donato served as the Chief Financial Officer and Corporate Vice President of IRIS International, Inc. and also served as its Secretary and Principal Accounting Officer. From 2003 to 2006, Mr. Donato was the Chief Financial Officer and Vice President of Finance for the cardiology division of Accellent, Inc. Mr. Donato earned his bachelor's degree in business administration and accounting from The Ohio State University. He received his MBA from the College of Business Administration at the University of Akron. Mr. Donato is a licensed CPA.

Daniel Guthrie has served as our Chief Commercial Officer since May 2018. Prior to joining our company, Mr. Guthrie was Vice President of Commercialization at JADAK, a business unit of Novanta Inc., from January 2017 to April 2018. Prior to JADAK, Mr. Guthrie was a General Manager at Zimmer

Biomet Holdings Inc. from August 2011 to December 2016, where, among other roles, he lead the Asia Pacific business for the company's dental implant division and regenerative therapies group. Mr. Guthrie was a Director of Franchise Marketing for BioSurgery from May 2008 to August 2011 and a Director of Global Product Marketing from May 2005 to July 2008 at Medtronic PLC (formerly Covidien Ltd.), where he worked in the surgical solutions and patient care and safety business units. Prior to Medtronic, Mr. Guthrie was Regional Marketing Manager, Asia at Fleet Laboratories from May 2000 to December 2004. Mr. Guthrie earned his bachelor's degree in finance and marketing from American University and his MBA from Southern Illinois University at Carbondale.

Gregory Harper has served as our Vice President of Product Development and Operations since September 2016. Prior to joining our company, Mr. Harper was the Vice President, CT Global Research and Development for the Philips Healthcare Computed Tomography from March 2015 to September 2016, where he was responsible for leading the product innovation pipeline and development activities. From January of 2011 to March 2015, Mr. Harper held roles as Director, Computed Tomography Performance and Senior Director, Computed Tomography and Nuclear Medicine within Philips Healthcare. Prior to Philips, Mr. Harper worked in General Electric in the Healthcare, Lighting and Appliance, and Aerospace businesses. Mr. Harper earned his BSEE from Valparaiso University and his MBA from the University of Wisconsin, Milwaukee.

Non-Employee Directors

Brian Farley has served as a member of our board of directors since 2009 and as chairman beginning in 2011. From 2010 to 2015, Mr. Farley was the Chief Executive Officer of Entellus Medical Inc., and he served as a member of the company's board of directors from 2008 to 2018. From 1996 to 2009, Mr. Farley was President and Chief Executive Officer of VNUS Medical Technologies. Prior to joining VNUS, Mr. Farley served in various management and executive positions in research and development, clinical research, and business development at the Vascular Intervention Division of Guidant Corporation and in the Medical Device Division of Eli Lilly and Company. In addition to serving on our board, Mr. Farley serves on the board of Neurolutions, Inc. He earned his bachelor's degree in engineering with an emphasis in biomedical engineering and his Master's Degree in electrical engineering from Purdue University. We believe Mr. Farley's leadership and management in medical device companies qualifies him to serve on our board of directors.

Stephen M. Campe has served as a member of our board of directors since 2013. Mr. Campe is Managing Director and Senior Advisor to Patricia Industries, Inc., or Patricia, a wholly-owned private equity and venture capital subsidiary of Investor AB. Mr. Campe joined Investor AB in 1998 as Managing Director and head of the healthcare investing team, and served as President of a predecessor entity to Patricia from 2008 to 2015 with responsibility for Investor AB's global venture capital activities. Mr. Campe has been an active healthcare investor for over 20 years, focusing his investing activities primarily on medical technology including therapeutic, surgical, and diagnostic devices. Mr. Campe currently serves on the boards of Intuity Medical and HireVue Inc. and has previously served on the boards of numerous medical technology companies. Previously, Mr. Campe was a consultant at McKinsey & Company where he managed corporate finance and strategy engagements for several diversified healthcare companies, and was an investment banker specializing in mergers and acquisitions. Mr. Campe earned Bachelor's Degrees in Economics and Systems Science Engineering from the University of Pennsylvania and his MBA from Yale University. We believe Mr. Campe's healthcare investment and management experience qualifies him to serve on our board of directors.

Paulina Hill, Ph.D has served as a member of our board of directors since June 2017. She has been a Principal at Polaris Partners since 2015, after joining Polaris in 2011 as an associate on its healthcare team. Dr. Hill served as the founding Chief Executive Officer of Camp4 Therapeutics. She serves on the board of Kala Pharmaceuticals, a public pharmaceutical company, and the private company boards of

Arsenal Medical, Faraday Pharmaceuticals, KinDex Pharmaceuticals, and Camp4 Therapeutics. Dr. Hill completed her postdoctoral fellowship in the chemical engineering department at the Massachusetts Institute of Technology, where she worked on developing novel biomaterial scaffolds and drug delivery systems for neural applications. She earned her bachelor's degree from East Carolina University and her Ph.D. in Molecular Medicine with a tissue engineering focus from the Wake Forest University School of Medicine. We believe Dr. Hill's investor experience and specialized knowledge in neuroscience and medicine qualifies her to serve on our board of directors.

Ron Hunt has served as a member of our board of directors since 2015. Since 2005, Mr. Hunt has served as a Managing Director and member of New Leaf Venture Partners, L.L.C., a venture capital firm. Previously, Mr. Hunt served at the Sprout Group, a venture capital firm, and was a consultant with consulting firms Coopers & Lybrand Consulting and The Health Care Group. Mr. Hunt also previously served in various sales and marketing positions at Johnson & Johnson and SmithKline Beecham Pharmaceuticals. Mr. Hunt previously served on the board of directors of Durata Therapeutics, Inc., Relypsa Inc., Aspreva Pharmaceuticals Corp. and Corixa Corporation. Mr. Hunt holds a B.S. from Cornell University and an M.B.A. from the Wharton School of the University of Pennsylvania. We believe Mr. Hunt's experience advising private and public healthcare companies qualifies him to serve on our board of directors.

Wilfred E. Jaeger, M.D., has served as a member of our board of directors since May 2005. Dr. Jaeger co-founded Three Arch Partners, a venture capital firm, in 1993 and has served as a Partner since that time. Prior to co-founding Three Arch Partners, Dr. Jaeger was a general partner at Schroder Ventures. He is a member of the board of directors of Nevro Corporation, a public medical device company, Concert Pharmaceuticals, Inc., a public pharmaceutical company, and numerous private companies. Dr. Jaeger received a B.S. in Biology from the University of British Columbia, his M.D. from the University of British Columbia School of Medicine, and an M.B.A. from Stanford University. We believe that Dr. Jaeger's financial and medical knowledge and experience qualifies him to serve on our board of directors.

Glenn Muir has served as a member of our board of directors since July 2017. From 1992 until 2014 when he retired, Mr. Muir was the Chief Financial Officer at Hologic, Inc., a publicly-traded manufacturer and supplier of medical products. He served as Hologic's Executive Vice President of Finance & Administration from 2000 to 2014, as Vice President of Finance & Administration from 1992 to 2000, and as Controller from 1988 to 1992. Mr. Muir served as a Director of Hologic from 2001 to 2013. Mr. Muir served as Chief Financial Officer and Vice President of Finance & Administration at Metallon Engineered Materials Corp. from 1986 to 1988. He served as a Senior Auditor with Arthur Andersen & Co. from 1981 to 1984. Mr. Muir has been a Director of two publicly traded life science and biotechnology companies, Repligen Corporation and G1 Therapeutics, Inc., since 2015. He served as an Independent Director at ReWalk Robotics Ltd. and RainDance Technologies, Inc., both from 2014 to 2017. Mr. Muir earned his bachelor's degree in accounting from the University of Massachusetts in Amherst, his M.B.A. from the Harvard Business School, and his M. Sc. in taxation from Bentley College Graduate School of Business. He is a certified public accountant. We believe Mr. Muir's leadership and management experience with medical product companies and financial expertise qualifies him to serve on our board of directors.

Board Composition and Election of Directors

Board Composition

Our business and affairs are managed under the direction of our board of directors, which currently consists of seven members. Our amended and restated certificate of incorporation and amended and restated bylaws, to be effective upon the closing of this offering, provide that our board of directors will consist of a number of directors, not less than nor more than , to be fixed exclusively by

resolution of our board of directors. Other than vacancies to be filled through selection by the remaining members of our board of directors, our amended and restated certificate of incorporation and amended and restated bylaws, to be effective upon the closing of this offering, will provide that directors are elected annually at the annual meeting of our stockholders by a vote of the holders of a majority of the voting power represented present and voting in person, by proxy or by other voting instrument at that meeting. We have only one class of directors.

The primary responsibilities of our board of directors are to provide oversight, strategic guidance, counseling and direction to our management. Our board of directors meets on a regular basis and additionally as required.

Our amended and restated certificate of incorporation and amended and restated bylaws, to be effective upon the closing of this offering, will provide that the authorized number of directors may be changed only by resolution approved by a majority of our board of directors. Further, our amended and restated certificate of incorporation and amended and restated bylaws will provide that our directors may be removed only for cause by the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in an annual election of directors.

Director Independence

Applicable Nasdaq rules require a majority of a listed company's board of directors to be comprised of independent directors within one year of listing. In addition, Nasdaq rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Exchange Act of 1934, as amended, or the Exchange Act. The Nasdaq independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees, that neither the director nor any of his family members has engaged in various types of business dealings with us and that the director is not associated with the holders of more than 5% of our common stock. In addition, under applicable Nasdaq rules, a director will only qualify as an "independent director" if, in the opinion of the listed company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our board of directors has determined that all of our directors, except Mr. Thatcher, are independent directors, as defined under applicable Nasdaq rules. In making such determination, our board of directors considered the relationships that each such non-employee director has with our company and all other facts and circumstances that our board of directors deemed relevant in determining his or her independence, including the beneficial ownership of our capital stock by each non-employee director.

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

Role of the Board in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors does not have a standing risk management committee, but rather administers this oversight function directly through the board of directors 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. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure and our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which operate pursuant to a committee charter. Our board of directors may establish other committees to facilitate the management of our business. The composition and functions of each committee are described below.

Audit Committee

Upon completion of this offering, our audit committee will consist of Glenn Muir, Stephen M. Campe and Paulina Hill, with Mr. Muir serving as chair of the audit committee. Our board of directors has determined that each of these individuals meets the independence requirements of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, Rule 10A-3 under the Securities Exchange Act of 1934, or the Exchange Act, and the applicable listing standards of Nasdaq. Each member of our audit committee can read and understand fundamental financial statements in accordance with Nasdaq audit committee requirements. In arriving at this determination, the board has examined each audit committee member's scope of experience and the nature of their prior and/or current employment.

Our board of directors has determined that Glenn Muir qualifies as an audit committee financial expert within the meaning of SEC regulations and meets the financial sophistication requirements of Nasdaq. In making this determination, our board has considered Mr. Muir's formal education and previous and current experience in financial and accounting roles. Both our independent registered public accounting firm and management periodically meet privately with our audit committee.

The functions of this committee include, among other things:

- evaluating the performance, independence and qualifications of our independent auditors and determining whether to retain our existing independent auditors or engage new independent auditors;
- reviewing and approving the engagement of our independent auditors to perform audit services and any permissible non-audit services;
- monitoring the rotation of partners of our independent auditors on our engagement team as required by law;
- prior to engagement of any independent auditor, and at least annually thereafter, reviewing relationships that may reasonably be thought to bear on their independence, and assessing and otherwise taking the appropriate action to oversee the independence of our independent auditor;
- reviewing our annual and quarterly financial statements and reports, including the disclosures contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and discussing the statements and reports with our independent auditors and management;
- reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation and matters concerning the scope, adequacy and effectiveness of our financial controls;
- reviewing with management and our auditors any earnings announcements and other public announcements regarding material developments;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters and other matters;
- preparing the report that the SEC requires in our annual proxy statement;

- reviewing and providing oversight of any related-person transactions in accordance with our related person transaction policy and reviewing and monitoring compliance with legal and regulatory responsibilities, including our code of business conduct and ethics;
- reviewing our major financial risk exposures, including the guidelines and policies to govern the process by which risk assessment and risk management is implemented;
- reviewing on a periodic basis our investment policy; and
- reviewing and evaluating on an annual basis the performance of the audit committee and the audit committee charter.

We believe that the composition and functioning of our audit committee complies with all applicable requirements of the Sarbanes-Oxley Act, and all applicable SEC and Nasdaq rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Compensation Committee

Upon completion of this offering, our compensation committee will consist of Wilfred E. Jaeger, Brian Farley and Ronald Hunt, with Mr. Jaeger serving as chair of the compensation committee. Each of these individuals is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act. Our board of directors has determined that each of these individuals is ‘‘independent’’ as defined under the applicable listing standards of Nasdaq, including the standards specific to members of a compensation committee. The functions of this committee include, among other things:

- reviewing, modifying and approving (or if it deems appropriate, making recommendations to the full board of directors regarding) our overall executive compensation strategy and policies;
- making recommendations to the full board of directors regarding the compensation and other terms of employment of our executive officers;
- reviewing and making recommendations to the full board of directors regarding performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;
- reviewing and approving (or if it deems it appropriate, making recommendations to the full board of directors regarding) the equity incentive plans, compensation plans and similar programs advisable for us, as well as modifying, amending or terminating existing plans and programs;
- evaluating risks associated with our compensation policies and practices and assessing whether risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on us;
- reviewing and making recommendations to the full board of directors regarding the type and amount of compensation to be paid or awarded to our non-employee board members;
- establishing policies with respect to votes by our stockholders to approve executive and director compensation to the extent required by Section 14A of the Exchange Act and, if applicable, determining our recommendations regarding the frequency of advisory votes on executive and director compensation;
- reviewing and assessing the independence of compensation consultants, legal counsel and other advisors as required by Section 10C of the Exchange Act;
- administering our equity incentive plans;
- establishing policies with respect to equity compensation arrangements;

- reviewing the competitiveness of our executive and director compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;
- reviewing and approving on making recommendations to the full board of directors regarding the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements for our executive officers;
- reviewing with management and approving our disclosures under the caption "Compensation Discussion and Analysis" in our periodic reports or proxy statements to be filed with the SEC, to the extent such caption is included in any such report or proxy statement;
- preparing the report that the SEC requires in our annual proxy statement; and
- reviewing and evaluating on an annual basis the performance of the compensation committee and the compensation committee charter.

We believe that the composition and functioning of our compensation committee complies with all SEC and Nasdaq rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Nominating and Corporate Governance Committee

Upon completion of this offering, our nominating and corporate governance committee will consist of Brian Farley and Stephen M. Campe, with Brian Farley serving as chair of the nominating and corporate governance committee. Our board of directors has determined that each of these individuals is ''independent'' as defined under the applicable listing standards of Nasdaq and SEC rules and regulations. The functions of this committee include, among other things:

- identifying, reviewing and evaluating candidates to serve on our board of directors;
- determining the minimum qualifications for service on our board of directors;
- evaluating director performance on the board and applicable committees of the board and determining whether continued service on our board is appropriate;
- evaluating, nominating and recommending individuals for membership on our board of directors;
- evaluating nominations by stockholders of candidates for election to our board of directors;
- considering and assessing the independence of members of our board of directors;
- developing a set of corporate governance policies and principles and recommending to our board of directors any changes to such policies and principles;
- reviewing and making recommendations to the board of directors with respect to management succession planning;
- considering questions of possible conflicts of interest of directors as such questions arise; and
- reviewing and evaluating on an annual basis the performance of the nominating and corporate governance committee and the nominating and corporate governance committee charter.

We believe that the composition and functioning of our nominating and corporate governance committee complies with all SEC and Nasdaq rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Our board of directors may from time to time establish other committees.

Compensation Committee Interlocks and Insider Participation

None of our directors who serve as a member of our compensation committee is, or has at any time during the past year been, one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving on our board of directors or compensation committee.

Code of Business Conduct and Ethics

Effective upon the closing of this offering, we will adopt a Code of Business Conduct and Ethics, or the Code of Conduct, applicable to all of our employees, executive officers and directors. Following the closing of this offering, the Code of Conduct will be available on our website at *www.neurostar.com*. The nominating and corporate governance committee of our board of directors will be responsible for overseeing the Code of Conduct and must approve any waivers of the Code of Conduct for employees, executive officers and directors. In addition, we intend to post on our website all disclosures that are required by law or the listing standards of the applicable stock exchange concerning any amendments to, or waivers from, any provision of the Code of Conduct.

Non-Employee Director Compensation

In the year ended December 31, 2017, the chairman of our board was paid $50,000 and also received a restricted stock award. Our audit committee chairman received an option to purchase shares in 2017 in connection with joining the board. Our non-employee directors also received reimbursement of their actual out-of-pocket costs and expenses incurred in connection with attending board meetings.

We intend to adopt a non-employee director compensation policy, pursuant to which our non-employee directors will be eligible to receive compensation for service on our board of directors and committees of our board of directors, following the completion of this offering.

EXECUTIVE AND DIRECTOR COMPENSATION

As an "emerging growth company" as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to emerging growth companies and smaller reporting companies.

Executive Compensation Process

The compensation committee of our board of directors has historically been responsible for the executive compensation program for our executive officers, including our Named Executive Officers, and reports to our board of directors on its discussions, decisions and other actions. The compensation committee has reviewed and approved corporate goals and objectives relating to the compensation of our Chief Executive Officer, evaluated the performance of our Chief Executive Officer in light of those goals and objectives and recommended to our board of directors the compensation of our Chief Executive Officer based on such evaluation. In addition, the compensation committee, in consultation with our Chief Executive Officer, has reviewed and approved all compensation for our other executive officers. Our Chief Executive Officer has historically made compensation recommendations for our other executive officers and has initially proposed the corporate performance goals under our annual cash bonus plan to the compensation committee. The compensation committee has been authorized to retain and terminate the services of one or more executive compensation consultants as it sees fit, in connection with its oversight of our executive compensation program and related policies.

Summary Compensation Table

The following table provides information regarding the total compensation for services rendered in all capacities that was earned by each individual who served as our principal executive officer and our two other most highly-compensated executive officers who were serving as executive officers as of December 31, 2017. We refer to these individuals as our "Named Executive Officers."

2017 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Christopher A. Thatcher, *President and Chief Executive Officer*	2017	$ 400,155	$—	$ 118,716	$ 240,093(2)	$ —	$ 758,964
Peter L. Donato, *Vice President and Chief Financial Officer(3)*	2017	$ 221,907	—	$ 165,253	$ 127,643(2)	$ 26,050(4)	$ 540,853
Gregory A. Harper, *Vice President of Research and Development, Operations and Product Development*	2017	$ 287,700	—	$ 75,512	$ 97,473(2)	$ —	$ 460,685

(1) The amounts reported represent the aggregate grant date fair value of the options to purchase shares of our common stock granted to the Named Executive Officer in 2017, calculated in accordance with the Financial Accounting Standard Board's ASC Topic 718. Such grant date fair value does not take into account any estimated forfeitures related to service-vesting conditions. See Note 12 to our financial statements as included in this prospectus for the assumptions used in calculating the grant date fair value of the stock options reported in this column.

footnotes continued on following page

(2) Reflects amounts paid pursuant to our fiscal 2017 bonus program described in "Narrative Disclosure to Summary Compensation Table" below.
(3) Mr. Donato joined us as our Vice President and Chief Financial officer in April 10, 2017.
(4) The amount reported includes $26,050 representing payments to Mr. Donato for living expenses. If he terminates his employment with us voluntarily or for cause within 24 months of the effective date of his employment, Mr. Donato will reimburse us all amounts paid to him for this relocation assistance.

Narrative Disclosure to Summary Compensation Table

The compensation of our Named Executive Officers generally consists of base salary, an annual cash bonus opportunity and long-term incentive compensation in the form of equity awards.

Base Salary

The compensation committee reviews the base salaries of our executive officers, including our Named Executive Officers, from time to time and makes adjustments (or, in the case of our Chief Executive Officer, may recommend adjustments for approval by our board of directors) as it determines to be reasonable and necessary to reflect the scope of his or her performance, contributions, responsibilities, experience, prior salary level, position (in the case of a promotion) and market conditions, including base salary amounts relative to similarly-situated executive officers at peer group companies.

Annual Cash Bonuses

Each of our Named Executive Officers was a participant in our 2017 annual cash bonus plan, pursuant to which each was eligible to earn a cash bonus based on our achievement of pre-established revenue and earnings objectives, as well as on the achievement of individual performance goals. For 2017, the target annual cash bonus opportunity for Mr. Thatcher was equal to 40% of his annual base salary and the target annual cash bonus opportunities for Messrs. Donato and Harper were equal to 30% and 25%, respectively, of their annual base salaries. No bonuses were to be paid under our 2017 annual cash bonus plan unless and until the compensation committee made a determination with respect to the attainment of the performance objectives. In early 2018, the compensation committee determined that, based on our achievement levels with respect to the pre-established revenue and earnings objectives for 2017, as well as an evaluation of each individual's performance during 2017, to pay each of our Named Executive Officers the cash bonus amounts for 2017 performance as set forth in the column entitled "Non-Equity Incentive Plan Compensation" in the 2017 Summary Compensation Table above.

Long-Term Incentive Compensation

Historically, and prior to our initial public offering, we have generally granted options to purchase shares of our common stock to our employees, including our Named Executive Officers. For a description of the options to purchase shares of our common stock granted to our Named Executive Officers in 2017, please see the "2017 Outstanding Equity Awards at Fiscal Year-End Table" below.

Section 401(k) Savings Plan and Other Benefits

We maintain a tax-qualified Section 401(k) savings plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees are able to defer eligible compensation subject to applicable annual limits under the Internal Revenue Code, or the Code. Employees' pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to each participant's direction. Employees are immediately and fully vested in their contributions. The Section 401(k) plan is intended to be qualified under Section 401(a) of the Code with the plan's related trust intended to be tax exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the Section 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the plan. We also pay, on behalf of our employees, including our Named Executive Officers, a portion of the premiums for health, life and disability insurance.

Pension and Nonqualified Deferred Compensation Plans

We do not provide a pension plan for our employees, and none of our Named Executive Officers participated in a nonqualified deferred compensation plan in 2017.

Employment Agreements

We have entered into employment agreements or offer letters with Messrs. Thatcher, Donato and Harper. The key terms and conditions of these agreements are described below. For a discussion of the post-employment compensation arrangements with each of our Named Executive Officers, please see "Post-Employment Compensation Arrangements" below.

Mr. Thatcher

We entered into an employment agreement with Mr. Thatcher dated November 1, 2014, pursuant to which we employ Mr. Thatcher as our President and Chief Executive Officer. Under the agreement, we will use our best efforts to ensure that he is elected to be a voting member of our board of directors for as long as Mr. Thatcher is employed as our President and Chief Executive Officer. Mr. Thatcher's agreement does not specify a term of employment.

The agreement entitles Mr. Thatcher to an annual target bonus opportunity of 40% of his annual base salary, with the actual amount of such annual bonus payable to be determined by our board of directors, based on the achievement of corporate or individual performance objectives determined and agreed to by our board of directors and Mr. Thatcher. Mr. Thatcher's current base salary is listed in the table above.

Messrs. Donato, Guthrie and Harper

We entered into an employment offer letter agreement with each of Mr. Donato, effective April 10, 2017, Mr. Guthrie, effective May 4, 2018 and Mr. Harper, effective September 12, 2016. The employment of each is "at will" and each agreement endures until terminated by either party. Under the terms of his agreement, Mr. Donato is eligible to receive a target annual bonus of 30% of his annual base salary. Mr. Guthrie's agreement provides for a target annual bonus of 45% of his annual base salary, with the actual amount of such bonus based on the achievement of corporate, departmental and individual performance goals defined by Mr. Guthrie and Mr. Thatcher. Mr. Harper's agreement provides for a target annual bonus of 25% of his annual base salary, with the actual amount of such bonus based on the achievement of corporate, departmental and individual performance goals defined by Mr. Harper and Mr. Thatcher. Each of Mr. Donato's and Mr. Harper's current base salaries are listed in the table above. Mr. Guthrie's annual base salary is $296,000 annually.

Mr. Donato, Mr. Guthrie and Mr. Harper's offer letters each provide for the grant of a non-qualified stock option under our Amended and Restated 2003 Stock Incentive Plan, as amended, or 2003 Plan, to purchase shares equal to 0.85%, 0.7% and 0.65%, respectively, of our fully-diluted common stock. Twenty-five percent of each such option vests on the first anniversary of the executive's applicable start date, with the remainder vesting in 36 equal monthly installments thereafter.

Messrs. Donato, Guthrie and Harper are each entitled to relocation assistance under their respective agreements, provided that they complete such relocation within 24 months, 6 months and 180 days, respectively.

Mr. Donato is eligible to receive reimbursement for weekly round-trip coach class airfare to Malvern; reimbursement of certain related travel expenses; a temporary housing allowance in Malvern of up to $2,000 per month, as well as an allowance of up to $50 per day for food and living expenses; the option, during the 24-month period following his hire date, to convert the balance of the assistance listed above to an allowance to pay for reasonable expenses, up to $100,000, associated with moving his household

goods to the Malvern area; a separate allowance for moving expenses up to $100,000; and a tax gross-up payment to offset any tax liability Mr. Donato incurs as a result of any reimbursed moving expenses. If Mr. Donato resigns his position or is terminated for cause within 24 months of his start date, he must reimburse any relocation reimbursement paid under his offer letter.

Mr. Guthrie is eligible to receive a temporary housing allowance in Malvern for a period of three months, not to exceed $2,000 per month; a daily meal allowance while in Malvern not to exceed $50 per day; reimbursement of moving expenses up to $35,000; and home purchase assistance not to exceed $10,000.

Mr. Harper is eligible to receive up to $30,000 for expenses directly relating to the sale of his home in Ohio; up to $15,000 for temporary lodging expenses; up to $10,000 reimbursement of expenses associated with moving Mr. Harper's household goods to Malvern; and a tax gross-up payment to offset any tax liability Mr. Harper incurs as a result of any reimbursed moving expenses.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding the outstanding and unexercised stock options held by each of our Named Executive Officers as of December 31, 2017. All of these awards were made pursuant to the 2003 Plan. The vesting schedule applicable to each outstanding equity award is described in the footnotes to the table below. For information regarding the vesting acceleration provisions applicable to the equity awards of our Named Executive Officers, see "Post-Employment Compensation Arrangements" below.

2017 Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Grant Date	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price ($)	Option expiration date
Mr. Thatcher	02/19/15[1]	8,720,199	2,592,491	$ 0.03	02/18/25
	07/15/15[1]	4,805,407	1,428,634	$ 0.03	07/14/25
	07/20/17[2]	—	3,354,403	$ 0.08	07/19/27
Mr. Donato	04/12/17[2]	—	3,042,067	$ 0.11	04/11/27
	07/20/17[2]	—	480,365	$ 0.08	07/19/27
Mr. Harper	10/12/16[2]	693,269	1,525,192	$ 0.11	10/11/26
	07/20/17[2]	—	350,311	$ 0.08	07/19/27
	12/07/17[2]	—	730,525	$ 0.14	12/06/27

(1) Option to purchase shares of our common stock vested as to 25% of the shares subject to the option on November 1, 2015 and the remaining shares vest as to 1/36th of such shares each month thereafter.

(2) Option to purchase shares of our common stock vests as to 25% of the shares subject to the option on the first anniversary of the Named Executive Officer's relevant vesting commencement date and the remaining shares vest as to 1/36th of such shares each month thereafter.

Executive Officer Post-Employment Compensation Arrangements

Mr. Thatcher

In the event the employment of Mr. Thatcher is terminated by us without "cause," or he resigns for "good reason," he is entitled to receive all accrued and unpaid base salary and vacation, and subject to his timely execution of a release of claims in our favor, the annual cash bonus with respect to the calendar year ended immediately prior for the cessation of his employment, a pro-rated target bonus for

the calendar year in which such termination of employment occurs, monthly severance payments equal to one-twelfth of his current base salary for a period of 18 months, reimbursement of premiums for COBRA continuation coverage for 18 months and extension of the exercise period for any outstanding and vested stock options until the earlier to occur of (i) the first anniversary of the employment termination date or (ii) the expiration of the option term.

In the event the employment of Mr. Thatcher is terminated for any other reason, he is entitled to receive all accrued and unpaid base salary and vacation, and, if such termination of employment is the result of death or disability, the annual cash bonus with respect to the calendar year ended immediately prior for the cessation of his employment and a pro-rated target bonus for the calendar year in which such termination of employment occurs.

For purposes of his employment agreement:

- "Cause" generally means Mr. Thatcher's indictment, conviction or plea of guilty or no contest to a felony or to a misdemeanor involving moral turpitude or that causes material damage to the our public image or reputation, or to our operations or financial performance; gross negligence or willful misconduct with respect to his duties and responsibilities to us; alcohol or illegal substance abuse in the event we have reasonable grounds for suspecting he is under the influence while at work and his ability to perform his duties and responsibilities has been impaired; willful refusal or failure to perform any specific material lawful direction from our board of directors not cured within 30 days after delivery of written notice; willful and material breach of any written agreement with or duty owed to us; or if we determine that he has intentionally omitted any requested information or falsified any disclosed information either in his resume or during the interview process with us;
- "Good reason" generally means, subject to certain cure rights and without Mr. Thatcher's prior consent, due to a material adverse change in his position with us that reduces his title, level of authority or duties/responsibilities; a reduction in base salary or target annual cash bonus; our failure to provide that he is eligible to participate in benefit plans; relocation of Mr. Thatcher's principal worksite more than 35 miles, unless it reduces his commute; or any material breach of the agreement by us.

If however, the employment of Mr. Thatcher is terminated by us without cause or he resigns for good reason, within 90 days prior to or within 12 months following a change of control, he is instead entitled to receive all accrued and unpaid base salary and vacation, and subject to his timely execution of a release of claims in our favor, the annual cash bonus with respect to the calendar year ended immediately prior for the cessation of his employment, an amount equal to one and one half times his current target bonus payable in substantially equal installments over 18 months, monthly severance payments equal to one-twelfth of his current base salary for a period of 18 months, reimbursement of premiums for COBRA continuation coverage for 18 months, acceleration of all outstanding unvested restricted stock, stock options and other equity incentives and extension of the exercise period for any outstanding and vested stock options until the earlier to occur of (i) the first anniversary of the employment termination date or (ii) the expiration of the option term. In addition, regardless of whether Mr. Thatcher is terminated by us without cause or he resigns for good reason, upon a change of control, Mr. Thatcher is entitled to acceleration of all unvested restricted stock, stock options and other equity incentives granted through March 2018.

Notwithstanding any other provision of his employment agreement, if any payment or benefit due under the employment agreement, together with all other payments and benefits that Mr. Thatcher receives or is entitled to receive from us will constitute an "excess parachute payment" (as that term is defined in Section 280G(b)(1) of the Code), such payments and benefits will be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax deductible to us by reason of Section 280G.

Messrs. Donato, Guthrie and Harper

We have entered into severance agreements with Messrs. Donato, Guthrie and Harper. Under the terms of their severance agreements, Messrs. Donato, Guthrie and Harper are entitled to receive nine months, nine months and six months of their then-current base salary, respectively, in the event they are terminated by us without "cause" or resign for "good reason," subject to timely execution of a release of claims in our favor. However, in the event Messrs. Donato, Guthrie or Harper are terminated by us without cause or resign for good reason, and such termination or resignation occurs within three months before or within 12 months following a "change of control," Messrs. Donato, Guthrie and Harper are then entitled to receive 18 months, 18 months and 12 months of their then-current base salary, respectively. Additionally, in the event such termination without cause or resignation for good reason occurs within three months before or within 12 months following a change of control, all unvested restricted stock, stock options and other equity incentives held by Messrs. Donato, Guthrie or Harper shall fully vest.

For purposes of these agreements, "cause" generally means Mr. Donato, Mr. Guthrie or Mr. Harper's indictment, conviction or plea of guilty or no contest to a felony or to a misdemeanor involving moral turpitude or that causes material damage to our public image or reputation, or to our operations or financial performance; gross negligence or willful misconduct with respect to their duties and responsibilities to us; alcohol or illegal substance abuse in the event we have reasonable grounds for suspecting they are under the influence while at work and their ability to perform their duties and responsibilities has been impaired; willful refusal or failure to perform any specific material lawful direction from our board of directors not cured within 30 days after delivery of written notice; willful and material breach of any written agreement with or duty owed to us; or if we determine that they have intentionally omitted any requested information or falsified any disclosed information either in their resume or during the interview process with us.

For purposes of these agreements, "good reason" generally means a material adverse change in Mr. Donato, Mr. Guthrie or Mr. Harper's position with us that reduces their title, level of authority or responsibilities; a reduction in their base salary or target annual cash bonus; our failure to provide that they are eligible to participate in benefit plans; or relocation of their principal worksite by more than 35 miles, unless it reduces their commute.

For purposes of these agreements, "change in control" generally means the occurrence of, in one transaction or a series of related transactions, any person becoming a beneficial owner, directly or indirectly, of our securities representing more than 50% of the voting power of our then-outstanding securities; a consolidation, share exchange, reorganization or merger in which our equity holders immediately prior to such event own less than 50% of the voting power of the resulting entity's securities outstanding immediately following such event; or the sale or other disposition of all or substantially all of our assets.

In consideration for the benefits extended under the severance agreements, Messrs. Donato, Guthrie and Harper entered into restrictive covenant and invention assignments agreements with us, which agreements contain non-compete, non-solicitation and intellectual property protections in our favor.

Equity Award Acceleration

Under the terms of our 2003 Plan, if, in connection with a change of control, the equity awards are not assumed in full or substituted with equivalent awards, the compensation committee may fully vest all outstanding equity awards or cancel all equity awards and pay the participant the difference between the fair market value of the stock underlying the equity award and the exercise price or base price, if any, for such equity award. For purposes of the 2003 Plan, the term "change of control" means a sale of all or substantially all our assets, consummation of a merger of us with or into another entity if our capital stock represents less than 50% of the voting power of the surviving entity or its parent, the acquisition by a person of 50% or more of our voting stock or subject to various exceptions, the individuals on our board of directors as of January 1, 2009 constitute less than a majority of our board of directors.

If, upon a change of control, awards are assumed by the successor corporation, and a participant is terminated without "cause" or for "good reason" at any time in the period 90 days prior to a change of control or before the first anniversary of the effective date of such change of control, then such participant's awards will fully vest and/or become exercisable as of the later of the consummation of the change of control or the date of such participant's termination.

2017 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)	Restricted Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
B. Farley	$50,000	$44,384(2)		—	—	$94,384
G. Muir	—		$21,235(3)	—	—	$21,235

(1) The amounts reported represent the aggregate grant date fair value of the options to purchase shares of our common stock or restricted stock awards granted to the director in 2017, calculated in accordance with the Financial Accounting Standard Board's ASC Topic 718. Such grant date fair value does not take into account any estimated forfeitures related to service-vesting conditions. See Note **12** to our financial statements as included in this prospectus for the assumptions used in calculating the grant date fair value of the stock options reported in this column.
(2) As of December 31, 2017, Mr. Farley held 457,482 shares of unvested restricted common stock and options to purchase 364,582 shares of common stock.
(3) As of December 31, 2017, Mr. Muir held options to purchase 600,000 shares of common stock.

Equity Benefit Plans

2003 Stock Incentive Plan

The 2003 Plan was adopted by our board of directors and approved by our stockholders in April 2003 and amended and restated effective January 1, 2009. The 2003 Plan provides for the grant of stock options, stock appreciation rights, restricted stock and dividend equivalents to our employees, directors and consultants. As of March 31, 2018, options to purchase 77,374,095 shares of our common stock remained outstanding under the 2003 Plan.

The 2003 Plan will be terminated on, and we will not make any further awards under the 2003 Plan following, the date on which grants may first be made under the 2018 Equity Incentive Plan, or the 2018 Plan. However, any outstanding awards granted under the 2003 Plan will remain outstanding, subject to the terms of the 2003 Plan and award agreements, until such outstanding awards vest and are exercised (as applicable) or until they terminate or expire by their terms. The material terms of the 2003 Plan are summarized below.

Authorized Shares

A maximum of 90,776,535 shares of our common stock may be issued under the 2003 Plan. If an award under the 2003 Plan expires, terminates or is forfeited, any shares subject to such award may, to the extent of such expiration, termination or forfeiture, be used again for new grants under the 2003 Plan.

Plan Administration

The compensation committee currently administers the 2003 Plan and the awards granted thereunder. The plan administrator may select participants, grant awards, determine the terms and conditions of such awards, interpret the terms of the 2003 Plan and any award agreements and adopt rules and procedures for the administration, interpretation and operation of the 2003 Plan.

Awards

The 2003 Plan provides for the discretionary grant of stock options, stock appreciation rights, restricted stock and dividend equivalents to our employees, directors, advisors and consultants.

Stock Options. Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant, except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years. Vesting conditions are determined by the plan administrator.

Stock Appreciation Rights. Stock appreciation rights provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price at grant up to a maximum amount of cash or number of shares. Stock appreciation rights may vest based on time or achievement of performance conditions.

Restricted Stock. Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met. Conditions applicable to restricted stock may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine.

Dividend Equivalents. Dividend equivalents are a right extended to certain stock option holders that allow the option holder to receive a payment, in shares or in cash, that is equivalent to the value of dividends paid on the shares subject to the option between the record date of the option and its exercise date.

Assignment and Transfers

Except as provided in the 2003 Plan, any award agreement or as expressly authorized by the plan administrator, a participant may not transfer stock options issued under the 2003 Plan.

Change in Control

Upon a change of control of the company (as defined in the 2003 Plan), if awards are not assumed or substituted with equivalent awards, the compensation committee may fully vest all outstanding equity awards or cancel all equity awards and pay the participant the difference between the fair market value of the stock underlying the equity award and the exercise price or base price, if any, for such equity award.

If, upon a change of control, awards are assumed by the successor corporation, and a participant is terminated without “cause” or for “good reason” at any time in the period 90 days prior to a change of control or before the first anniversary of the effective date of such change of control, then such participant’s awards will fully vest and/or become exercisable as of the later of the consummation of the change of control or the date of such participant’s termination.

Plan Amendment and Termination

The 2003 Plan shall continue in effect for a term of ten years from its effective date. Notwithstanding the foregoing, our board of directors may at any time terminate, amend or modify the 2003 Plan subject to stockholder approval in certain circumstances.

2017 Bonus Plan

Each of our Named Executive Officers and directors participated in our 2017 bonus plan, pursuant to which each was eligible to receive a bonus based on our achievement of specified revenue and earnings objectives, as well as on the achievement of individual performance goals. For 2017, target bonuses were equal to 25% of each executive’s annual base salary, except for our Chief Executive Officer, whose

target bonus was equal to 40% of his base salary, and our Chief Financial Officer, whose target bonus was equal to 30% of his base salary.

The actual annual cash bonuses paid to our executive officers and directors for performance in 2017 are set forth in the Summary Compensation Table above in the column titled “Non-Equity Incentive Plan Compensation”. We expect target bonus levels to remain the same under our 2018 bonus plan.

2018 Equity Incentive Plan

Our board of directors has adopted and our stockholders have approved prior to the completion of this offering the 2018 Plan. We do not expect to utilize our 2018 Plan until after the completion of this offering, at which point no further grants will be made under our Amended and Restated 2003 Stock Incentive Plan, as amended, or 2003 Plan, as described above under “2003 Stock Incentive Plan.” No awards have been granted and no shares of our common stock have been issued under our 2018 Plan.

Stock Awards. The 2018 Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock or cash awards, and other forms of equity compensation, which are collectively referred to as other stock awards. Additionally, the 2018 Plan provides for the grant of performance cash awards. Incentive stock options may be granted only to employees of the Company or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code.). All other awards may be granted to employees, including officers, and to non-employee directors and consultants.

Share Reserve. Initially, the aggregate number of shares of our common stock that may be issued pursuant to stock awards under the 2018 Plan after the 2018 Plan becomes effective is the sum of (i) shares plus (ii) the number of shares reserved, and remaining available for issuance, under our 2003 Plan at the time our 2018 Plan becomes effective and (iii) the number of shares subject to stock options or other stock awards granted under our 2003 Plan that would have otherwise returned to our 2003 Plan (such as upon the expiration or termination of a stock award prior to vesting). The number of shares of our common stock reserved for issuance under our 2018 Plan will automatically increase on January 1 of each year, beginning on January 1, 2019 and continuing through and including January 1, 2028, by % of the total number of shares of our capital stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our board of directors. The maximum number of shares that may be issued upon the exercise of incentive stock options under our 2018 Plan is shares.

If a stock award granted under the 2018 Plan expires or otherwise terminates without being exercised in full, or is settled in cash, the shares of our common stock not acquired pursuant to the stock award again will become available for subsequent issuance under the 2018 Plan. In addition, the following types of shares under the 2018 Plan may become available for the grant of new stock awards under the 2018 Plan: (1) shares that are forfeited to or repurchased by us prior to becoming fully vested; (2) shares withheld to satisfy income or employment withholding taxes; or (3) shares used to pay the exercise or purchase price of a stock award. Shares issued under the 2018 Plan may be previously unissued shares or reacquired shares bought by us on the open market.

The maximum number of shares of common stock subject to stock awards granted under the 2018 Plan or otherwise during any one calendar year to any non-employee director, taken together with any cash fees paid by us to such non-employee director during such calendar year for service on the board of directors, will not exceed $ in total value (calculating the value of any such stock awards based on the grant date fair value of such stock awards for financial reporting purposes), or, with respect to the calendar year in which a non-employee director is first appointed or elected to our board of directors, $.

Administration. Our board of directors, or a duly authorized committee thereof, has the authority to administer the 2018 Plan. Our board of directors may also delegate to one or more of our officers the

authority to (1) designate employees (other than other officers) to be recipients of certain stock awards, (2) determine the number of shares of common stock to be subject to such stock awards and (3) specify the other terms and conditions, including the strike price or purchase price and vesting schedule, applicable to such awards. Subject to the terms of the 2018 Plan, our board of directors or the authorized committee, referred to as the plan administrator, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting schedule applicable to a stock award. Subject to the limitations set forth below, the plan administrator will also determine the exercise price, strike price or purchase price of awards granted and the types of consideration to be paid for the award.

The plan administrator has the authority to modify outstanding awards under our 2018 Plan. Subject to the terms of our 2018 Plan, the plan administrator has the authority, without stockholder approval, to reduce the exercise, purchase or strike price of any outstanding stock award, cancel any outstanding stock award in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. Incentive and nonstatutory stock options are evidenced by stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for a stock option, within the terms and conditions of the 2018 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2018 Plan vest at the rate specified by the plan administrator.

The plan administrator determines the term of stock options granted under the 2018 Plan, up to a maximum of ten years. Unless the terms of an option holder's stock option agreement provide otherwise, if an option holder's service relationship with us, or any of our affiliates, ceases for any reason other than disability, death or cause, the option holder may generally exercise any vested options for a period of three months following the cessation of service. The option term will automatically be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If an option holder's service relationship with us or any of our affiliates ceases due to disability or death, or an option holder dies within a certain period following cessation of service, the option holder or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, options generally terminate immediately. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of our common stock previously owned by the option holder, (4) a net exercise of the option if it is an nonqualified stock option and (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. An option holder may designate a beneficiary, however, who may exercise the option following the option holder's death.

Tax Limitations on Incentive Stock Options. The aggregate fair market value, determined at the time of grant, of our common stock with respect to incentive stock options that are exercisable for the first time by an option holder during any calendar year under all of our stock plans may not exceed $100,000. Options or portions thereof that exceed such limit will be treated as nonqualified stock options. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of

our affiliates unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and (2) the term of the incentive stock option does not exceed five years from the date of grant.

Restricted Stock Awards. Restricted stock awards are evidenced by restricted stock award agreements adopted by the plan administrator. Restricted stock awards may be granted in consideration for (1) cash, check, bank draft or money order, (2) services rendered to us or our affiliates or (3) any other form of legal consideration. Common stock acquired under a restricted stock award may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule as determined by the plan administrator. Rights to acquire shares under a restricted stock award may be transferred only upon such terms and conditions as set by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock unit awards that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Restricted Stock Unit Awards. Restricted stock unit awards evidenced by restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration or for no consideration. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Rights under a restricted stock units award may be transferred only upon such terms and conditions as set by the plan administrator. Restricted stock unit awards may be subject to vesting as determined by the plan administrator. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited upon the participant's cessation of continuous service for any reason.

Stock Appreciation Rights. Stock appreciation rights are evidenced by stock appreciation grant agreements adopted by the plan administrator. The plan administrator determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Upon the exercise of a stock appreciation right, we will pay the participant an amount in cash or stock equal to (1) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (2) the number of shares of common stock with respect to which the stock appreciation right is exercised. A stock appreciation right granted under the 2018 Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator.

The plan administrator determines the term of stock appreciation rights granted under the 2018 Plan, up to a maximum of ten years. Unless the terms of a participant's stock appreciation right agreement provides otherwise, if a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term will be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Unless the plan administrator provides otherwise, stock appreciation rights generally are not transferable except by will, the laws of descent and distribution, or pursuant to a domestic relations order. A stock appreciation right holder may designate a beneficiary, however, who may exercise the stock appreciation right following the holder's death.

Performance Awards. The 2018 Plan permits the grant of performance-based stock and cash awards. The performance goals that may be selected include one or more of the following criteria: (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) total stockholder return; (5) return on equity or average stockholder's stockholders' equity; (6) return on assets, investment, or capital employed; (7) stock price; (8) margin (including gross margin); (9) income (before or after taxes); (10) operating income; (11) operating income after taxes; (12) pre-tax profit; (13) operating cash flow; (14) sales or revenue targets; (15) increases in revenue or product revenue; (16) expenses and cost reduction goals; (17) improvement in or attainment of working capital levels; (18) economic value added (or an equivalent metric); (19) market share; (20) cash flow; (21) cash flow per share; (22) share price performance; (23) debt reduction; (24) customer satisfaction; (25) stockholders' equity; (26) capital expenditures; (27) debt levels; (28) operating profit or net operating profit; (29) workforce diversity; (30) growth of net income or operating income; (31) billings; (32) pre-clinical development related compound goals; (33) financing; (34) regulatory milestones, including approval of a compound; (35) stockholder liquidity; (36) corporate governance and compliance; (37) product commercialization; (38) intellectual property; (39) personnel matters; (40) progress of internal research or clinical programs; (41) progress of partnered programs; (42) partner satisfaction; (43) budget management; (44) clinical achievements; (45) completing phases of a clinical study (including the treatment phase); (46) announcing or presenting preliminary or final data from clinical studies; in each case, whether on particular timelines or generally; (47) timely completion of clinical trials; (48) submission of INDs and NDAs and other regulatory achievements; (49) partner or collaborator achievements; (50) internal controls, including those related to the Sarbanes-Oxley Act of 2002; (51) research progress, including the development of programs; (52) investor relations, analysts and communication; (53) manufacturing achievements (including obtaining particular yields from manufacturing runs and other measurable objectives related to process development activities); (54) strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property); (55) establishing relationships with commercial entities with respect to the marketing, distribution and sale of the Company's products (including with group purchasing organizations, distributors and other vendors); (56) supply chain achievements (including establishing relationships with manufacturers or suppliers of active pharmaceutical ingredients and other component materials and manufacturers of the Company's products); (57) co-development, co-marketing, profit sharing, joint venture or other similar arrangements; (58) individual performance goals; (59) corporate development and planning goals; and (60) other measures of performance selected by our board of directors or a committee thereof.

The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates, or business segments, and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise in the award agreement at the time the award is granted or in such other document setting forth the performance goals at the time the goals are established, we will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any items that are unusual in nature or occur infrequently as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or

divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; and (12) to exclude the effect of any other unusual, nonrecurring gain or loss or other extraordinary item. In addition, we retain the discretion to adjust or eliminate the compensation or economic benefit due upon attainment of the goals. The performance goals may differ from participant to participant and from award to award.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to or otherwise based on our common stock. The plan administrator will set the number of shares under the stock award and all other terms and conditions of such awards.

Changes to Capital Structure. In the event that there is a specified type of change in our capital structure, such as a stock split or recapitalization, appropriate adjustments will be made to (1) the class and maximum number of shares reserved for issuance under the 2018 Plan, (2) the class and maximum number of shares by which the share reserve may increase automatically each year, (3) the class and number of shares that may be issued upon the exercise of incentive stock options and (4) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of certain specified significant corporate transactions, the plan administrator has the discretion to take any of the following actions with respect to stock awards:

- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- accelerate the vesting of the stock award and provide for its termination prior to the effective time of the corporate transaction;
- arrange for the lapse of any reacquisition or repurchase right held by us;
- cancel or arrange for the cancellation of the stock award in exchange for such cash consideration, if any, as our board of directors may deem appropriate or for no consideration; or
- make a payment equal to the excess of (1) the value of the property the participant would have received upon exercise of the stock award over (2) the exercise price or strike price otherwise payable in connection with the stock award.

Our plan administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

Under the 2018 Plan, a significant corporate transaction is generally the consummation of (1) a sale or other disposition of all or substantially all of our consolidated assets, (2) a sale or other disposition of at least 50% of our outstanding securities, (3) a merger, consolidation or similar transaction following which we are not the surviving corporation or (4) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Change in Control. The plan administrator may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability or settlement in the event of a change in control. Under the

2018 Plan, a change in control is generally (1) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction, (2) a consummated merger, consolidation or similar transaction immediately after which our stockholders cease to own more than 50% of the combined voting power of the surviving entity, (3) a consummated sale, lease or exclusive license or other disposition of all or substantially all of our consolidated assets and (4) certain dissolutions, liquidations and changes in the board of directors.

Amendment and Termination. Our board of directors has the authority to amend, suspend, or terminate our 2018 Plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent and provided further that certain types of amendments will require the approval of our stockholders. No incentive stock options may be granted after the tenth anniversary of the date our board of directors adopts our 2018 Plan.

2018 Employee Stock Purchase Plan

Our board has adopted and our stockholders have approved our 2018 Employee Stock Purchase Plan, or 2018 ESPP.

Share Reserve. The maximum number of shares of our common stock that may be issued under our 2018 ESPP is shares. Additionally, the number of shares of our common stock reserved for issuance under our 2018 ESPP will automatically increase on January 1 of each year, beginning on January 1, 2019 and continuing through and including January 1, 2028, by the lesser of (1) % of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (2) shares of our common stock or (3) such lesser number of shares of common stock as determined by our board of directors. Shares subject to purchase rights granted under our 2018 ESPP that terminate without having been exercised in full will not reduce the number of shares available for issuance under our 2018 ESPP.

Administration. Our board of directors, or a duly authorized committee thereof, will administer our 2018 ESPP. Our board of directors has delegated its authority to administer our 2018 ESPP to our compensation committee under the terms of the compensation committee's charter.

Limitations. Our employees, including executive officers, and the employees of any of our designated affiliates will be eligible to participate in our 2018 ESPP, provided they may have to satisfy one or more of the following service requirements before participating in our 2018 ESPP, as determined by the administrator: (1) customary employment with us or one of our affiliates for more than 20 hours per week and five or more months per calendar year or (2) continuous employment with us or one of our affiliates for a minimum period of time, not to exceed two years, prior to the first date of an offering. An employee may not be granted rights to purchase stock under our 2018 ESPP (a) if such employee immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our common stock or (b) to the extent that such rights, when aggregated with other employee stock purchase plan rights would accrue at a rate that exceeds $25,000 worth of our stock for each calendar year that the rights remain outstanding.

Our 2018 ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code. The administrator may specify offerings with a duration of not more than 27 months, and may specify one or more shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for the employees who are participating in the offering. The administrator, in its discretion, will determine the terms of offerings under our 2018 ESPP.

A participant may not transfer purchase rights under our 2018 ESPP other than by will, the laws of descent and distribution or as otherwise provided under our 2018 ESPP.

Payroll Deductions. Our 2018 ESPP permits participants to purchase shares of our common stock through payroll deductions up to 15% of their earnings. Unless otherwise determined by the administrator, the purchase price of the shares will be 85% of the lower of the fair market value of our common stock on the first day of an offering or on the date of purchase. Participants may end their participation within a time period established by the administrator and will be paid their accrued contributions that have not yet been used to purchase shares. Participation ends automatically upon termination of employment with us.

Corporate Transactions. In the event of certain specified significant corporate transactions, such as a merger or change in control, a successor corporation may assume, continue or substitute each outstanding purchase right. If the successor corporation does not assume, continue or substitute for the outstanding purchase rights, the offering in progress will be shortened and a new exercise date will be set within ten business days prior to such corporate transaction. The participants' purchase rights will be exercised on the new exercise date and such purchase rights will terminate immediately thereafter.

Amendment and Termination. Our board of directors has the authority to amend, suspend or terminate our 2018 ESPP, at any time and for any reason, provided certain types of amendments will require the approval of our stockholders. Our 2018 ESPP will remain in effect until terminated by our board of directors in accordance with the terms of our 2018 ESPP.

Limitation on Liability and Indemnification of Directors and Officers

Our amended and restated certificate of incorporation, which will be effective upon completion of this offering, limits our directors' liability to the fullest extent permitted under Delaware corporate law. Delaware corporate law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability:

- for any transaction from which the director derives an improper personal benefit;
- for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law (unlawful payment of dividends or redemption of shares); or
- for any breach of a director's duty of loyalty to the corporation or its stockholders.

If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Delaware law and our amended and restated bylaws, which will be effective upon completion of this offering, provide that we will, in certain situations, indemnify our directors and officers and may indemnify other employees and other agents, to the fullest extent permitted by law. Any indemnified person is also entitled, subject to certain limitations, to payment or reimbursement of reasonable expenses (including attorneys' fees and disbursements) in advance of the final disposition of the proceeding.

We maintain a directors' and officers' insurance policy pursuant to which our directors and officers are insured against liability for certain actions taken in their capacities as directors and officers. We believe that these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and this insurance policy are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers or control persons, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since January 1, 2015 to which we have been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our voting securities or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than described below and the equity and other compensation agreements that are described under "Executive and Director Compensation."

Convertible Preferred Stock Financings

Series F Preferred Stock Financing. In April 2015, we issued and sold to investors in private placements an aggregate of 102,334,194 shares of our Series F convertible preferred stock at a purchase price of $0.3356 per share, for aggregate consideration of $34.3 million, including approximately $18.6 million in principal and accrued interest under our convertible notes that were issued in 2014 and converted into shares of Series F convertible preferred stock, which we refer to as our 2014 notes. Our 2014 notes accrued interest at a rate of 10%, compounding monthly.

Series G Preferred Stock Financing. In June 2017, we issued and sold to investors in private placements an aggregate of 40,584,416 shares of our Series G convertible preferred stock at a purchase price of $0.3696 per share, for aggregate consideration of $15.0 million.

The table below sets forth the number of shares of our Series F and Series G convertible preferred stock purchased by our executive officers, directors, holders of more than 5% of our capital stock and their affiliated entities or immediate family members. Each share of our convertible preferred stock in the table below will automatically convert into one share of our common stock upon the closing of this offering.

Participants	Shares of Series F Convertible Preferred Stock	Series F Convertible Preferred Stock Aggregate Purchase Price	Shares of Series G Convertible Preferred Stock	Series G Convertible Preferred Stock Aggregate Purchase Price
5% or Greater Stockholders[1]				
Entities affiliated with Investor Growth Capital, LLC[2]	14,955,168[7]	$ 5,018,954	2,247,768	$ 830,775
Onset IV, L.P.	9,108,153[8]	3,056,696	1,251,033	462,382
Entities affiliated with InterWest Partners[3]	8,163,940[9]	2,739,818	1,291,234	477,240
Entities affiliated with Three Arch Partners[4]	8,079,014[10]	2,711,317	1,248,185	461,329
New Leaf Ventures II, L.P.[5]	12,222,657[11]	4,101,924	1,933,174	714,501
Entities affiliated with Polaris Venture Partners[6]	6,567,206[12]	2,203,954	1,033,250	381,889
GE Ventures Limited	29,797,378	10,000,001	8,116,883	3,000,000
CHV IV, L.P.	—	—	21,645,022	8,000,000

(1) Additional details regarding these stockholders and their equity holdings are provided in this prospectus under the caption "Principal Stockholders."
(2) Represents securities acquired by IGC Fund VI, L.P. Mr. Campe, a member of our board of directors, is affiliated with Investor Growth Capital, LLC
(3) Represents securities acquired by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P.
(4) Represents securities acquired by Three Arch Partner IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P.
(5) Mr. Hunt, a member of our board of directors, is affiliated with New Leaf Ventures II, L.P.
(6) Represents securities acquired by Polaris Venture Partners V, L.P., Polaris Venture Partners Entrepreneurs' Fund V, L.P., Polaris Venture Partners Special Founders' Fund V, L.P. and Polaris Venture Partners Founders' Fund V, L.P.

footnotes continued on following page

(7) Includes 11,081,508 shares of Series F convertible preferred stock issued upon conversion of an aggregate amount of $3,718,954.41 in principal and accrued interest of the 2014 notes.
(8) Includes 6,117,269 shares of Series F convertible preferred stock issued upon conversion of an aggregate amount of $2,052,955.73 in principal and accrued interest of the 2014 notes.
(9) Includes 6,432,955 shares of Series F convertible preferred stock issued upon conversion of an aggregate amount of $2,158,899.72 in principal and accrued interest of the 2014 notes.
(10) Includes 6,421,612 shares of Series F convertible preferred stock issued upon conversion of an aggregate amount of $2,155,093.10 in principal and accrued interest of the 2014 notes.
(11) Includes 9,631,109 shares of Series F convertible preferred stock issued upon conversion of an aggregate amount of $3,232,200.37 in principal and accrued interest of the 2014 notes.
(12) Includes 5,184,981 shares of Series F convertible preferred stock issued upon conversion of an aggregate amount of $1,740,079.91 in principal and accrued interest of the 2014 notes.

Investors' Rights Agreement

We entered into an amended and restated investors' rights agreement, or the IRA, in June 2017 with the holders of our preferred stock, including certain of our directors and entities to which certain of our directors are related. The agreement provides these holders the right, subject to the terms of the lock-up agreements entered into in connection with this offering, to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. See "Description of Capital Stock—Registration Rights" for additional information. The agreement also provides these holders pro rata participation rights, information rights and, in some cases, board observer rights, which will terminate upon completion of this offering.

Stockholders' Agreement

We entered into an amended and restated stockholders' agreement, or the Stockholders' Agreement, in June 2017 with the holders of our preferred stock, including certain of our directors and entities in which certain of our directors are related. The agreement provides that each stockholder party to the Stockholders' Agreement shall vote their shares to maintain the size and membership of our board of directors as set forth therein. The agreement also provides the stockholders party to the Stockholders' Agreement with rights of first refusal and co-sale in connection with certain sales by specified stockholders of the company. The shares of common stock and preferred stock held by stockholders party to the Stockholder Agreement are also subject to certain drag-along rights set forth therein. The Stockholders' Agreement will terminate upon the completion of this offering.

Employment Agreements

We have entered into an employment agreement or offer letters with our named executive officers, which are filed as exhibits to the registration statement of which this prospectus forms a part. For more information regarding these agreements, see "Executive and Director Compensation—Employment Agreements" and "Executive and Director Compensation—Executive Officer Post-Employment Compensation Arrangements."

Indemnification Agreements

We have entered or will enter into indemnification agreements with each of our directors and executive officers, the form of which is filed as an exhibit to the registration statement of which this prospectus forms a part. These agreements, among other things, will require us to indemnify each director (and in certain cases their related venture capital funds) and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer, as the case may be.

Stock Option Grants to Executive Officers and Directors

We have granted stock options to our named executive officers as more fully described in the section titled "Executive and Director Compensation."

Policies and Procedures for Transactions with Related Persons

Prior to this offering, we have not had a formal policy regarding approval of transactions with related parties. Prior to the pricing of this offering, we expect to adopt a related person transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related person transactions. The policy will become effective immediately upon the effectiveness of the registration statement of which this prospectus is a part. For purposes of our policy only, a "related person transaction" is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and any related person are, were or will be participants in which the amount involved exceeds $120,000. Transactions involving compensation for services provided to us as an employee or director are not covered by this policy. A "related person" is any executive officer, director or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, if a transaction has been identified as a related person transaction, including any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation, our management must present information regarding the related person transaction to our audit committee or, if audit committee approval would be inappropriate, to another independent body of our board of directors, for review, consideration and approval or ratification. The presentation must include a description of, among other things, the material facts, interests, direct and indirect, of the related persons, benefits to us of the transaction and whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to or from employees generally. Under the policy, we will collect information that we deem reasonably necessary from each director, executive officer and, to the extent feasible, significant stockholder to enable us to identify any existing or potential related-person transactions and to effectuate the terms of the policy. In addition, under our Code of Conduct that we expect to adopt prior to the completion of this offering, our employees and directors will have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest. In considering related person transactions, our audit committee, or other independent body of our board of directors, will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to us;
- the impact on a director's independence in the event that the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify or reject a related person transaction, our audit committee, or other independent body of our board of directors, must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our stockholders, as our audit committee, or other independent body of our board of directors, determines in the good faith exercise of its discretion.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of May 25, 2018 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our named directors and executive officers, individually; and
- all of our directors and executive officers as a group.

The beneficial ownership of our common stock is determined in accordance with the rules of the SEC and generally includes any shares of common stock over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem common stock issuable pursuant to options and warrants that are currently exercisable or exercisable within 60 days of May 25, 2018 to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person.

The percentage of common stock beneficially owned has been computed on the basis of 326,151,907 shares of common stock outstanding as of May 25, 2018. The table below does not reflect any shares of our common stock that our directors, officers or other stockholders named below may purchase in this offering, including through the directed share program or otherwise, as described in the “Underwriting” section of this prospectus.

Unless otherwise noted below, the address of each stockholder, director and executive officer is c/o Neuronetics, Inc., 3222 Phoenixville Pike, Malvern, Pennsylvania 19355.

Name of beneficial owner	Number and Percentage of Common Stock Beneficially Owned Prior to Offering		Percentage of Common Stock Beneficially Owned After the Offering	
	Number	Percent	Assuming no Exercise of Option[19] Percent	Assuming Full Exercise of Option[19] Percent
5% or greater stockholders:				
Entities affiliated with Investor Growth Capital, LLC[1]	52,006,869	15.9%		
Onset IV, L.P.[2]	28,945,290	8.9%		
Entities affiliated with InterWest Partners[3]	29,875,426	9.2%		
New Leaf Ventures II, L.P.[4]	44,728,047	13.7%		
Entities affiliated with Polaris Venture Partners[5]	23,906,415	7.3%		
GE Ventures Limited[6]	37,914,261	11.6%		
CHV IV, L.P.[7]	21,645,022	6.6%		
QPIV, LLC[8]	18,225,322	5.6%		
Directors and executive officers:				
Christopher Thatcher[9]	16,923,105	4.9%		
Peter Donato[10]	1,070,737	0.3%		
Daniel Guthrie[11]	—	—		
Gregory Harper[12]	1,104,373	0.3%		
Stephen Campe[13]	—	—		
Brian Farley[14]	3,201,336	1.0%		
Paulina Hill[15]	—	—		
Ronald Hunt[16]	44,728,047	13.7%		
Wilfred Jaeger, M.D.[17]	—	—		
Glenn Muir[18]	150,000	—		
All executive officers and directors as a group	67,177,598	19.5%		

* Indicates beneficial ownership of less than 1% of the shares of common stock outstanding

(1) Consists of (i) 24,362,753 shares of common stock issuable upon conversion of convertible preferred stock held by Investor Growth Capital Limited ("Investor Limited"), (ii) 10,441,180 shares of common stock issuable upon conversion of convertible preferred stock held by Investor Group, L.P. ("Investor Group"), and (iii) 17,202,936 shares of common stock issuable upon conversion of convertible preferred stock held by IGC Fund VI, L.P. ("IGC Fund"). Investor Limited is a wholly-owned subsidiary of Investor Group; Investor Growth Capital, LLC ("Investor Growth") is the general partner of each of Investor Group and IGC Fund. Investor Growth is controlled by a Board of Directors consisting of Michael V. Oporto, Noah Walley and Lennart Johansson. Investor Growth is deemed to share voting and investment power over the shares held by Investor Limited, Investor Group, and IGC Fund. The address of the foregoing entities is c/o Patricia Industries, 1177 Avenue of the Americas, 47th Floor, New York, New York 10036.

(2) Consists of 28,945,290 shares of common stock issuable upon conversion of preferred stock. Onset IV Management, LLC is the general partner of Onset IV, L.P. Robert F. Kuhling, Jr. and Terry L. Opdendyk are managing directors of Onset IV Management, LLC, the general partner of Onset IV, L.P., and have shared voting and investment power over the shares owned by Onset IV, L.P. The address of Onset IV, L.P. is 2400 Sand Hill Road, Suite 150, Menlo Park, California 94025.

(3) Consists of (i) 28,820,823 shares of common stock issuable upon conversion of convertible preferred stock held by InterWest Partners VIII, L.P., (ii) 230,044 shares of common stock issuable upon conversion of convertible preferred stock held by InterWest Investors VIII, L.P. and (iii) 824,559 shares of common stock issuable upon conversion of convertible preferred stock held by InterWest Investors Q VIII, L.P. InterWest Management Partners VIII, LLC is the general partner of the entities in this footnote. Philip T. Gianos, W. Stephen Holmes, Gilbert H. Kliman and Arnold L. Oronsky are the managing directors of InterWest Management Partners VIII, LLC and share voting and investment power with respect to the shares held by the InterWest entities. The address of the InterWest entities is c/o InterWest Partners, 2710 Sand Hill Road, Suite 200, Menlo Park, California 94025.

footnotes continued on following page

(4) Consists of 44,728,047 shares of common stock issuable upon conversion of convertible preferred stock. New Leaf Venture Management II L.L.C. is the general partner of New Leaf Venture Associates II L.P., which in turn is the general partner of New Leaf Ventures II, L.P. Ronald M. Hunt, Vijay Lathi and Liam Ratclifte are the individual managers of New Leaf Venture Management L.L.C., and they may be deemed to have shared power to vote and dispose of the shares held by New Leaf Ventures II, L.P. Ronald Hunt is a member of our Board of Directors. The address of this fund is 7 Times Square, Suite 3502, New York, NY 10036.

(5) Consists of (i) 23,068,118 shares of common stock issuable upon conversion of convertible preferred stock held by Polaris Venture Partners V, L.P. ("PVP V"), (ii) 449,598 shares of common stock issuable upon conversion of convertible preferred stock held by Polaris Venture Partners Entrepreneurs' Fund V, L.P. ("PVPEF V"), (iii) 230,682 shares of common stock issuable upon conversion of convertible preferred stock held by Polaris Venture Partners Special Founders' Fund V, L.P. ("PVPSF V"), and (iv) 158,017 shares of common stock issuable upon conversion of convertible preferred stock held by Polaris Venture Partners Founders' Fund V, L.P. ("PVPFF V," and together with PVP V, PVPEF V and PVPSF V, the "Polaris Funds"). Polaris Venture Management Co. III, LLC ("PVM V"), the general partner of the entities in this footnote, may be deemed to have sole power to vote and dispose of the shares held by the Polaris Funds. Each of Jonathan Flint and Terrance McGuire are the managing members of PVM V and may be deemed to have shared power to vote and dispose of the shares held by the Polaris Funds. The address of the Polaris Funds is One Marina Park Drive, 10th Floor, Boston, Massachusetts 02210.

(6) Consists of 37,914,261 shares of common stock issuable upon conversion of convertible preferred stock. GE Ventures Limited exercises voting and investment power over shares held by it. GE Ventures Limited is an indirect, wholly-owned subsidiary of General Electric Company, a public company. The address of GE Ventures Limited is 2882 Sand Hill Road, Suite 240, Menlo Park, CA 94025.

(7) Consists of 21,645,022 shares of common stock issuable upon conversion of convertible preferred stock. Ascension Ventures IV, LLC is the general partner of CHV IV, L.P. Ascension Ventures IV, LLC is governed by a Board of Managers, which has authority to invest and vote the shares held by CHV IV, L.P. Signatory, and voting authority has been delegated to Matthew I. Hermann, Senior Managing Director of Ascension Ventures IV, LLC. Decisions regarding liquidation of investment positions have been delegated by the Board to Anthony J. Speranzo, Executive Vice President and Chief Financial Officer, Ascension, and Matthew I. Hermann, Senior Managing Director, Ascension Ventures IV, LLC, acting jointly. The address for each of the individuals and entities listed above is Ascension Ventures, 101 South Hanley Road, Suite 200, Clayton, MO 63105.

(8) Consists of 18,225,322 shares of common stock issuable upon conversion of convertible preferred stock. QPIV, LLC is managed by Quaker BioVentures Management, LLC, the Executive Managers of which are Richard Kollender, Sherrill Neff and Adele Oliva, who have shared voting and investment power over the shares held by QPIV, LLC. The address of QPIV, LLC is c/o Quaker Partners Management, Cira Centre, 2929 Arch Street, Philadelphia, Pennsylvania 19104.

(9) Consists of 16,923,105 shares of common stock issuable upon exercise of outstanding options. Does not include 6,750,583 shares of common stock issuable upon exercise of outstanding options which have not vested.

(10) Consists of 1,070,737 shares of common stock issuable upon exercise of outstanding options. Does not include 3,341,149 shares of common stock issuable upon exercise of outstanding options which have not vested.

(11) Does not include 2,893,305 shares of common stock issuable upon exercise of outstanding options which have not vested.

(12) Consists of 1,104,373 shares of common stock issuable upon exercise of outstanding options. Does not include 2,194,924 shares of common stock issuable upon exercise of outstanding options which have not vested.

(13) Does not include 254,130 shares of common stock issuable upon exercise of outstanding options which have not vested.

(14) Consists of (i) 1,910,909 shares of common stock, (ii) 1,010,382 shares of common stock issuable upon conversion of convertible preferred stock and (iii) 280,045 shares of restricted common stock. Does not include 317,662 shares of common stock issuable upon exercise of outstanding options which have not vested.

(15) Dr. Hill is affiliated with the investment manager of the Polaris Funds but does not have any voting or dispositive power with respect to the shares owned by the Polaris Funds referenced in footnote (5) above. Does not include 254,130 shares of common stock issuable upon exercise of outstanding options which have not vested.

(16) Consists of beneficial ownership of shares held by New Leaf Ventures II, L.P. described in footnote (4) above. Does not include 254,130 shares of common stock issuable upon exercise of outstanding options which have not vested.

(17) Does not include 254,130 shares of common stock issuable upon exercise of outstanding options which have not vested.

(18) Consists of 150,000 shares of common stock issuable upon exercise of outstanding options. Does not include 704,130 shares of common stock issuable upon exercise of outstanding options which have not vested.

(19) Underwriters' option to purchase an additional shares of common stock, as set out on the cover page of this prospectus.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes some of the terms of our amended and restated certificate of incorporation and amended and restated bylaws to be effective following the completion of this offering, our outstanding warrants, our amended and restated investors' rights agreement, and the General Corporation Law of the State of Delaware. Because it is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should also refer to our amended and restated certificate of incorporation, amended and restated bylaws, warrants, and amended and restated investors' rights agreement, which are filed as exhibits to the registration statement of which this prospectus is part, as well as the relevant provisions of the General Corporation Law of the State of Delaware.

General

Upon the completion of this offering, our amended and restated certificate of incorporation will authorize us to issue up to shares of common stock, $0.01 par value per share, and shares of preferred stock, $0.01 par value per share, all of which shares of preferred stock will be undesignated. Our board of directors may establish the rights and preferences of the preferred stock from time to time. As of March 31, 2018, we had outstanding 7,286,857 shares of common stock, including 371,703 shares of unvested restricted common stock subject to repurchase by us, held by 99 stockholders of record. As of March 31, 2018, after giving effect to the conversion of all of the outstanding shares of our preferred stock into 318,676,911 shares of common stock, there would have been 325,963,768 shares of common stock issued and outstanding, held by 135 stockholders of record.

Common Stock

Voting Rights

Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Under our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon consummation of this offering, our stockholders will not have cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

Dividends

Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Rights and Preferences

Holders of common stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the right of the holders of shares of any series of preferred stock that we may designate in the future.

Preferred Stock

As of March 31, 2018, there were 304,958,337 shares of convertible preferred stock outstanding, consisting of 4,800,000 shares of Series A-1 convertible preferred stock, 25,384,615 shares of Series A-2 convertible preferred stock, 17,000,000 shares of Series B convertible preferred stock, 20,958,084 shares of Series C convertible preferred stock, 49,426,229 shares of Series D convertible preferred stock, 44,470,799 shares of Series E convertible preferred stock, 102,334,194 shares of Series F convertible preferred stock and 40,584,416 shares of Series G convertible preferred stock. All currently outstanding shares of preferred stock will convert automatically into 318,676,911 shares of common stock upon completion of this offering.

Following the closing of this offering, our board of directors will have the authority under our amended and restated certificate of incorporation, without further action by our stockholders, to issue up to shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board 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 our common stock. The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. 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 us and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights attached to that preferred stock.

We have no present plans to issue any shares of preferred stock following completion of this offering.

Warrants

In December 2012, we issued a preferred stock warrant to Comerica Bank, which was immediately exercisable for an aggregate 402,461 shares of our Series E convertible preferred stock at an exercise price of $0.6746 per share. This warrant remains outstanding. The holder of this warrant may exercise it, at its election, by check, by wire transfer of same-day funds, or other form of payment acceptable to the Company. The shares underlying the warrant are considered registrable securities for purposes of our amended and restated investors' rights agreement, or the IRA, and accordingly are entitled to registration rights as described below under "—Registration Rights." The warrant expires on December 20, 2022 if not earlier exercised.

In February 2014, we issued a preferred stock warrant to purchase an aggregate of 878,298 Series E convertible preferred shares at an exercise price of $0.6746 per share to Oxford Finance LLC, which was later exchanged for warrants that are immediately exercisable for an aggregate of 878,298 shares of our Series F convertible preferred stock at an exercise price of $0.3356 per share. This warrant remains outstanding. The holder of this warrant may exercise it, at its election, by cashless exercise, by check, by wire transfer of same-day funds, or other form of payment acceptable to us. The warrants includes a provision requiring the holder to sign a joinder to the IRA at the time the warrant is exercised, such that the shares underlying the warrant would be considered registrable securities for the purposes of the IRA. The warrant expires on February 18, 2021 if not earlier exercised.

In August 2016, March 2017 and December 2017, we issued preferred stock warrants to Oxford Finance LLC, each of which was immediately exercisable for 588,498 shares of our Series F convertible preferred stock at an exercise price of $0.3356 per share. Each of these warrants remains outstanding. The holder of these warrants may exercise either warrant, at its election, by cashless exercise, by check, by wire transfer of same-day funds, or other form of payment acceptable to us. The warrants include a provision requiring the holder to sign a joinder to the IRA at the time such warrant is exercised, such that the shares underlying the warrants would be considered registrable securities for the purposes of the IRA. The August 2016, March 2017 and December 2017 warrants expire on August 31, 2023, March 28, 2024 and December 27, 2024, respectively, if not earlier exercised.

The outstanding warrants which are currently exercisable to purchase shares of our Series E or Series F preferred stock, upon the completion of this offering will become warrants to purchase shares of our common stock.

Options

As of March 31, 2018, there were outstanding options under our equity compensation plans to purchase an aggregate of 77,374,095 shares of our common stock, with a weighted-average exercise price of $0.09 per share.

Registration Rights

We and the beneficial owners of our preferred stock have entered into the IRA. The registration rights provisions of this agreement provide those holders with demand and piggyback registration rights with respect to their shares of our common stock, including common stock issuable upon conversion of our preferred stock in connection with this offering, which we refer to herein as registrable shares. After registration pursuant to these rights, such shares of common stock will become freely tradable without restriction under the Securities Act. The IRA restricts us from granting additional registration rights to any other party without the consent of 60% of the holders of registrable securities unless such additional registration rights are no more favorable than those in the IRA.

Demand Registration Rights

At any time beginning 180 days following the effective date of the registration statement of which this prospectus is a part, the holders of at least 20% of the registrable shares who are party to the IRA, voting as a single class, have the right to demand that we file a registration statement for the registration of their shares of common stock. These registration rights are subject to specified conditions and limitations, including the right of a managing underwriter to limit the number of shares included in any such registration under specified circumstances. Upon such a request, we are required to effect the registration as expeditiously as possible. An aggregate of 318,676,911 shares of common stock will be entitled to these demand registration rights upon the consummation of this offering. We are not obligated to file a registration statement pursuant to this provision on more than two occasions (unless such registration statement was not declared effective by the SEC).

Piggyback Registration Rights

If we propose to register any of our common stock under the Securities Act, either for our own account or for the account of other stockholders, other than pursuant to certain specified registrations (including relating to company stock option plans), the holders of registrable shares will each be entitled to notice of the registration and will be entitled to include their registrable shares in the related registration statement. These piggyback registration rights are subject to specified conditions and limitations, including the right of a managing underwriter to limit the number of shares included in any such registration under specified circumstances. An aggregate of 318,676,911 shares of common stock will be entitled to these piggyback registration rights upon the consummation of this offering.

Registration on Form S-3

At any time after the 90th day following the date our registration statement becomes effective, and subject to the lock-up agreements entered into in connection with this offering, holders of our registrable shares who are parties to the IRA have the right to demand that we file a registration statement on Form S-3, and holders of such shares will be entitled, upon their written request, to have such shares registered by us on a Form S-3 registration statement at our expense, provided that such requested registration has an anticipated aggregate offering size to the public of at least $2.0 million, and subject to other specified conditions and limitations.

In the event that any registration in which the holders of registrable shares participate pursuant to our IRA is an underwritten public offering, we agree to enter into an underwriting agreement containing customary terms for such offering.

Expenses of Registration

We are required to pay all expenses, including fees and expenses of one counsel to represent the selling stockholders, relating to any demand, piggyback or Form S-3 registration, other than underwriting discounts and commissions and stock transfer taxes, subject to specified conditions and limitations.

The IRA contains customary cross-indemnification provisions, pursuant to which we are obligated to indemnify the selling stockholders in the event of material misstatements or omissions in the applicable registration statement attributable to us, and the selling stockholders are obligated to indemnify us for material misstatements or omissions in the registration statement attributable to them, subject to certain limitations.

Termination of Registration Rights

We may not terminate the registration rights granted under the IRA without the consent of holders of at least 60% of the registrable shares who are party to the IRA.

Anti-takeover Provisions

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include the following:

- any merger or consolidation involving the corporation or any direct or indirect majority-owned subsidiary of the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder (in one transaction or a series of transactions);
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation or by any direct or indirect majority-owned subsidiary of the corporation of any stock of the corporation or of such subsidiary to the interested stockholder;
- any transaction involving the corporation or any direct or indirect majority-owned subsidiary of the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws that will become effective upon the completion of this offering may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove our board of directors. These provisions include:

- a prohibition on stockholder action through written consent;
- no cumulative voting in the election of directors;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director;
- a requirement that special meetings of stockholders be called only by the board of directors, the chairman of the board of directors, the chief executive officer or, in the absence of a chief executive officer, the president;
- an advance notice requirement for stockholder proposals and nominations;
- the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine; and
- a requirement of approval of not less than 66 2/3% of all outstanding shares of our capital stock entitled to vote to amend any bylaws by stockholder action, or to amend specific provisions of our amended and restated certificate of incorporation.

Choice of Forum

Our restated certificate 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 restated certificate, 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, in connection with any action, a court could find the choice of forum provisions contained in our restated certificate to be inapplicable or unenforceable in such action.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is .

Stock Exchange Listing

We intend to apply for listing of our common stock on the Nasdaq Global Market under the trading symbol "STIM."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market existed for our common stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Based on the number of shares outstanding as of March 31, 2018, upon the closing of this offering and assuming no exercise of the underwriters' option to purchase additional shares, shares of common stock will be outstanding, after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into 318,676,911 shares of common stock upon the closing of this offering. All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, except for any shares sold to our "affiliates," as that term is defined under Rule 144 under the Securities Act. The remaining shares of common stock held by existing stockholders are "restricted securities," as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if their resale qualifies for exemption from registration described below under Rule 144 promulgated under the Securities Act or another available exemption.

As a result of the lock-up agreements described below and the provisions of Rules 144 and 701 under the Securities Act, the shares of common stock that will be deemed restricted securities after this offering will be available for sale in the public market as follows:

- none of the existing restricted shares will be eligible for immediate sale upon the completion of this offering; and
- restricted shares will be eligible for sale in the public market upon expiration of lock-up agreements 180 days after the date of this prospectus, subject in certain circumstances to the volume, manner of sale and other limitations under Rule 144 and Rule 701 under the Securities Act, which are summarized below.

Lock-up agreements

We and each of our directors, executive officers and all of our security holders have agreed that we and they will not, subject to limited exceptions, during the period ending 180 days after the date of this prospectus:

- offer, pledge, announce the intention to sell, sell or contract to sell any shares of our common stock;
- sell any option or contract to purchase any shares of our common stock;
- purchase any option or contract to sell any shares of our common stock;
- grant any option, right or warrant to purchase any shares of our common stock;
- make any short sale or otherwise transfer or dispose of any shares of our common stock;
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequences of ownership of any shares of our common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise
- make demand for or exercise any right with respect to the registration statement of our common stock; or
- publicly announce the intention to do any of the foregoing.

Piper Jaffray & Co. may, in its sole discretion and at any time or from time to time before the termination of the 180-day period, without public notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our stockholders who will execute a lock-up agreement providing consent to the sale of shares prior to the expiration of the restricted period.

Upon the expiration of the lock-up period, all of the shares subject to such lock-up restrictions will become eligible for sale, subject to the limitations discussed above.

In addition, at our request, the underwriters have reserved up to shares of common stock, or approximately % of the shares offered by this prospectus, for sale, at the initial public offering price, to our directors, officers and current investors. Shares purchased by our directors and officers will be subject to the 180-day lock-up restriction described above and in the ‘‘Underwriting’’ section of this prospectus. Accordingly, the number of shares freely transferable upon completion of this offering will be reduced by the number of reserved shares purchased by our directors or officers, and there will be a corresponding increase in the number of shares that become eligible for sale after 180 days from the date of this prospectus.

Rule 144

In general, non-affiliate persons who have beneficially owned restricted shares of our common stock for at least six months, and any of our affiliates who owns either restricted or unrestricted shares of our common stock, are entitled to sell their securities without registration with the SEC under an exemption from registration provided by Rule 144 under the Securities Act.

Non-affiliates

Any person who is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale may sell an unlimited number of restricted securities under Rule 144 if:

- the restricted securities have been held for at least six months, including the holding period of any prior owner other than one of our affiliates (subject to certain exceptions);
- we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale; and
- we are current in our Exchange Act reporting at the time of sale.

Any person who is not deemed to have been an affiliate of ours at the time of, or at any time during the three months preceding, a sale and has held the restricted securities for at least one year, including the holding period of any prior owner other than one of our affiliates, will be entitled to sell an unlimited number of restricted securities without regard to the length of time we have been subject to Exchange Act periodic reporting or whether we are current in our Exchange Act reporting. Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

Affiliates

Persons seeking to sell restricted securities who are our affiliates at the time of, or any time during the three months preceding, a sale, would be subject to the restrictions described above. They are also subject to additional restrictions, by which such person would be required to comply with the manner of sale and notice provisions of Rule 144 and would be entitled to sell within any three-month period only that number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after the completion of this offering based on the number of shares outstanding as of March 31, 2018; or

- the average weekly trading volume of our common stock on the stock exchange on which our shares are listed during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Additionally, persons who are our affiliates at the time of, or any time during the three months preceding, a sale may sell unrestricted securities under the requirements of Rule 144 described above, without regard to the six month holding period of Rule 144, which does not apply to sales of unrestricted securities.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers or directors who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, all such shares are subject to lock-up agreements as described below and in the section titled “Underwriting” and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

Equity Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options issued or issuable and common stock issuable under our stock plans. We expect to file the registration statement covering shares offered pursuant to our stock plans shortly after the date of this prospectus, permitting the resale of such shares by nonaffiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market, subject to compliance with the resale provisions of Rule 144.

Registration Rights

Upon the closing of this offering, the holders of 321,723,164 shares of our common stock, including common stock issuable upon the conversion of our preferred stock, or their transferees, and common stock issuable upon the exercise of outstanding warrants, will be entitled to specified rights with respect to the registration of their registrable shares under the Securities Act, subject to certain limitations and the expiration, waiver or termination of the lock-up agreements. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act immediately upon effectiveness of the registration. See “Description of Capital Stock—Registration Rights” for additional information.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following summary describes the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, and does not deal with foreign, state and local consequences that may be relevant to Non-U.S. Holders in light of their particular circumstances, nor does it address U.S. federal tax consequences (such as gift and estate taxes) other than income taxes. Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Internal Revenue Code of 1986, as amended (or the Code), such as financial institutions, insurance companies, tax-exempt organizations, broker-dealers and traders in securities, U.S. expatriates, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, corporations organized outside of the United States, any state thereof or the District of Columbia that are nonetheless treated as United States income taxpayers for United States federal tax purposes, persons that hold our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or integrated investment or other risk reduction strategy, persons who acquire our common stock through the exercise of an option or otherwise as compensation, persons subject to the alternative minimum tax or federal Medicare contribution tax on net investment income, persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an "applicable financial statement" (as defined in the Code), partnerships and other pass-through entities or arrangements, and investors in such pass-through entities or arrangements. Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the U.S. Internal Revenue Service, or IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S. Holder holds our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment).

Persons considering the purchase of our common stock pursuant to this offering should consult their own tax advisors concerning the U.S. federal income, estate and other tax consequences of acquiring, owning and disposing of our common stock in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local or foreign tax consequences.

For the purposes of this discussion, a "Non-U.S. Holder" is, for U.S. federal income tax purposes, a beneficial owner of common stock that is neither a U.S. Holder, nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes regardless of its place of organization or formation). A "U.S. Holder" means a beneficial owner of our common stock that is for U.S. federal income tax purposes any of the following:

- an individual who is 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 or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Distributions

Distributions, if any, made on our common stock to a Non-U.S. Holder to the extent made out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, subject to the discussion below regarding effectively connected income and foreign accounts. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Form W-8BEN (in the case of individuals) or IRS Form W-8BEN-E (in the case of entities), or other appropriate form, including a U.S. taxpayer identification number, or in certain circumstances, a foreign tax identifying number, and certifying the Non-U.S. Holder's entitlement to benefits under that treaty. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. In the case of a Non-U.S. Holder that is an entity, Treasury Regulations and the relevant tax treaty provide rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty and you do not timely file the required certification, you may be able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States. (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that such holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if stock is held through a financial institution or other agent, to such agent). In general, such effectively connected dividends will be subject to U.S. federal income tax, on a net income basis at the regular graduated rates applicable to U.S. residents. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder's effectively connected earnings and profits, subject to certain adjustments. Non-U.S. Holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

To the extent distributions on our common stock, if any, exceed our current and accumulated earnings and profits, they will first reduce the Non-U.S. Holder's adjusted basis in our common stock, but not below zero, and then will be treated as gain to the extent of any excess, and taxed in the same manner as gain realized from a sale or other disposition of common stock as described in the next section.

Gain on Disposition of Our Common Stock

Subject to the discussion below regarding backup withholding and foreign accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless (a) the gain is effectively connected with a trade or business of such holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that such holder maintains in the United States), (b) the Non-U.S. Holder is a

nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met or (c) we are or have been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such holder's holding period. In general, we would be a U.S. real property holding corporation if interests in U.S. real estate comprise (by fair market value) at least half of our business assets. We believe that we have not been and we are not, and do not anticipate becoming, a U.S. real property holding corporation. Even if we are treated as a U.S. real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly and constructively, no more than five percent of our common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder's holding period and (2) our common stock is regularly traded on an established securities market. There can be no assurance that our common stock will continue to qualify as regularly traded on an established securities market. If any gain on your disposition is taxable because we are a United States real property holding corporation and your ownership of our common stock exceeds 5%, you will be taxed on such disposition generally in the manner applicable to U.S. persons.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on the net gain derived from the sale at regular graduated U.S. federal income tax rates, and corporate Non-U.S. Holders described in (a) above may be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Gain described in (b) above will be subject to U.S. federal income tax at a flat 30% rate or such lower rate as may be specified by an applicable income tax treaty, which gain may be offset by certain U.S.-source capital losses (even though you are not considered a resident of the U.S.), provided that the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

Information Reporting Requirements and Backup Withholding

Generally, we must report information to the IRS with respect to any dividends we pay on our common stock (even if the payments are exempt from withholding), including the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Pursuant to tax treaties or certain other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid by us (or our paying agents) to a Non-U.S. Holder may also be subject to U.S. backup withholding. U.S. backup withholding generally will not apply to a Non-U.S. Holder who provides a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-ECI, or otherwise establishes an exemption. Notwithstanding the foregoing, backup withholding may apply if the payor has actual knowledge, or reason to know, that the holder is a U.S. person who is not an exempt recipient.

U.S. information reporting and backup withholding requirements generally will apply to the proceeds of a disposition of our common stock effected by or through a U.S. office of any broker, U.S. or foreign, except that such information reporting and backup withholding requirements may be avoided if the holder provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E or otherwise meets documentary evidence requirements for establishing non-U.S. person status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding requirements will not apply to a payment of disposition proceeds to a Non-U.S. Holder where the transaction is effected outside the U.S. through a non-U.S. office of a non-U.S. broker. Information reporting and backup withholding requirements may, however, apply to a payment of disposition proceeds if the broker has actual knowledge, or reason to know, that the holder is, in fact, a U.S. person. For information reporting and backup withholding purposes, certain brokers with substantial U.S. ownership or operations will generally be treated in a manner similar to U.S. brokers.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against the tax liability of persons subject to backup withholding, provided that the required information is timely furnished to the IRS.

Foreign Accounts

Sections 1471 through 1474 of the Code (commonly referred to as FATCA) impose a U.S. federal withholding tax of 30% on certain payments, including dividends paid on and the gross proceeds of a disposition of our common stock paid to a foreign financial institution (as specifically defined by applicable rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). FATCA also generally imposes a federal withholding tax of 30% on certain payments, including dividends paid on and the gross proceeds of a disposition of our common stock to a non-financial foreign entity unless such entity provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding substantial direct and indirect U.S. owners of the entity. An intergovernmental agreement between the United States and an applicable foreign country may modify those requirements. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Holders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

The withholding provisions described above currently apply to payments of dividends, and will apply to payments of gross proceeds from a sale or other disposition of common stock on or after January 1, 2019.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAW.

UNDERWRITING

Piper Jaffray & Co. is acting as representative of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of our common stock set forth opposite its name below.

Underwriters	Number of Shares
Piper Jaffray & Co.	
William Blair & Company, L.L.C.	
Canaccord Genuity LLC	
BTIG, LLC	
JMP Securities LLC	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters have reserved up to shares of common stock, or approximately % of the shares offered by this prospectus, for sale, at the initial offering price, to our directors, officers and current investors in a directed share program. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares that are not purchased under this program will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. Shares purchased by our directors and officers will be subject to the 180-day lock-up restriction described below in "—No Sales of Similar Securities."

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act relating to losses or claims resulting from material misstatements in or omissions from this prospectus, the registration statement of which this prospectus is a part, certain free writing prospectuses that may be used in the offering and in any marketing materials used in connection with this offering and to contribute to payments the underwriters may be required to make in respect of those liabilities.

Discounts and Commissions

The representative has advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. After a bona fide offering of the shares of our common stock at the initial public offering price, the public offering price, concession or any other term of this offering may be changed. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The following table shows the public offering price, underwriting discount and proceeds, before expenses, to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public Offering Price	$	$	$
Underwriting Discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The estimated offering expenses payable by us, exclusive of the underwriting discount and commissions, are approximately $ million. We have also agreed to reimburse the underwriters for certain of their expenses in an amount not to exceed $ as set forth in the underwriting agreement.

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' option to purchase additional shares, described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased.

Option to Purchase Additional Shares

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 the underwriting discount and commissions. The underwriters may exercise this option solely for the purpose of covering overallotments, 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 table above bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

No Sales of Similar Securities

We, our executive officers and directors and all of our other stockholders have agreed not to sell or transfer any shares of our common stock or securities convertible into, exchangeable or exercisable for, or that represent the right to receive shares of our common stock, for 180 days after the date of the prospectus used to sell our common stock without first obtaining the written consent of Piper Jaffray & Co. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, announce the intention to sell, sell or contract to sell any shares of our common stock;
- sell any option or contract to purchase any shares of our common stock;
- purchase any option or contract to sell any shares of our common stock;
- grant any option, right or warrant to purchase any shares of our common stock;
- make any short sale or otherwise transfer or dispose of any shares of our common stock;

- enter into any swap or other agreement that transfers, in whole or in part, the economic consequences of ownership of any shares of our common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise
- make demand for or exercise any right with respect to the registration statement of our common stock; or
- publicly announce the intention to do any of the foregoing.

Listing

We have applied to list our common stock on the Nasdaq Global Market under the symbol "STIM." In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by Nasdaq.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the representative. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representative believes to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operations and the prospects for, and timing of, our future net sales;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after this offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing shares of our common stock. However, the underwriters may engage in transactions that stabilize the price of our common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. "Naked" short sales are sales in excess of the overallotment option. 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 our common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of shares of our common stock made by the underwriters in the open market prior to the closing of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, one or more of the underwriters may facilitate internet distribution for this offering to certain of their Internet subscription customers. Any such underwriter may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the internet websites maintained by any such underwriter. Other than the prospectus in electronic format, the information on the websites of any such underwriter is not part of this prospectus.

Other Relationships

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 or their affiliates may in the future engage in investment banking and other commercial dealings with us or our affiliates in the ordinary course of business, for which they may receive customary fees and commissions.

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 such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/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 and/or short positions in such securities and instruments.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each being referred to as a Relevant Member State, an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant 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 Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 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 representative for any such offer; or

(c) 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 Relevant 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 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, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant 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, or the 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.

Canada

The common stock may be sold only to purchasers purchasing as principal that are both "accredited investors" as defined in National Instrument 45-106 Prospectus and Registration Exemptions and "permitted clients" as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares of common stock must be made in accordance with an exemption from the prospectus requirements and in compliance with the registration requirements of applicable securities laws.

Hong Kong

The common stock may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies

Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case 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 in Hong Kong (except if permitted to do so under the 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" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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 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, or 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, in each case subject to compliance with conditions set forth in the SFA.

Where the 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) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures 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:

(i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law.

Switzerland

The common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or the 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 of common stock 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, or the common stock 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 common stock will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of shares of common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or the CISA. Accordingly, no public distribution, offering or advertising, as defined in CISA, its implementing ordinances and notices, and no distribution to any non-qualified investor, as defined in CISA, its implementing ordinances and notices, shall be undertaken in or from Switzerland, and the investor protection afforded to acquirers of interests in collective investment schemes under CISA does not extend to acquirers of common stock.

United Arab Emirates

This offering has not been approved or licensed by the Central Bank of the United Arab Emirates, or the UAE, Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority, or the DFSA, a regulatory authority of the Dubai International Financial Centre, or the DIFC. The offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No 8 of 1984 (as amended), DFSA Offered Securities Rules and NASDAQ Dubai Listing Rules, accordingly, or otherwise. The shares of common stock may not be offered to the public in the UAE and/or any of the free zones.

The shares of common stock may be offered and issued only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned.

France

This prospectus (including any amendment, supplement or replacement thereto) is not being distributed in the context of a public offering in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (Code monétaire et financier).

This prospectus has not been and will not be submitted to the French Autorité des marchés financiers, or the AMF, for approval in France and accordingly may not and will not be distributed to the public in France.

Pursuant to Article 211-3 of the AMF General Regulation, French residents are hereby informed that:

1. the transaction does not require a prospectus to be submitted for approval to the AMF;

2. persons or entities referred to in Point 2°, Section II of Article L. 411-2 of the Monetary and Financial Code may take part in the transaction solely for their own account, as provided in Articles D. 411-1, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Monetary and Financial Code; and

3. the financial instruments thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the Monetary and Financial Code.

This prospectus is not to be further distributed or reproduced (in whole or in part) in France by the recipients of this prospectus. This prospectus has been distributed on the understanding that such recipients will only participate in the issue or sale of our common stock for their own account and undertake not to transfer, directly or indirectly, our common stock to the public in France, other than in compliance with all applicable laws and regulations and in particular with Articles L. 411-1 and L. 411-2 of the French Monetary and Financial Code.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Cooley LLP, New York, New York. Certain legal matters will be passed upon for the underwriters by Latham & Watkins, LLP.

EXPERTS

The audited financial statements of Neuronetics, Inc. as of December 31, 2016 and 2017, and for the years then ended, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the shares of common stock being offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further information with respect to our company and the common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the internet at the SEC's website at *www.sec.gov*. You may also read and copy any document we file with the SEC at its public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above. We also maintain a website at *www.neurostar.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 in, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus.

NEURONETICS, INC.
INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Neuronetics, Inc.:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Neuronetics, Inc. (the Company) as of December 31, 2016 and 2017, the related statements of operations, changes in convertible preferred stock and stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2003.

Philadelphia, Pennsylvania
March 16, 2018

NEURONETICS, INC.

Balance Sheets
(In thousands, except per share data)

	December 31, 2016	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 17,040	$ 29,147
Accounts receivable, net	3,577	4,267
Inventory	1,696	2,468
Prepaid expenses and other current assets	607	1,123
Total current assets	22,920	37,005
Property and equipment, net	1,628	1,359
Other assets	250	574
Total Assets	$ 24,798	$ 38,938
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 1,483	$ 2,513
Accrued expenses	6,034	7,511
Deferred revenue	1,330	1,970
Current portion of long-term debt, net	4,491	—
Total current liabilities	13,338	11,994
Long-term debt, net	15,647	29,556
Deferred revenue	—	2,275
Convertible preferred stock warrant liability	459	478
Deferred rent	167	151
Total Liabilities	29,611	44,454
Commitments (Note 15)		
Convertible preferred stock, $0.01 par value: 308,593 shares authorized, issuable in series; 264,374 and 304,958 shares issued and outstanding at December 31, 2016 and 2017, respectively; aggregate liquidation value of $ 108,324 at December 31, 2017	172,311	187,136
Stockholders' deficit:		
Preferred stock, $0.01 par value: no shares authorized, issued or outstanding at December 31, 2016 and 2017	—	—
Common stock, $0.01 par value: 407,024 shares authorized; 5,434 and 6,713 shares issued and outstanding at December 31, 2016 and 2017, respectively	54	67
Additional paid-in capital	3,709	4,227
Accumulated deficit	(180,887)	(196,946)
Total Stockholder's Deficit	(177,124)	(192,652)
Total Liabilities, Convertible Preferred Stock and Stockholders' Deficit	$ 24,798	$ 38,938

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

NEURONETICS, INC.

Statements of Operations
(In thousands, except per share data)

	Years ended December 31,	
	2016	2017
Revenues	$ 34,228	$ 40,433
Cost of revenues	6,622	9,632
Gross Profit	27,606	30,801
Operating expenses:		
Sales and marketing	21,794	27,900
General and administrative	6,926	8,572
Research and development	8,223	7,937
Total operating expenses	36,943	44,409
Loss from Operations	(9,337)	(13,608)
Other (income) expense:		
Interest expense	1,835	2,808
Other (income) expense, net	62	(357)
Net Loss	$ (11,234)	$ (16,059)
Net loss per share of common stock outstanding, basic and diluted	$ (2.65)	$ (2.97)
Weighted-average common shares outstanding, basic and diluted	4,246	5,401
Pro forma net loss per share of common stock outstanding, basic and diluted (unaudited)		$ (0.05)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)		307,288

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

NEURONETICS, INC.

Statements of Changes in Convertible Preferred Stock and Stockholders' Deficit
(In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 2015	264,374	$172,311	3,661	$ 37	$ 3,498	$ (169,653)	$ (166,118)
Issuance of restricted stock awards	—	—	1,227	12	(12)	—	—
Exercises of stock options	—	—	546	5	62	—	67
Share-based compensation expense	—	—	—	—	161	—	161
Net loss	—	—	—	—	—	(11,234)	(11,234)
Balance at December 31, 2016	264,374	172,311	5,434	54	3,709	(180,887)	(177,124)
Issuance of Series G convertible preferred stock, net of issuance costs of $175	40,584	14,825	—	—	—	—	—
Issuance of restricted stock awards	—	—	317	3	(3)	—	—
Exercises of stock options	—	—	962	10	25	—	35
Share-based compensation expense	—	—	—	—	496	—	496
Net loss	—	—	—	—	—	(16,059)	(16,059)
Balance at December 31, 2017	304,958	$187,136	6,713	$ 67	$ 4,227	$ (196,946)	$ (192,652)

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

NEURONETICS, INC.

Statements of Cash Flows
(In thousands)

	Years ended December 31, 2016	2017
Cash Flows from Operating Activities:		
Net loss	$ (11,234)	$ (16,059)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	673	596
Share-based compensation	161	496
Non-cash interest expense	391	722
Change in fair value of convertible preferred stock warrant liability	108	(271)
Cost of rental units purchased by customers	15	216
Changes in certain assets and liabilities:		
Accounts receivable, net	(123)	(690)
Inventory	(646)	(1,068)
Prepaid expenses and other assets	(156)	(175)
Accounts payable	734	788
Accrued expenses	1,201	1,391
Deferred revenue	363	2,915
Deferred rent	(28)	(5)
Net Cash Used in Operating Activities	(8,541)	(11,144)
Cash Flows from Investing Activities:		
Purchases of property and equipment and capitalized software	(324)	(594)
Net Cash Used in Investing Activities	(324)	(594)
Cash Flows from Financing Activities:		
Proceeds from issuance of Series G convertible preferred stock, net	—	14,825
Borrowings under credit facilities	5,000	10,000
Payments of debt issuance costs	(171)	(1,015)
Proceeds from exercises of stock options	67	35
Net Cash Provided by Financing Activities	4,896	23,845
Net (Decrease) Increase in Cash and Cash Equivalents	(3,969)	12,107
Cash and Cash Equivalents, Beginning of Year	21,009	17,040
Cash and Cash Equivalents, End of Year	$ 17,040	$ 29,147
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,406	$ 2,043
Transfer of inventory to property and equipment	$ (531)	$ (296)
Supplemental disclosure of non-cash financing activities:		
Allocation of proceeds from debt financing to convertible preferred stock warrant liability	$ 135	$ 290
Deferred initial public offering costs included in accounts payable and accrued expenses	$ —	$ 55

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

NEURONETICS, INC.

Notes to Financial Statements

1. DESCRIPTION OF BUSINESS

Neuronetics, Inc., or the Company, is a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from psychiatric disorders. The Company's first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses transcranial magnetic stimulation, or TMS, to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system was cleared in 2008 by the United States Food and Drug Administration (FDA) to treat adult patients with major depressive disorder, or MDD, that have failed to achieve satisfactory improvement from prior antidepressant medication in the current episode. The Company intends to continue to pursue development of its NeuroStar Advanced Therapy for additional indications.

Liquidity

As of December 31, 2017, the Company had cash and cash equivalents of $29.1 million and an accumulated deficit of $196.9 million. The Company has incurred negative cash flows from operating activities of $8.5 million and $11.1 million for the years ended December 31, 2016 and 2017, respectively. The Company has incurred operating losses since its inception, and management anticipates that its operating losses will continue in the near term as the Company seeks to expand its sales and marketing initiatives to support its growth into existing and new markets and invest in additional research and development activities. The Company's primary sources of capital to date have been from private placements of its convertible preferred securities, borrowings under its credit facilities and sales of its products. As of December 31, 2017, the Company had $30.0 million of borrowings outstanding under its credit facility, which matures March 2022 and has $5.0 million of additional availability, subject to the achievement of $45.0 million of trailing twelve month revenues in 2018. Management believes that the Company's cash and cash equivalents as of December 31, 2017, sales of its products and availability of borrowing under its credit facility are sufficient to fund the Company's operations at least into the second half of calendar year 2019.

Risks and Uncertainties

The Company's ability to implement its business strategy is subject to numerous risks and uncertainties, including, but not limited to: uncertainty in the Company's ability to generate sufficient revenues from the commercialization of its products to achieve or sustain profitability; the need to raise additional capital to fund the Company's existing commercial operations, development and commercialization of new products and expansion of its operations; uncertainty with regard to competitors' development of competing products and technologies; uncertainty with regard to adoption and use of TMS therapy by physicians and patients; comprehensive government regulation and oversight both in the United States and abroad; reliance on coverage and reimbursement from third-party payers for treatments using the Company's products; the Company has limited experience in marketing and selling its products; and the Company relies significantly on technology to deliver treatments with its products.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASU) promulgated by the Financial Accounting Standards Board (FASB).

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

Use of Estimates

The preparation of financial statements in accordance with GAAP and the rules and regulations of the United States Securities and Exchange Commission (SEC) requires the use of estimates and assumptions, based on judgments considered reasonable, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience, known trends and events and various other factors that management believes to be 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. Although management believes its estimates and assumptions are reasonable when made, they are based upon information available at the time they are made. Management evaluates the estimates and assumptions on an ongoing basis and, if necessary, makes adjustments. Due to the risks and uncertainties involved in the Company's business and evolving market conditions, and given the subjective element of the estimates and assumptions made, actual results may differ from estimated results. The most significant estimates and judgments impact share-based compensation, convertible preferred stock warrants, product warranty accruals and the net realizable value of inventory.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2016 and 2017, cash equivalents consisted of money market funds.

Concentrations of Credit Risk

The Company's cash is held on deposit in demand accounts at a large financial institution in amounts in excess of the Federal Deposit Insurance Corporation, or FDIC, insurance coverage limit of $250,000 per depositor, per FDIC-insured bank, per ownership category. Management has reviewed the financial statements of this institution and believes it has sufficient assets and liquidity to conduct its operations in the ordinary course of business with little or no credit risk to the Company.

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash equivalents and accounts receivable. The Company limits its credit risk associated with cash equivalents by placing investments in highly-rated money market funds. The Company limits its credit risk with respect to accounts receivable by performing credit evaluations when deemed necessary, but it does not require collateral to secure amounts owed by its customers.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from amounts deemed to be uncollectible from its customers. These allowances are for specific amounts on certain customer accounts based on facts and circumstances determined on a case-by-case basis.

Inventory

Inventory is stated at the lower of cost and net realizable value, with cost being determined on a first in, first out basis. The Company's inventory is primarily comprised of finished goods.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred and costs of improvements and renewals are capitalized. Depreciation and amortization are recognized using the straight-line method based on the estimated useful lives of the related assets. The Company uses an estimated useful life of three years for computers and software, five years for laboratory and office equipment, six years for devices in the rental agreement program and the lesser of five years or the remaining life of the underlying facility lease for leasehold improvements.

Software development costs relating to assets to be sold in the normal course of business are included in research and development and are expensed as incurred until technological feasibility is established. After technological feasibility is established, material software development costs are capitalized. As of December 31, 2017, the Company had capitalized software costs of $0.4 million which are included in “Other assets” on the balance sheet.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are tested for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment testing requires management to estimate the future net undiscounted cash flows of an asset using assumptions believed to be reasonable. Actual cash flows may differ from the estimates used in the impairment testing. If such assets are considered to be impaired, the Company recognizes an impairment loss when and to the extent that the estimated fair value of an asset is less than its carrying value. The Company has not recorded any impairment of its long-lived assets.

Warrant Liability

The Company’s current and previous credit facilities require the issuance of warrants to purchase the Company’s convertible preferred stock at the date of borrowing. Because the convertible preferred stock warrants are a form of a contingently redeemable instrument, they are classified as liabilities on the Company’s balance sheet. At the date of borrowing, the Company bifurcates the estimated fair value of the convertible preferred stock warrants from the proceeds from borrowing, resulting in the recognition of a debt discount, and records a warrant liability on its balance sheet. This warrant liability is revalued at each reporting period, with changes in fair value recorded in the Company’s statement of operations as a component of other income or expense. The warrants will continue to be revalued at each reporting period until such time as they are exercised, expire, are reclassified to permanent equity or are otherwise settled. The valuation of the warrant liability is based upon estimates of the fair value of the underlying convertible preferred stock and the related volatility and expected term for an illiquid instrument, which could vary significantly from period to period.

Immediately prior to the closing of an initial public offering in which all of the Company’s outstanding convertible preferred stock converts to common stock, all of the Company’s outstanding convertible preferred stock warrants will automatically convert into common stock warrants. At such time, the warrant liability will be remeasured at its estimated fair value and reclassified to additional paid-in capital on the Company’s balance sheet. Upon reclassification into equity, the Company will cease mark-to-market accounting activities.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

Deferred Debt Issuance Costs

The Company capitalizes direct costs incurred to obtain debt financing and amortizes these costs to interest expense over the term of the debt using the effective interest method. These costs are recorded as a debt discount and the unamortized costs are netted against the related debt on the Company's balance sheet.

Revenue Recognition

Revenue is recognized when title and risk of ownership has been transferred, provided that persuasive evidence of an arrangement exists, the price is fixed and determinable and collectability is reasonably assured. Transfer of title and risk of ownership occurs when the product is shipped or transferred to the customer. The Company sells to end users in the United States and to third-party distributors outside the United States and does not provide return rights. Sales to distributors outside the United States are in U.S. dollars.

The Company generates revenue from sales of NeuroStar Advanced Therapy Systems and treatment sessions. NeuroStar Advanced Therapy System revenue consists primarily of a capital component, including updates to the equipment, attributable to the initial sale of the NeuroStar system unit. NeuroStar Advanced Therapy Systems can be purchased outright or on a rent-to-own basis by certain customers. Treatment session revenue primarily includes sales of NeuroStar treatment sessions and SenStar treatment links. The NeuroStar treatment sessions are access codes delivered electronically in the United States. The SenStar treatment links are disposable units containing single-use access codes that are sold and used outside the United States. Access codes are purchased separately by customers, primarily on an as-needed basis, and are required by the NeuroStar Advanced Therapy System in order to deliver the treatment sessions.

The Company's NeuroStar Advanced Therapy System sales in the United States typically have post-sale obligations of installation and training. These obligations are fulfilled after product shipment, and the Company defers recognizing revenue until installation occurs. In accordance with the accounting guidance related to multiple element arrangements, the Company defers the fair value attributable to the post-shipment training and recognizes such revenue when the obligation is fulfilled. The Company bases the fair value of the training using stand-alone service rates. The Company's sales to its third-party distributors outside the United States do not have these post-sale obligations. The Company's treatment sessions have no post-sale obligations and no return rights. Revenues on the sales of treatment sessions are recognized upon delivery. Revenue related to operating leases for the Company's NeuroStar Advanced Therapy System is recognized over the term of the lease. Revenue attributable to the NeuroStar Advanced Therapy Systems purchased on a rent-to-own basis are accounted for as operating leases and revenue is recognized on a straight-line basis over the term of the lease.

The Company provides a one to two-year warranty for systems sold in the United States. Terms of product warranty differ amongst its third-party distributors outside the United States, but are generally three years or less. The Company provides for the estimated cost to repair or replace products under any warranty at the time of sale. The Company also offers its customers in the United States annual service contracts. Revenue from the sale of annual service contracts is recognized on a straight-line basis over the period of the applicable contract. The Company also earns revenue from customers from services outside of their warranty term or annual service contracts. Such service revenue is recognized as the services are provided.

Research and Development Expenses

Research and development activities are expensed as incurred. Costs incurred in obtaining technology licenses are charged immediately to research and development expense if the technology licensed has not reached technological feasibility and has no alternative future uses.

Share-based Compensation

The Company recognizes the grant-date fair value of share-based awards issued as compensation as expense on a straight-line basis over the requisite service period, which is generally the vesting period of the award. To date, the Company has not issued awards where vesting is subject to performance or market conditions. The fair value of restricted stock awards is based on a determination by the board of directors of the estimated fair value of the common stock at the date of grant. The fair value of stock options is estimated at the time of grant using the Black-Scholes option pricing model, which requires the use of inputs and assumptions such as the estimated fair value of the underlying common stock, exercise price of the option, expected term, risk-free interest rate, expected volatility and dividend yield, the most critical of which is the estimated fair value of the Company's common stock.

The estimated fair value of each grant of stock options awarded during the years ended December 31, 2016 and 2017 was determined using the following methods and assumptions:

- ***Estimated Fair Value of Common Stock.*** As the Company's common stock has not historically been publicly traded, its board of directors periodically estimated the fair value of the Company's common stock considering, among other things, contemporaneous valuations of its preferred and common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provided by the American Institute of Certified Public Accountants 2013 Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.
- ***Expected Term.*** Due to the lack of a public market for the trading of the Company's common stock and the lack of sufficient company-specific historical data, the expected term of employee stock options is determined using the "simplified" method, as prescribed in SEC Staff Accounting Bulletin (SAB) No. 107 (SAB 107), whereby the expected life equals the arithmetic average of the vesting term and the original contractual term of the option. The expected term of nonemployee stock options is equal to the contractual term.
- ***Risk-free Interest Rate.*** The risk-free interest rate is based on the interest rate payable on United States Treasury securities in effect at the time of grant for a period that is commensurate with the assumed expected term.
- ***Expected Volatility.*** The expected volatility is based on historical volatilities of peer companies within the Company's industry which were commensurate with the expected term assumption, as described in SAB 107.
- ***Dividend Yield.*** The dividend yield is 0% because the Company has never paid, and for the foreseeable future does not expect to pay, a dividend on its common stock.

The inputs and assumptions used to estimate the fair value of share-based payment awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different inputs and assumptions, the Company's share-based compensation expense could be materially different for future awards.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is recorded to the extent it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Unrecognized income tax benefits represent income tax positions taken on income tax returns that have not been recognized in the Company's financial statements. The Company recognizes the benefit of an income tax position only if it is more likely than not that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Accrued interest and related penalties are classified as income tax expense in the Company's statements of operations, if applicable.

As of December 31, 2016 and 2017, the Company had deferred tax assets of $63.4 million and $47.3 million, respectively; these deferred tax assets are primarily attributable to federal and state net operating loss carryforwards. Although the loss carryforwards are available to offset future taxable income, they will begin to expire in 2020 for state and 2023 for federal. In addition, prior ownership changes may create a limitation in the Company's ability to use the net operating loss carryforwards for federal and state income tax purposes. These loss carryforwards have been fully offset by a valuation allowance because management does not consider realization of these deferred tax assets to be more likely than not.

Corporate tax reform was enacted on December 22, 2017 and is effective for the Company for year ended December 31, 2017. The provisions of the corporate tax reform did not have any impact to the Company due to the full valuation allowance position. As a result of the reduced corporate rate, the Company's deferred tax assets were revalued from 34% to 21%, which was fully offset by a reduction in the valuation allowance. In connection with the corporate tax reform, the Medical Device Tax was suspended for another two years.

4. RECENT ACCOUNTING PRONOUNCEMENTS

JOBS Act Accounting Election

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

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), regarding the accounting for and disclosures of revenue recognition, with an effective date for public companies of annual and interim periods beginning after December 15, 2016. In July 2015, the FASB issued ASU 2015-14, "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*," which deferred the effective date of the previously issued revenue recognition guidance by one year. This guidance will be effective for public companies for annual and interim periods beginning after December 15, 2017. For all other entities, including emerging growth companies, this standard is effective for annual reporting periods beginning after December 15, 2018, and interim periods with annual periods beginning after December 15, 2019. Early adoption is permitted. This update provides a single comprehensive model for accounting for revenue from contracts with customers. The model requires that revenue recognized reflect the actual consideration to which the entity expects to be entitled in exchange for the goods or services defined in the contract, including in situations with multiple performance obligations. In April 2016 and May 2016, the FASB issued ASU 2016-10, "*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*" and ASU 2016-12, "*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*," respectively. Both of these updates provide improvements and clarification to the previously issued revenue recognition guidance. The new standard can be adopted using one of two methods: the full retrospective method, which requires the standard to be applied to each prior period presented, or the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. The new standard will result in additional revenue-related disclosures in the notes to the Company's financial statements. The majority of the Company's revenue relates to the sales of NeuroStar Advanced Therapy Systems and treatment sessions to various customers. The Company is still analyzing the impact of ASU 2014-09 on its financial statements and disclosures. The Company is also continuing to evaluate the impact on certain less significant revenue streams. In addition, the new standard will require changes to the Company's processes and controls to support additional disclosures, and the Company is in the process of identifying and designing such changes to processes and controls to ensure readiness.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), with guidance regarding the accounting for and disclosure of leases. The update requires lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet. This update also requires lessees and lessors to disclose key information about their leasing transactions. This guidance will be effective for public companies for annual and interim periods beginning after December 15, 2018. For all other entities, including emerging growth companies, this standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect that this guidance will have on its financial statements and related disclosures. The Company expects the implementation of this standard to have an impact on its financial statements and related disclosures as its aggregate future minimum lease payments were $1.7 million as of December 31, 2017 under its current non-cancelable office lease with an expiration date in 2021. The Company anticipates recognition on its balance sheet of an additional asset and corresponding liability related to this lease.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): "*Improvements to Employee Share-Based Payment Accounting*," with guidance regarding the simplification of accounting for share-based payment award transactions. The update changes the accounting for such areas as the accounting and cash flow classification for excess tax benefits and deficiencies; forfeitures; and tax withholding requirements and cash flow classification. This guidance

was effective for public companies for annual and interim periods beginning after December 15, 2016. The Company adopted the new guidance effective January 1, 2017, and it did not have a material effect on its financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): "*Scope of Modification Accounting*," which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This guidance will be effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The Company will adopt the new guidance effective January 1, 2018, and it is not expected to have a material effect on its financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): "*Classification of Certain Cash Receipts and Cash Payments*," with guidance intended to reduce the diversity in practice regarding how certain cash receipts and cash payments are presented and classified within the statement of cash flows. The update addresses eight specific cash flow issues including: debt prepayment or debt extinguishment costs; the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies or bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance will be effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company will adopt the new guidance effective January 1, 2018, and it is not expected to have a material effect on its financial statements.

5. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The carrying values of cash equivalents, accounts receivable, prepaids and other current assets, and accounts payable on the Company's balance sheets approximated their fair values as of December 31, 2016 and 2017 due to their short-term nature. The carrying values of the Company's current and previous credit facilities approximated their fair values as of December 31, 2016 and 2017 due to their variable interest rates.

Certain of the Company's financial instruments are measured at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Inputs are quoted prices for identical instruments in active markets.

Level 2: Inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Inputs are unobservable and reflect the Company's own assumptions, based on the best information available, including the Company's own data.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

The following tables set forth the carrying amounts and fair values of the Company's financial instruments as of December 31, 2016 and 2017 (in thousands):

	December 31, 2016				
			Fair Value Measurement Based on		
	Carrying Amount	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Money market funds (cash equivalents)	$16,375	$16,375	$16,375	$ —	$ —
Liabilities					
Convertible preferred stock warrant liability	$ 459	$ 459	$ —	$ —	$ 459

	December 31, 2017				
			Fair Value Measurement Based on		
	Carrying Amount	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Money market funds (cash equivalents)	$11,149	$11,149	$11,149	$ —	$ —
Liabilities					
Convertible preferred stock warrant liability	$ 478	$ 478	$ —	$ —	$ 478

Significant changes in the estimated fair value of the Company's convertible preferred stock will significantly impact the valuation of the convertible preferred stock warrant liability. The fair value of the convertible preferred stock warrant liability was estimated using the Black-Scholes option pricing model and the following inputs and assumptions as of December 31, 2016 and 2017:

	December 31,			
	2016		2017	
	Series E	Series F	Series E	Series F
Estimated fair value of convertible preferred stock	$0.52	$0.51	$0.33	$0.38
Exercise price	$0.6746	$0.3356	$0.6746	$0.3356
Remaining term (in years)	6.0	4.1-6.7	5.0	3.1-7.0
Risk-free interest rate	2.1%	1.7%-2.2%	2.2%	2.0%-2.3%
Expected volatility	39%	38%-40%	43%	43%-44%
Dividend yield	0%	0%	0%	0%

The following table presents the changes in Level 3 instruments measured on a recurring basis for the years ended December 31, 2016 and 2017 (in thousands):

Balance at December 31, 2015	$ 216
Issuance of warrants	135
Change in fair value	108
Balance at December 31, 2016	459
Issuance of warrants	290
Change in fair value	(271)
Balance at December 31, 2017	$ 478

6. ACCOUNTS RECEIVABLE

The following table presents the composition of accounts receivable, net as of December 31, 2016 and 2017 (in thousands):

	December 31,	
	2016	2017
Gross accounts receivable—trade	$3,920	$4,684
Less: Allowances for doubtful accounts	(343)	(417)
Accounts receivable, net	$3,577	$4,267

Bad debt expense was $0.1 million for each of the years ended December 31, 2016 and 2017. The following table presents a rollforward of the allowance for doubtful accounts (in thousands):

	Balance at Beginning of Period	Bad Debt Expense Recognized	Write-offs of Uncollectible Balances	Balance at End of Period
Year ended December 31, 2016	$ (274)	(75)	6	$ (343)
Year ended December 31, 2017	$ (343)	(116)	42	$ (417)

7. PROPERTY AND EQUIPMENT

The following table presents the composition of property and equipment, net as of December 31, 2016 and 2017 (in thousands):

	December 31,	
	2016	2017
Laboratory equipment	$ 150	$ 150
Office equipment	542	487
Computer equipment and software	431	680
Manufacturing equipment	273	273
Leasehold improvements	153	153
Rental equipment	1,743	1,447
Property and equipment, gross	3,292	3,190
Less: Accumulated depreciation	(1,664)	(1,831)
Property and equipment, net	$ 1,628	$ 1,359

Depreciation expense was $0.7 million and $0.6 million for the years ended December 31, 2016 and 2017, respectively.

8. ACCRUED EXPENSES

The following table presents the composition of accrued expenses as of December 31, 2016 and 2017 (in thousands):

	December 31,	
	2016	2017
Compensation and related benefits	$3,361	$4,465
Consulting and professional fees	453	461
Research and development expenses	751	497
Sales and marketing expenses	455	620
Warranty	184	570
Sales tax payable	308	322
Interest payable	146	188
Other	376	388
Accrued expenses	$6,034	$7,511

9. DEBT

The following table presents the composition of debt as of December 31, 2016 and 2017 (in thousands):

	December 31,	
	2016	2017
Outstanding principal	$20,000	$30,000
Accrued final payment fees	682	940
Less debt discounts	(544)	(1,384)
Total long-term debt, net	20,138	29,556
Less current portion of long-term debt, net	(4,491)	—
Long-term debt, net	$15,647	$29,556

Current $35.0 Million Credit Facility

In March 2017, the Company entered into a new loan and security agreement with Oxford Finance LLC, or Oxford, for a credit facility that replaced its previous $25.0 million credit facility with Oxford and which allows it to borrow up to $35.0 million in three tranches of term loans: a Term A Loan in the amount of $25.0 million, which was drawn down immediately upon closing in March 2017, a Term B Loan in the amount of $5.0 million, which was drawn down in December 2017, and a Term C Loan in the amount of $5.0 million, which will become available to the Company upon the achievement of $45.0 million of trailing twelve month revenues in 2018. Each term loan accrues interest from the date of borrowing through the date of repayment at a floating per annum rate of interest, which resets monthly and is equal to the greater of 8.15% or the 30 day U.S. LIBOR rate on the last business day of the month plus 7.38%. The Company is also required to issue to Oxford at the date of each borrowing warrants to purchase its Series F or later series of convertible preferred stock or, if it is a public company at the date

of borrowing, warrants to purchase its common stock, with a seven year term and in an amount equal to 3.95% of the first $5.0 million of each tranche borrowed. The credit facility matures and all amounts borrowed thereunder are due on March 1, 2022. As of December 31, 2017, the Company had borrowed and had outstanding an aggregate of $30.0 million of principal under the credit facility.

The Term A Loan features an interest-only period through March 2019, during which time the Company is required to make monthly interest payments, after which time the Company is required to make monthly payments of principal and interest based on a 36-month amortization schedule. However, if $45.0 million of trailing twelve month revenues is achieved in 2018, the interest-only period can be extended for an additional 12 months through March 2020 and the amortization period then becomes 24 months. In connection with the drawdown of the Term A Loan, the Company issued to the lender warrants to purchase 588,498 shares of its Series F convertible preferred stock, which have an exercise price of $0.3356 per share and which expire in March 2024.

The Term B Loan features an interest-only period through March 2019, during which time the Company is required to make monthly interest payments, after which time the Company is required to make monthly payments of principal and interest based on a 36-month amortization schedule. However, if $45.0 million of trailing twelve month revenues is achieved in 2018, then the interest-only period can be extended for an additional 12 months through March 2020 and the amortization period then becomes 24 months. In connection with the drawdown of the Term B Loan, the Company issued to the lender warrants to purchase 588,498 shares of its Series F convertible preferred stock, which have an exercise price of $0.3356 per share and which expire in December 2024.

In addition to principal and interest payments due under the credit facility, the Company is required to make final payment fees to the lender due upon the earlier of prepayment or maturity of each tranche, which are equal to 8%, 7% and 6.5% of the principal amounts of the Term A, Term B and Term C Loans, respectively, except that if the interest-only periods on the Term A and Term B Loans are extended then the final payment fees increase to 8.5%, 7.5% and 7% of the principal amounts of the Term A, Term B and Term C Loans, respectively. The Company accrues the estimated final payment fees using the effective interest rate, with a charge to non-cash interest expense, over the term of borrowing for each tranche. As of December 31, 2017, the effective interest rates for the Term A and Term B Loans were 10.7% and 11.6%, respectively. If the Company prepays its term loans prior to their respective scheduled maturities, it will also be required to make prepayment fees to the lender equal to 3% if prepaid on or before the first anniversary of funding, 2% if prepaid after the first and on or before the second anniversary of funding or 1% if prepaid after the second anniversary of funding of the principal amounts borrowed.

The Company’s obligations under the credit facility are secured by a first priority security interest in substantially all of its assets, other than its intellectual property. The Company has agreed not to pledge or otherwise encumber any of its intellectual property. The loan and security agreement related to the credit facility includes a financial maintenance covenant that requires the Company to achieve at least 75% of its trailing 12-month forecasted revenues, as measured each month in accordance with a forecast that the Company provided to Oxford upon signing the agreement and future forecasts that the Company is required to deliver to the lenders each year for the life of the credit facility, as well as customary affirmative and negative covenants. The Company was in compliance with all of the covenants under its credit facility as of December 31, 2017.

The loan and security agreement related to the credit facility contains events of default, including, without limitation, events of default upon: (i) failure to make payment pursuant to the terms of the

agreement; (ii) violation of covenants; (iii) material adverse changes to the Company's business; (iv) attachment or levy on the Company's assets or judicial restraint on its business; (v) insolvency; (vi) significant judgments, orders or decrees for payments by the Company not covered by insurance; (vii) incorrectness of representations and warranties; (viii) incurrence of subordinated debt; (ix) revocation of governmental approvals necessary for the Company to conduct its business; and (x) failure by the Company to maintain a valid and perfected lien on the collateral securing the borrowing.

Based on a 36-month amortization of the outstanding principal amounts of the Term A and Term B Loans beginning on April 1, 2019 as discussed above, the following table sets forth by year the Company's required future principal payments (in thousands):

Year:	Principal Payments
2018	$ —
2019	7,500
2020	10,000
2021	10,000
2022	2,500
Total principal payments	$30,000

Previous $25.0 Million Credit Facility

Prior to March 2017, the Company had a $25.0 million credit facility in place with Oxford, which it entered into in February 2014 and which allowed it to borrow up to $25.0 million in three tranches of term loans: a Term A Loan in the amount of $15.0 million, a Term B Loan in the amount of $5.0 million and a Term C Loan in the amount of $5.0 million, which was never drawn down. Each term loan accrued interest at per annum rates ranging from 8.5% to 8.9%. This facility featured an interest-only period on all tranches through March 2017, and the Company was also required to issue convertible preferred stock warrants to the lender at the time of borrowing of each tranche.

In addition to principal and interest payments due under the previous $25.0 million credit facility, the Company was required to make final payment fees to the lender upon the earlier of prepayment or maturity and equal to 8.5% and 4.7% of the principal amounts of the Term A and Term B Loans, respectively. The Company accrued final payment fees using the effective interest rate, with a charge to non-cash interest expense, over the term of borrowing and until its entry into the current credit facility in March 2017, at which time the Company paid the lender $1.0 million in satisfaction of all final payment fee liabilities due under the prior credit facility. As of December 31, 2016, the effective interest rates for the previous Term A and Term B Loans were 10.4% and 11.6%, respectively.

Management evaluated whether the current credit facility entered into in March 2017 represented a debt modification or extinguishment in accordance with ASC 470-50, Debt—Modifications and Extinguishments. Upon determining that the change in cash flows between the previous and current credit facilities was not greater than 10%, management accounted for the transaction as a debt modification. As of March 2017, the unamortized balance of deferred debt issuance costs incurred in connection with the $25.0 million credit facility, and certain additional deferred debt issuance costs incurred in connection with entry into the current credit facility, are being amortized to interest expense through March 2022 utilizing the effective interest method.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

For the year ended December 31, 2016, the Company recognized interest expense of $1.8 million, of which $1.4 million was cash and $0.4 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees. For the year ended December 31, 2017, the Company recognized interest expense of $2.8 million, of which $2.1 million was cash and $0.7 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees.

10. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

Common Stock

In June 2017, the Company amended its certificate of incorporation to increase the number of shares of common stock, $0.01 par value per share, authorized for issuance from 341.9 million to 407.0 million shares, of which 6.7 million were issued and outstanding as of December 31, 2017. In addition, the Company is required to reserve and keep available out of its authorized but unissued shares of common stock a number of shares sufficient to effect the conversion into common stock of all outstanding shares of convertible preferred stock and convertible preferred stock warrants, convertible preferred stock warrants issuable upon borrowing the Term C Loan under the current $35.0 million credit facility and stock options granted and shares available for grant under its stock incentive plan.

The following table summarizes the total number of shares of the Company's common stock issued and reserved for issuance as of December 31, 2017 (in thousands):

	December 31, 2017
Shares of common stock issued	6,713
Shares of common stock reserved for issuance for:	
Convertible preferred stock outstanding:	
Series A-1	4,800
Series A-2[1]	26,038
Series B[2]	20,217
Series C[3]	30,807
Series D	49,426
Series E	44,471
Series F	102,334
Series G	40,584
Convertible preferred stock warrants outstanding:	
Series E	402
Series F	2,644
Series F convertible preferred stock warrants issuable upon Term C Loan borrowing	588
Stock options outstanding	70,864
Shares available for grant under stock incentive plan	7,136
Total shares of common stock issued and reserved for issuance	407,024

(1) Shares of Series A-2 convertible preferred stock convert to common stock at a ratio of 1.0257 shares of common stock per share of Series A-2 convertible preferred stock.
(2) Shares of Series B convertible preferred stock convert to common stock at a ratio of 1.1892 shares of common stock per share of Series B convertible preferred stock.
(3) Shares of Series C convertible preferred stock convert to common stock at a ratio of 1.4699 shares of common stock per share of Series C convertible preferred stock.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Subject to preferences that may apply to any outstanding preferred stock, holders of common stock are entitled to receive proportionally any dividends that the Company's board of directors may declare out of funds legally available for that purpose on a non-cumulative basis. The Company has never paid, and for the foreseeable future does not expect to pay, a dividend on its common stock.

Convertible Preferred Stock

In June 2017, the Company amended its certificate of incorporation to increase the number of shares of convertible preferred stock, $0.01 par value per share, authorized for issuance from 266.8 million to 308.6 million shares, of which the Company has designated and issued Series A-1, Series A-2, Series B, Series C, Series D, Series E, Series F and Series G shares. Series A-1 through Series E shares of convertible preferred stock are referred to collectively as Junior Securities and are subordinate to shares of Series G and Series F shares of convertible preferred stock. In June 2017, the Company sold an aggregate of 40.6 million shares of its Series G convertible preferred stock in a private placement to certain of its existing investors, each taking their pro rata or super pro rata share of the placement, as well as a new investor, at a purchase price of $0.3696 per share and received aggregate net proceeds of $14.8 million. All of the Company's convertible preferred stock is classified outside of stockholders' deficit because the shares contain deemed liquidation rights that are a contingent redemption feature not solely within the control of the Company.

The following table summarizes the Company's outstanding convertible preferred stock as of December 31, 2016 and 2017:

	Shares Authorized and Designated (in thousands)	Shares Issued and Outstanding (in thousands)	Carrying Value (in thousands)	Liquidation Value per Share	Liquidation Value (in thousands)
Series A-1	4,800	4,800	$ 900	$ 0.0617	$ 296
Series A-2	25,385	25,385	16,428	$ 0.2052	5,209
Series B	17,000	17,000	16,859	$ 0.3168	5,386
Series C	20,958	20,958	34,841	$ 0.5253	11,009
Series D	49,426	49,426	29,970	$ 0.2874	14,205
Series E	44,873	44,471	29,800	$ 0.5144	22,876
Series F	105,567	102,334	43,513	$ 0.3356	34,343
Balance at December 31, 2016	268,009	264,374	172,311		93,324
Series G	40,584	40,584	14,825	$ 0.3696	15,000
Balance at December 31, 2017	308,593	304,958	$ 187,136		$ 108,324

Conversion

Each share and series of convertible preferred stock is convertible into common stock at any time at the option of the holder thereof at the conversion price then in effect (each subject to adjustments upon the occurrence of certain dilutive events). At December 31, 2017, the conversion price for Series A-1, Series D, Series E, Series F and Series G shares was equal to the original issue price, resulting in a common stock conversion ratio of 1:1. At December 31, 2017, as a result of past anti-dilution

adjustments, the conversion price for Series A-2, Series B and Series C shares was below the original issue price, resulting in common stock conversion ratios of 1:1.0257, 1:1.1892 and 1:1.4699, respectively.

All shares of each series of convertible preferred stock are convertible into common stock at the affirmative election of the holders of at least (i) 60% of the outstanding shares of convertible preferred stock, (ii) 60% of the outstanding Series E convertible preferred stock, (iii) 75% of the outstanding Series F convertible preferred stock and (iv) 55% of the outstanding Series G convertible preferred stock.

The Company may at any time require the conversion of all outstanding convertible preferred stock upon a qualified initial public offering of its common stock with a public offering price of at least $0.5544 per share and aggregate gross proceeds of at least $30.0 million.

Liquidation Preferences

In the event of a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or in the event of a deemed liquidation event, which includes a sale of the Company as defined in the Company's certificate of incorporation, holders of Series G convertible preferred stock are entitled to receive, in preference to all other stockholders, an amount equal to their original investment amount plus any declared and unpaid dividends. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series G convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preference of the Series G convertible preferred stock, holders of Series F convertible preferred stock are entitled to receive, in preference to all holders of Junior Securities and common stock, an amount equal to their original investment amount plus any declared and unpaid dividends. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire remaining assets and funds legally available for distribution shall be distributed ratably among the holders of the Series F convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preferences of the Series G and Series F convertible preferred stock, holders of Junior Securities are entitled to receive an amount equal to $59.2 million in the aggregate. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Junior Securities in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preferences of the Series G, Series F and Junior Securities convertible preferred stock, holders of Series F convertible preferred stock are entitled to receive an additional liquidation preference at an amount equal to $0.1678 per share. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series F convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preferences of the Series G, Series F and Junior Securities convertible preferred stock and the additional liquidation preference for holders of Series F convertible preferred stock, holders of common stock and holders of Junior Securities, Series F and Series G

convertible preferred stock are entitled to receive a liquidation preference until the amount distributed to holders of the Series F convertible preferred stock equals $1.0068 plus declared but unpaid dividends on each share and then to the holders of common stock and holders of Junior Securities and Series G convertible preferred stock until the aggregate amount distributed to such holders equals the amount distributed to holders of Series F convertible preferred stock divided by the Series F ownership percentage.

After payments of the above liquidation preferences have been made, any remaining assets shall be distributed ratably to holders of common stock and holders of Series G, Series F and Junior Securities convertible preferred stock on an “as-converted” basis.

Dividends

Each class of convertible preferred stock is entitled to receive non-cumulative annual dividends at a rate of 9.0%, if and when declared by the Company’s board of directors. The holders of Series G convertible preferred stock are entitled to dividends in preference to holders of any other class or series of the Company’s stock. The holders of Series F convertible preferred stock are entitled to dividends in preference to all holders of Junior Securities and holders of common stock. The holders of Junior Securities are entitled to dividends in preference to holders of common stock.

In the event a dividend is declared to common stockholders, holders of each class of convertible preferred stock will also receive an equivalent dividend on an “as-converted” basis. The Company has never paid, and for the foreseeable future does not expect to pay, a dividend on its common stock.

Voting

The holders of each class of convertible preferred stock are entitled to one vote for each share of common stock into which their shares of convertible preferred stock may be converted and, subject to certain convertible preferred stock class votes specified in the Company’s certificate of incorporation or as required by law, the holders of convertible preferred stock and common stock vote together on an “as-converted” basis.

Convertible Preferred Stock Warrants

The following table summarizes the Company’s outstanding convertible preferred stock warrants as of December 31, 2017:

	Warrants Outstanding (in thousands)	Exercise Price	Expiration Date
Series E	402	$0.6746	Dec-2022
Series F	878	$0.3356	Feb-2021
Series F	589	$0.3356	Aug-2023
Series F	589	$0.3356	Mar-2024
Series F	588	$0.3356	Dec-2024
	3,046		

11. LOSS PER SHARE

The Company’s basic loss per common share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. The Company’s restricted

stock awards (non-vested shares) are issued and outstanding at the time of grant but are excluded from the Company's computation of weighted-average shares outstanding in the determination of basic loss per share until vesting occurs.

A net loss cannot be diluted, so when the Company is in a net loss position, basic and diluted loss per common share are the same. If in the future the Company achieves profitability, the denominator of a diluted earnings per common share calculation will include both the weighted-average number of shares outstanding and the number of common stock equivalents, if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants, stock options and non-vested restricted stock awards using the treasury stock method, along with the effect, if any, from the potential conversion of outstanding securities, such as convertible preferred stock.

The following potentially dilutive securities outstanding as of December 31, 2016 and 2017 have been excluded from the denominator of the diluted loss per share of common stock outstanding calculation (in thousands):

	December 31,	
	2016	2017
Stock options	52,951	70,864
Non-vested restricted stock awards	636	457
Convertible preferred stock warrants	1,869	3,046
Shares of convertible preferred stock "as-converted"	278,092	318,677

The unaudited pro forma net loss per share is computed using the weighted-average number of shares of common stock outstanding after giving effect to the conversion of all issued and outstanding shares of convertible preferred stock into shares of common stock immediately prior to the closing of the Company's proposed initial public offering as if the conversion had occurred at the later of the beginning of the reporting period or the issuance date of the convertible preferred stock.

The following table summarizes the calculation of unaudited pro forma basic and diluted net loss per share of common stock for the year ended December 31, 2017 (in thousands, except per share data):

Numerator:	
Net loss	$ (16,059)
Denominator:	
Weighted-average common shares outstanding, basic and diluted	5,401
Effect of pro forma adjustments:	
Conversion of convertible preferred stock into common stock	301,887
Pro forma weighted-average common shares outstanding, basic and diluted	307,288
Pro forma net loss per share of common stock outstanding, basic and diluted	$ (0.05)

12. SHARE-BASED COMPENSATION

2003 Incentive Stock Plan

In April 2003 (and as subsequently amended), the Company adopted the 2003 Stock Incentive Plan (2003 Plan), which authorizes the issuance of up to 83.9 million shares in the form of restricted stock, stock

appreciation rights and stock options to the Company's directors, employees and consultants. The amount and terms of grants are determined by the Company's board of directors. To date, the Company has granted restricted stock awards only to an independent member of its board of directors and only as compensation for board service. All stock options granted to date have had exercise prices equal to the estimated fair value, as determined by the board of directors, of the underlying common stock on the date of the grant. The contractual term of stock options may be up to 10 years, and stock options are exercisable in cash or as otherwise determined by the board of directors. Generally, stock options vest 25% upon the first anniversary of the date of grant and the remainder ratably monthly thereafter for 36 months. As of December 31, 2017, there were 7.1 million shares available for future issuance under the 2003 Plan.

The amount of share-based compensation expense recognized by the Company by location in its statements of operations for the years ended December 31, 2016 and 2017 is as follows (in thousands):

	Year ended December 31,	
	2016	2017
Cost of revenues	$ 5	$ 18
Sales and marketing	49	141
General and administrative	70	226
Research and development	37	111
Total	$ 161	$ 496

Stock Options

The following table summarizes the Company's stock option activity for the years ended December 31, 2016 and 2017:

	Number of Shares under Option (in thousands)	Weighted-average Exercise Price per Option	Weighted-average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2015	51,237	$ 0.09		
Granted	7,392	$ 0.08		
Exercised	(546)	$ 0.12		
Forfeited	(4,661)	$ 0.20		
Expired	(471)	$ 0.68		
Outstanding at December 31, 2016	52,951	$ 0.07		
Granted	28,057	$ 0.10		
Exercised	(962)	$ 0.04		
Forfeited	(9,182)	$ 0.09		
Outstanding at December 31, 2017	70,864	$ 0.08	7.7	$ 515
Exercisable at December 31, 2017	34,489	$ 0.08	6.3	$ 389
Vested and expected to vest at December 31, 2017	70,864	$ 0.08	7.7	$ 515

The Company recognized $0.2 million and $0.4 million of share-based compensation expense related to stock options during the years ended December 31, 2016 and 2017, respectively. As of December 31, 2017, there was $1.4 million of total unrecognized compensation cost related to non-vested stock options which the Company expects to recognize over a weighted-average period of 3.2 years. The weighted-average grant-date fair value of stock options granted during the years ended December 31, 2016 and 2017 was estimated at $0.04 and $0.05 per option, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2016 and 2017 was de minimis and $0.1 million, respectively.

For the years ended December 31, 2016 and 2017, the grant-date fair value of stock options was estimated at the time of grant using the following weighted-average inputs and assumptions in the Black-Scholes option pricing model:

	2016	2017
Estimated fair value of common stock	$0.08	$0.10
Exercise price	$0.08	$0.10
Expected term (in years)	6.0	6.0
Risk-free interest rate	1.4%	2.0%
Expected volatility	44.2%	48.0%
Dividend yield	0%	0%

Restricted Stock Awards

The following table summarizes the Company's restricted stock award activity for the years ended December 31, 2016 and 2017:

	Non-vested Restricted Stock Awards (in thousands)	Weighted-average Grant-date Fair Value
Non-vested at December 31, 2015	—	n/a
Granted	1,227	$ 0.07
Vested	(591)	$ 0.07
Non-vested at December 31, 2016	636	$ 0.07
Granted	317	$ 0.14
Vested	(496)	$ 0.10
Non-vested at December 31, 2017	457	$ 0.08

The Company recognized $0.1 million of share-based compensation expense related to restricted stock awards during the year ended December 31, 2017. As of December 31, 2017, there was minimal unrecognized compensation cost related to non-vested restricted stock awards which the Company expects to recognize over a weighted-average period of 1.3 years. The grant-date fair value per share of restricted stock awards granted during the years ended December 31, 2016 and 2017 was estimated at $0.07 and $0.14 per share, respectively. The total fair value at the vesting date of restricted stock awards vested during the years ended December 31, 2016 and 2017 was minimal and $0.1 million, respectively.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

13. EMPLOYEE BENEFIT PLANS

401(k) Defined Contribution Plan

The Company maintains a 401(k) defined contribution retirement plan which covers all of its employees. Employees are eligible to participate on the first of the month following their date of hire. Under the 401(k) plan, participating employees may defer up to 100% of their pre-tax salary but not more than statutory limits. There is currently no employer matching of employee contributions and employee contributions vest immediately.

14. INCOME TAXES

The Company's loss before income taxes was $11.2 million and $16.1 million for the years ended December 31, 2016 and 2017, respectively, and was generated entirely in the United States. The Company did not record current or deferred income tax expense or benefit during the years ended December 31, 2016 and 2017.

A reconciliation of the statutory United States federal income tax rate to the Company's effective tax rate is as follows:

	Tax Year ended December 31,	
	2016	2017
U.S. federal statutory income tax rate	34.0%	34.0%
State and local taxes, net of federal benefit	2.6%	2.7%
Nondeductible expenses	(1.2)%	(0.3)%
Research and development credits	2.0%	1.3%
Tax rate change and true-up	(1.2)%	(138.0)%
Change in valuation allowance	(36.2)%	100.3%
Effective income tax rate	— %	— %

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

	December 31,	
	2016	2017
Deferred tax assets:		
Net operating loss carryforwards	$ 56,441	$ 41,430
Research and development credits	2,854	3,059
Share-based compensation	295	316
Accruals	778	753
Capitalized start-up costs	2,729	1,530
Other temporary differences	352	253
Gross deferred tax assets	63,449	47,341
Less: Valuation allowance	(63,449)	(47,341)
Net deferred taxes	$ —	$ —

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

In assessing the realizability of the net deferred tax asset, the Company considers all relevant positive and negative evidence in determining whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of the gross deferred tax assets is dependent on several factors, including the generation of sufficient taxable income prior to the expiration of the net operating loss carryforwards. Management believes that it is more likely than not that the Company's deferred income tax assets will not be realized. As such, there is a full valuation allowance against the net deferred tax assets as of December 31, 2016 and 2017. The valuation allowance increased by $4.1 million during the year ended December 31, 2016 due primarily to the generation of net operating losses during the year and decreased by $16.1 million during the year ended December 31, 2017 due primarily to the decrease in the federal income tax rate from 34% to 21%.

The following table summarizes carryforwards of federal net operating losses and tax credits as of December 31, 2017 (in thousands):

	Amount	Expiration Beginning in
Federal net operating losses	$167,396	2023
State net operating losses	$ 96,392	2020
Research and development credits	$ 3,059	2023

Under the Tax Reform Act of 1986 (1986 Act), the net operating loss and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Net operating loss and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50 percent, as defined under Sections 382 and 383 of the Internal Revenue Code, respectively, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. The Company has not done an analysis to determine whether or not ownership changes, as defined by the 1986 Act, have occurred since inception.

The Company will recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2017, the Company had no accrued interest or penalties related to uncertain tax positions and no amounts have been recognized in the Company's statements of operations. Due to net operating loss and tax credit carry forwards that remain unutilized, income tax returns for tax years from inception through 2016 remain subject to examination by the taxing jurisdictions.

In December 2017, the Tax Cuts and Jobs Act (2017 Tax Act) was enacted. The 2017 Tax Act includes a number of changes to existing United States tax laws that impact the company, most notably a reduction of the United States corporate income tax rate from 35% (34% for the Company) to 21% for tax years beginning after December 31, 2017. The 2017 Tax Act also provides for a one-time transition tax on certain foreign earnings and the acceleration of depreciation for certain assets placed into service after September 27, 2017, as well as prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, capitalization of research and development expenditures, additional limitations on executive compensation and limitations on the deductibility of interest. Due to the enactment of the 2017 Tax Act, the Company reduced both its gross

deferred tax assets and the related valuation allowance by $22.2 million as of December 31, 2017, resulting in no net effect on the Company's statement of operations for the year ended December 31, 2017.

15. COMMITMENTS

Leases

In January 2013, the Company entered into a 93-month lease for its new headquarters office and warehouse. The Company also rents certain office equipment. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not yet paid. Landlord allowances for tenant improvements are deferred and recognized as a reduction to rent expense on a straight-line basis and over the remaining lease term.

Rent expense under operating leases was $0.6 million and $0.5 million for the years ended December 31, 2016 and 2017, respectively.

The following is a schedule of future minimum annual payments at December 31, 2017 under non-cancelable operating lease agreements (in thousands):

For the years ending December 31,	
2018	$ 490
2019	547
2020	560
2021	88
Total future minimum lease payments	$1,685

Executive Employment Agreements

The Company has entered into an employment agreement and offer letters with certain key executives, providing for compensation and severance in certain circumstances, as defined in the agreements.

16. DISTRIBUTION AGREEMENT WITH TEIJIN PHARMA LIMITED

In October 2017, the Company entered into a seven and a half year distribution agreement with Teijin Pharma Limited, or Teijin, for the exclusive distribution of its NeuroStar Advanced Therapy System to customers who will treat patients with MDD in Japan. Under the distribution agreement, Teijin is generally restricted from selling competing products in Japan. The distribution agreement provides that the Company will have primary responsibility for obtaining reimbursement approval for use of NeuroStar Advanced Therapy System for the treatment of MDD in Japan, and Teijin will promote the sales of NeuroStar Advanced Therapy System for treatment of MDD in Japan. The Company has agreed to provide sales and technical support training to Teijin for its NeuroStar Advanced Therapy Systems.

Teijin is required to purchase minimum dollar values of NeuroStar Advanced Therapy Systems and treatment sessions from the Company following reimbursement approval by the Japanese Ministry of Health, Labour and Welfare, or JMHLW, for TMS treatment for MDD (or, if such approval requires certified training on the NeuroStar Advanced Therapy System by a third party, then upon the first psychiatrist being issued his or her training certification).

In 2017, under the distribution agreement with Teijin, the Company received an upfront payment of $0.75 million and a milestone payment of $2.0 million following JMHLW's approval of marketing the NeuroStar Advanced Therapy System for the treatment of MDD in Japan. These upfront and milestone payments have been deferred and are being recognized as revenue over the seven and one half year term of the agreement. Teijin is required to pay the Company a milestone payment tied to JMHLW issuing reimbursement for use of its products for the treatment of MDD in Japan.

The distribution agreement is scheduled to expire on March 31, 2025, subject to earlier termination if we or Teijin breach the agreement, Teijin fails to maintain distributor-level permits and approvals, Teijin fails to purchase from us specified dollar values of its sales forecasts, reimbursement for treatment of MDD using the NeuroStar Advanced Therapy System is not obtained from JMHLW by specified dates or such reimbursement is below specified minimums, Teijin reasonably believes that it is not commercially reasonable to continue distributing the NeuroStar Advanced Therapy System in Japan or bankruptcy related events occur. The term of the distribution agreement will be automatically extended for two years unless either party gives the other party at least two years' prior written of notice of non-renewal, except that the Company cannot decline to renew the agreement if Teijin has purchased 100% of its sales forecasts over the term of the agreement.

17. GEOGRAPHICAL SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company currently operates in one business segment as it is managed and operated as one business. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities with respect to its products or product development.

The following geographic data includes revenue generated from the Company's third-party distributors. The Company's revenue was generated in the following geographic regions for the years indicated (in thousands):

	Year ended December 31,			
	2016		2017	
	Amount	% of Revenues	Amount	% of Revenues
United States	$31,577	92%	$39,853	99%
International	2,651	8%	580	1%
Total revenues	$34,228	100%	$40,433	100%

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through March 16, 2018, the date at which the financial statements were available to be issued, and determined there are no other items requiring disclosure.

NEURONETICS, INC.

Balance Sheets
(Unaudited; In thousands, except per share data)

	December 31, 2017	March 31, 2018	March 31, 2018 Pro forma
Assets			
Current assets:			
Cash and cash equivalents	$ 29,147	$ 20,354	$ 20,354
Accounts receivable, net	4,267	4,282	4,282
Inventory	2,468	2,597	2,597
Prepaid expenses and other current assets	1,123	2,542	2,542
Total current assets	37,005	29,775	29,775
Property and equipment, net	1,359	1,440	1,440
Other assets	574	801	801
Total Assets	$ 38,938	$ 32,016	$ 32,016
Liabilities, Convertible Preferred Stock and Stockholders' Deficit			
Current liabilities:			
Accounts payable	$ 2,513	$ 2,968	$ 2,968
Accrued expenses	7,511	5,670	5,670
Deferred revenue	1,970	1,615	1,615
Total current liabilities	11,994	10,253	10,253
Long-term debt, net	29,556	29,803	29,803
Deferred revenue	2,275	2,177	2,177
Convertible preferred stock warrant liability	478	485	—
Deferred rent	151	136	136
Total Liabilities	44,454	42,854	42,369
Commitments (Note 14)			
Convertible preferred stock, $0.01 par value: actual: 308,593 shares authorized, issuable in series; 304,958 shares issued and outstanding at December 31, 2017 and March 31, 2018; aggregate liquidation value of $108,324 at March 31, 2018; pro forma: no shares authorized, issued or outstanding and no liquidation value at March 31, 2018	187,136	187,136	—
Stockholders' deficit:			
Preferred stock, $0.01 par value: actual: no shares authorized, issued or outstanding at December 31, 2017 and March 31, 2018; pro forma: shares authorized; no shares issued or outstanding at March 31, 2018	—	—	—
Common stock, $0.01 par value: actual: 413,918 shares authorized; 6,713 and 7,287 shares issued and outstanding at December 31, 2017 and March 31, 2018, respectively; pro forma: shares authorized; 325,964 shares issued and outstanding at March 31, 2018	67	73	3,260
Additional paid-in capital	4,227	4,396	188,830
Accumulated deficit	(196,946)	(202,443)	(202,443)
Total Stockholder's Deficit	(192,652)	(197,974)	(10,353)
Total Liabilities, Convertible Preferred Stock and Stockholders' Deficit	$ 38,938	$ 32,016	$ 32,016

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

NEURONETICS, INC.

Statements of Operations
(Unaudited; In thousands, except per share data)

	Three Months ended March 31,	
	2017	2018
Revenues	$ 7,526	$ 10,152
Cost of revenues	1,538	2,457
Gross Profit	5,988	7,695
Operating expenses:		
Sales and marketing	6,306	8,109
General and administrative	1,642	2,636
Research and development	2,028	1,555
Total operating expenses	9,976	12,300
Loss from Operations	(3,988)	(4,605)
Other (income) expense:		
Interest expense	550	921
Other income, net	(24)	(29)
Net Loss	$ (4,514)	$ (5,497)
Net loss per share of common stock outstanding, basic and diluted	$ (0.93)	$ (0.84)
Weighted-average common shares outstanding, basic and diluted	4,829	6,533
Pro forma net loss per share of common stock outstanding, basic and diluted		$ (0.02)
Pro forma weighted-average common shares outstanding, basic and diluted		325,210

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

NEURONETICS, INC.

Statement of Changes in Convertible Preferred Stock and Stockholders' Deficit
(Unaudited; In thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 2017	304,958	$187,136	6,713	$ 67	$ 4,227	$ (196,946)	$ (192,652)
Exercises of stock options	—	—	574	6	25	—	31
Share-based compensation expense	—	—	—	—	144	—	144
Net loss	—	—	—	—	—	(5,497)	(5,497)
Balance at March 31, 2018	304,958	$187,136	7,287	$ 73	$ 4,396	$ (202,443)	$ (197,974)

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

NEURONETICS, INC.

Statements of Cash Flows
(Unaudited; In thousands)

	Three Months ended March 31,	
	2017	2018
Cash Flows from Operating Activities:		
Net loss	$ (4,514)	$ (5,497)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	165	139
Share-based compensation	42	144
Non-cash interest expense	104	247
Change in fair value of convertible preferred stock warrant liability	(11)	7
Cost of rental units purchased by customers	—	66
Changes in certain assets and liabilities:		
Accounts receivable, net	836	(15)
Inventory	(500)	(298)
Prepaid expenses and other assets	26	219
Accounts payable	(847)	263
Accrued expenses	(1,926)	(3,106)
Deferred revenue	(52)	(453)
Deferred rent	(8)	(13)
Net Cash Used in Operating Activities	(6,685)	(8,297)
Cash Flows from Investing Activities:		
Purchases of property and equipment and capitalized software	(84)	(297)
Net Cash Used in Investing Activities	(84)	(297)
Cash Flows from Financing Activities:		
Payments of initial public offering costs	—	(230)
Borrowings under credit facilities	5,000	—
Payments of debt issuance costs	(1,015)	—
Proceeds from exercises of stock options	—	31
Net Cash Provided by (Used in) Financing Activities	3,985	(199)
Net Decrease in Cash and Cash Equivalents	(2,784)	(8,793)
Cash and Cash Equivalents, Beginning of Period	17,040	29,147
Cash and Cash Equivalents, End of Period	$ 14,256	$ 20,354
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 592	$ 628
Transfer of inventory to property and equipment	$ 139	$ 169
Supplemental disclosure of non-cash financing activities:		
Allocation of proceeds from debt financing to convertible preferred stock warrant liability	$ 171	$ —
Deferred initial public offering costs included in accounts payable and accrued expenses	$ —	$ 1,339

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

NEURONETICS, INC.

Notes to Interim Financial Statements

(Unaudited)

1. DESCRIPTION OF BUSINESS

Neuronetics, Inc., or the Company, is a commercial stage medical technology company focused on designing, developing and marketing products that improve the quality of life for patients who suffer from psychiatric disorders. The Company's first commercial product, the NeuroStar Advanced Therapy System, is a non-invasive and non-systemic office-based treatment that uses transcranial magnetic stimulation, or TMS, to create a pulsed, MRI-strength magnetic field that induces electrical currents designed to stimulate specific areas of the brain associated with mood. The system was cleared in 2008 by the United States Food and Drug Administration (FDA) to treat adult patients with major depressive disorder, or MDD, that have failed to achieve satisfactory improvement from prior antidepressant medication in the current episode. The Company intends to continue to pursue development of its NeuroStar Advanced Therapy for additional indications.

Liquidity

As of March 31, 2018, the Company had cash and cash equivalents of $20.4 million and an accumulated deficit of $202.4 million. The Company has incurred negative cash flows from operating activities of $11.1 million for the year ended December 31, 2017 and $8.3 million for the three months ended March 31, 2018. The Company has incurred operating losses since its inception, and management anticipates that its operating losses will continue in the near term as the Company seeks to expand its sales and marketing initiatives to support its growth into existing and new markets and invest in additional research and development activities. The Company's primary sources of capital to date have been from private placements of its convertible preferred securities, borrowings under its credit facilities and sales of its products. As of March 31, 2018, the Company had $30.0 million of borrowings outstanding under its credit facility, which matures March 2022 and has $5.0 million of additional availability, subject to the achievement of $45.0 million of trailing twelve month revenues in 2018. Management believes that the Company's cash and cash equivalents as of March 31, 2018, sales of its products and availability of borrowing under its credit facility are sufficient to fund the Company's operations at least into the second half of calendar year 2019.

Risks and Uncertainties

The Company's ability to implement its business strategy is subject to numerous risks and uncertainties, including, but not limited to: uncertainty in the Company's ability to generate sufficient revenues from the commercialization of its products to achieve or sustain profitability; the need to raise additional capital to fund the Company's existing commercial operations, development and commercialization of new products and expansion of its operations; uncertainty with regard to competitors' development of competing products and technologies; uncertainty with regard to adoption and use of TMS therapy by physicians and patients; comprehensive government regulation and oversight both in the United States and abroad; reliance on coverage and reimbursement from third-party payers for treatments using the Company's products; the Company has limited experience in marketing and selling its products; and the Company relies significantly on technology to deliver treatments with its products.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASU) promulgated by the Financial Accounting Standards Board (FASB).

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Interim Financial Statements

The accompanying unaudited interim financial statements have been prepared from the books and records of the Company in accordance with GAAP for interim financial information and Rule 10-01 of Regulation S-X promulgated by the United States Securities and Exchange Commission (SEC), which permit reduced disclosures for interim periods. All adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the accompanying balance sheets and statements of operations, changes in convertible preferred stock and stockholders' deficit and cash flows have been made. Although these interim financial statements do not include all of the information and footnotes required for complete annual financial statements, management believes the disclosures are adequate to make the information presented not misleading. Unaudited interim results of operations and cash flows are not necessarily indicative of the results that may be expected for the full year. Unaudited interim financial statements and footnotes should be read in conjunction with the audited financial statements and footnotes included elsewhere in this prospectus, wherein a more complete discussion of significant accounting policies and certain other information can be found.

Use of Estimates

The preparation of financial statements in accordance with GAAP and the rules and regulations of the SEC requires the use of estimates and assumptions, based on judgments considered reasonable, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience, known trends and events and various other factors that management believes to be 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. Although management believes its estimates and assumptions are reasonable when made, they are based upon information available at the time they are made. Management evaluates the estimates and assumptions on an ongoing basis and, if necessary, makes adjustments. Due to the risks and uncertainties involved in the Company's business and evolving market conditions, and given the subjective element of the estimates and assumptions made, actual results may differ from estimated results. The most significant estimates and judgments impact share-based compensation, convertible preferred stock warrants, product warranty accruals and the net realizable value of inventory.

Unaudited Pro Forma Financial Information

Immediately prior to the closing of an initial public offering, all of the Company's outstanding convertible preferred stock will automatically convert into common stock. The unaudited pro forma balance sheet as of March 31, 2018 assumes (i) the conversion of all outstanding convertible preferred stock as of March 31, 2018, into an aggregate of 318.7 million shares of common stock and (ii) the reclassification of the $0.5 million convertible preferred stock warrant liability to additional paid-in capital upon the automatic conversion convertible preferred stock warrants into common stock warrants. In the statements of operations, unaudited pro forma basic and diluted net loss per share of common stock outstanding has been prepared to give effect to the automatic conversion of all outstanding shares of convertible preferred stock as if this proposed initial public offering had occurred on the later of the beginning of the reporting period or the issuance date of the convertible preferred stock.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's complete summary of significant accounting policies can be found in "Note 3. Summary of Significant Accounting Policies" in the audited financial statements included elsewhere in this prospectus.

4. RECENT ACCOUNTING PRONOUNCEMENTS

JOBS Act Accounting Election

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

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), regarding the accounting for and disclosures of revenue recognition, with an effective date for public companies of annual and interim periods beginning after December 15, 2016. In July 2015, the FASB issued ASU 2015-14, "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*," which deferred the effective date of the previously issued revenue recognition guidance by one year. This guidance will be effective for public companies for annual and interim periods beginning after December 15, 2017. For all other entities, including emerging growth companies, this standard is effective for annual reporting periods beginning after December 15, 2018, and interim periods with annual periods beginning after December 15, 2019. Early adoption is permitted. This update provides a single comprehensive model for accounting for revenue from contracts with customers. The model requires that revenue recognized reflect the actual consideration to which the entity expects to be entitled in exchange for the goods or services defined in the contract, including in situations with multiple performance obligations. In April 2016 and May 2016, the FASB issued ASU 2016-10, "*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*" and ASU 2016-12, "*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*," respectively. Both of these updates provide improvements and clarification to the previously issued revenue recognition guidance. The new standard can be adopted using one of two methods: the full retrospective method, which requires the standard to be applied to each prior period presented, or the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. The new standard will result in additional revenue-related disclosures in the notes to the Company's financial statements. The majority of the Company's revenue relates to the sales of NeuroStar Advanced Therapy Systems and treatment sessions to various customers. While the Company is still analyzing the impact of ASU 2014-09 on its financial statements and disclosures, it currently anticipates no significant changes to its revenue recognition practices as a result of the adoption of Topic 606. However, the Company currently expects the adoption of Topic 606 to change the accounting treatment for sales commissions and is analyzing the impact such change will have on its financial statements and disclosures. The Company historically expensed sales commissions as incurred. In addition, the new standard will require changes to the

Company's processes and controls to support additional disclosures, and the Company is in the process of identifying and designing such changes to processes and controls to ensure readiness.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), with guidance regarding the accounting for and disclosure of leases. The update requires lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet. This update also requires lessees and lessors to disclose key information about their leasing transactions. This guidance will be effective for public companies for annual and interim periods beginning after December 15, 2018. For all other entities, including emerging growth companies, this standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect that this guidance will have on its financial statements and related disclosures. The Company expects the implementation of this standard to have an impact on its financial statements and related disclosures as its aggregate future minimum lease payments were $1.6 million as of March 31, 2018 under its current non-cancelable office lease with an expiration date in 2021. The Company anticipates recognition on its balance sheet of an additional asset and corresponding liability related to this lease.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): "*Scope of Modification Accounting*," which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. This guidance was effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted the new guidance effective January 1, 2018, and it did not have an effect on its financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): "*Classification of Certain Cash Receipts and Cash Payments*," with guidance intended to reduce the diversity in practice regarding how certain cash receipts and cash payments are presented and classified within the statement of cash flows. The update addresses eight specific cash flow issues including: debt prepayment or debt extinguishment costs; the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies or bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance was effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted the new guidance effective January 1, 2018, and it did not have an effect on its financial statements.

5. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The carrying values of cash equivalents, accounts receivable, prepaids and other current assets, and accounts payable on the Company's balance sheets approximated their fair values as of December 31, 2017 and March 31, 2018 due to their short-term nature. The carrying values of the Company's current credit facility approximated its fair value as of December 31, 2017 and March 31, 2018 due to its variable interest rate.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Certain of the Company's financial instruments are measured at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Inputs are quoted prices for identical instruments in active markets.

Level 2: Inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Inputs are unobservable and reflect the Company's own assumptions, based on the best information available, including the Company's own data.

The following tables set forth the carrying amounts and fair values of the Company's financial instruments as of December 31, 2017 and March 31, 2018 (in thousands):

	December 31, 2017				
			Fair Value Measurement Based on		
	Carrying Amount	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Money market funds (cash equivalents)	$11,149	$11,149	$11,149	$ —	$ —
Liabilities					
Convertible preferred stock warrant liability	$ 478	$ 478	$ —	$ —	$ 478

	March 31, 2018				
			Fair Value Measurement Based on		
	Carrying Amount	Fair Value	Quoted Prices In Active Markets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Money market funds (cash equivalents)	$11,184	$11,184	$11,184	$ —	$ —
Liabilities					
Convertible preferred stock warrant liability	$ 485	$ 485	$ —	$ —	$ 485

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Significant changes in the estimated fair value of the Company's convertible preferred stock will significantly impact the valuation of the convertible preferred stock warrant liability. The fair value of the convertible preferred stock warrant liability was estimated using the Black-Scholes option pricing model and the following inputs and assumptions as of December 31, 2017 and March 31, 2018:

	December 31, 2017		March 31, 2018	
	Series E	Series F	Series E	Series F
Estimated fair value of convertible preferred stock	$0.33	$0.38	$0.34	$0.39
Exercise price	$0.6746	$0.3356	$0.6746	$0.3356
Remaining term (in years)	5.0	3.1-7.0	4.7	2.9-6.7
Risk-free interest rate	2.2%	2.0%-2.3%	2.5%	2.4%-2.7%
Expected volatility	43%	43%-44%	42%	43%-45%
Dividend yield	0%	0%	0%	0%

The following table presents the changes in Level 3 instruments measured on a recurring basis for the three months ended March 31, 2018 (in thousands):

Balance at December 31, 2017	$478
Change in fair value	7
Balance at March 31, 2018	$485

6. ACCOUNTS RECEIVABLE

The following table presents the composition of accounts receivable, net as of December 31, 2017 and March 31, 2018 (in thousands):

	December 31, 2017	March 31, 2018
Gross accounts receivable - trade	$ 4,684	$ 4,733
Less: Allowances for doubtful accounts	(417)	(451)
Accounts receivable, net	$ 4,267	$ 4,282

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

7. PROPERTY AND EQUIPMENT

The following table presents the composition of property and equipment, net as of December 31, 2017 and March 31, 2018 (in thousands):

	December 31, 2017	March 31, 2018
Laboratory equipment	$ 150	$ 150
Office equipment	487	487
Computer equipment and software	680	779
Manufacturing equipment	273	273
Leasehold improvements	153	172
Rental equipment	1,447	1,409
Property and equipment, gross	3,190	3,270
Less: Accumulated depreciation	(1,831)	(1,830)
Property and equipment, net	$ 1,359	$ 1,440

Depreciation expense was $0.2 million and $0.1 million for the three months ended March 31, 2017 and 2018, respectively.

8. ACCRUED EXPENSES

The following table presents the composition of accrued expenses as of December 31, 2017 and March 31, 2018 (in thousands):

	December 31, 2017	March 31, 2018
Compensation and related benefits	$ 4,465	$ 2,013
Consulting and professional fees	461	1,665
Research and development expenses	497	233
Sales and marketing expenses	620	186
Warranty	570	563
Sales tax payable	322	231
Interest payable	188	234
Other	388	545
Accrued expenses	$ 7,511	$ 5,670

9. DEBT

The following table presents the composition of debt as of December 31, 2017 and March 31, 2018 (in thousands):

	December 31, 2017	March 31, 2018
Outstanding principal	$ 30,000	$ 30,000
Accrued final payment fees	940	1,198
Less debt discounts	(1,384)	(1,395)
Long-term debt, net	$ 29,556	$ 29,803

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Current $35.0 Million Credit Facility

In March 2017, the Company entered into a new loan and security agreement with Oxford Finance LLC, or Oxford, for a credit facility that replaced its previous $25.0 million credit facility with Oxford and which allows it to borrow up to $35.0 million in three tranches of term loans: a Term A Loan in the amount of $25.0 million, which was drawn down immediately upon closing in March 2017, a Term B Loan in the amount of $5.0 million, which was drawn down in December 2017, and a Term C Loan in the amount of $5.0 million, which will become available to the Company upon the achievement of $45.0 million of trailing twelve month revenues in 2018. Each term loan accrues interest from the date of borrowing through the date of repayment at a floating per annum rate of interest, which resets monthly and is equal to the greater of 8.15% or the 30 day U.S. LIBOR rate on the last business day of the month plus 7.38%. The Company is also required to issue to Oxford at the date of each borrowing warrants to purchase its Series F or later series of convertible preferred stock or, if it is a public company at the date of borrowing, warrants to purchase its common stock, with a seven year term and in an amount equal to 3.95% of the first $5.0 million of each tranche borrowed. The credit facility matures and all amounts borrowed thereunder are due on March 1, 2022. As of March 31, 2018, the Company had borrowed and had outstanding an aggregate of $30.0 million of principal under the credit facility.

The Term A Loan features an interest-only period through March 2019, during which time the Company is required to make monthly interest payments, after which time the Company is required to make monthly payments of principal and interest based on a 36-month amortization schedule. However, if $45.0 million of trailing twelve month revenues is achieved in 2018, the interest-only period can be extended for an additional 12 months through March 2020 and the amortization period then becomes 24 months. In connection with the drawdown of the Term A Loan, the Company issued to the lender warrants to purchase 588,498 shares of its Series F convertible preferred stock, which have an exercise price of $0.3356 per share and which expire in March 2024.

The Term B Loan features an interest-only period through March 2019, during which time the Company is required to make monthly interest payments, after which time the Company is required to make monthly payments of principal and interest based on a 36-month amortization schedule. However, if $45.0 million of trailing twelve month revenues is achieved in 2018, then the interest-only period can be extended for an additional 12 months through March 2020 and the amortization period then becomes 24 months. In connection with the drawdown of the Term B Loan, the Company issued to the lender warrants to purchase 588,498 shares of its Series F convertible preferred stock, which have an exercise price of $0.3356 per share and which expire in December 2024.

In addition to principal and interest payments due under the credit facility, the Company is required to make final payment fees to the lender due upon the earlier of prepayment or maturity of each tranche, which are equal to 8%, 7% and 6.5% of the principal amounts of the Term A, Term B and Term C Loans, respectively, except that if the interest-only periods on the Term A and Term B Loans are extended then the final payment fees increase to 8.5%, 7.5% and 7% of the principal amounts of the Term A, Term B and Term C Loans, respectively. The Company accrues the estimated final payment fees using the effective interest rate, with a charge to non-cash interest expense, over the term of borrowing for each tranche. As of both December 31, 2017 and March 31, 2018, the effective interest rates for the Term A and Term B Loans were 10.7% and 11.6%, respectively. If the Company prepays its term loans prior to their respective scheduled maturities, it will also be required to make prepayment fees to the lender equal to 3% if prepaid on or before the first anniversary of funding, 2% if prepaid after the first and on or before the second anniversary of funding or 1% if prepaid after the second anniversary of funding of the principal amounts borrowed.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

The Company's obligations under the Credit Facility are secured by a first priority security interest in substantially all of its assets, other than its intellectual property. The Company has agreed not to pledge or otherwise encumber any of its intellectual property. The loan and security agreement related to the credit facility includes a financial maintenance covenant that requires the Company to achieve at least 75% of its trailing 12-month forecasted revenues, as measured each month in accordance with a forecast that the Company provided to Oxford upon signing the agreement and future forecasts that the Company is required to deliver to the lenders each year for the life of the credit facility, as well as customary affirmative and negative covenants. The Company was in compliance with all of the covenants under its credit facility as of March 31, 2018.

The loan and security agreement related to the credit facility contains events of default, including, without limitation, events of default upon: (i) failure to make payment pursuant to the terms of the agreement; (ii) violation of covenants; (iii) material adverse changes to the Company's business; (iv) attachment or levy on the Company's assets or judicial restraint on its business; (v) insolvency; (vi) significant judgments, orders or decrees for payments by the Company not covered by insurance; (vii) incorrectness of representations and warranties; (viii) incurrence of subordinated debt; (ix) revocation of governmental approvals necessary for the Company to conduct its business; and (x) failure by the Company to maintain a valid and perfected lien on the collateral securing the borrowing.

Based on a 36-month amortization of the outstanding principal amounts of the Term A and Term B Loans beginning on April 1, 2019 as discussed above, the following table sets forth by year the Company's required future principal payments (in thousands):

Year:	Principal Payments
2018	$ —
2019	7,500
2020	10,000
2021	10,000
2022	2,500
Total principal payments	$30,000

Previous $25.0 Million Credit Facility

Prior to March 2017, the Company had a $25.0 million credit facility in place with Oxford, which it entered into in February 2014 and which allowed it to borrow up to $25.0 million in three tranches of term loans: a Term A Loan in the amount of $15.0 million, a Term B Loan in the amount of $5.0 million and a Term C Loan in the amount of $5.0 million, which was never drawn down. Each term loan accrued interest at per annum rates ranging from 8.5% to 8.9%. This facility featured an interest-only period on all tranches through March 2017, and the Company was also required to issue convertible preferred stock warrants to the lender at the time of borrowing of each tranche.

In addition to principal and interest payments due under the previous $25.0 million credit facility, the Company was required to make final payment fees to the lender upon the earlier of prepayment or maturity and equal to 8.5% and 4.7% of the principal amounts of the Term A and Term B Loans, respectively. The

Company accrued final payment fees using the effective interest rate, with a charge to non-cash interest expense, over the term of borrowing and until its entry into the current credit facility in March 2017, at which time the Company paid the lender $1.0 million in satisfaction of all final payment fee liabilities due under the prior credit facility.

Management evaluated whether the current credit facility entered into in March 2017 represented a debt modification or extinguishment in accordance with ASC 470-50, Debt—Modifications and Extinguishments. Upon determining that the change in cash flows between the previous and current credit facilities was not greater than 10%, management accounted for the transaction as a debt modification. As of March 2017, the unamortized balance of deferred debt issuance costs incurred in connection with the $25.0 million credit facility, and certain additional deferred debt issuance costs incurred in connection with entry into the current credit facility, are being amortized to interest expense through March 2022 utilizing the effective interest method.

For the three months ended March 31, 2017, the Company recognized interest expense of $0.6 million, of which $0.5 million was cash and $0.1 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees. For the three months ended March 31, 2018, the Company recognized interest expense of $0.9 million, of which $0.7 million was cash and $0.2 million was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of final payment fees.

10. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

Common Stock

In April 2018, the Company amended its certificate of incorporation to increase the number of shares of common stock, $0.01 par value per share, authorized for issuance from 407.0 million to 413.9 million shares, of which 7.3 million were issued and outstanding as of March 31, 2018. In addition, the Company is required to reserve and keep available out of its authorized but unissued shares of common stock a number of shares sufficient to effect the conversion into common stock of all outstanding shares of convertible preferred stock and convertible preferred stock warrants, convertible preferred stock warrants issuable upon borrowing the Term C Loan under the current $35.0 million credit facility and stock options granted and shares available for grant under its stock incentive plan.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

The following table summarizes the total number of shares of the Company's common stock issued and reserved for issuance as of March 31, 2018 (in thousands):

	March 31, 2018
Shares of common stock issued	7,287
Shares of common stock reserved for issuance for:	
Convertible preferred stock outstanding:	
Series A-1	4,800
Series A-2[1]	26,038
Series B[2]	20,217
Series C[3]	30,807
Series D	49,426
Series E	44,471
Series F	102,334
Series G	40,584
Convertible preferred stock warrants outstanding:	
Series E	402
Series F	2,644
Series F convertible preferred stock warrants issuable upon Term C Loan borrowing	588
Stock options outstanding	77,374
Shares available for grant under stock incentive plan	6,946
Total shares of common stock issued and reserved for issuance	413,918

(1) Shares of Series A-2 convertible preferred stock convert to common stock at a ratio of 1.0257 shares of common stock per share of Series A-2 convertible preferred stock.
(2) Shares of Series B convertible preferred stock convert to common stock at a ratio of 1.1892 shares of common stock per share of Series B convertible preferred stock.
(3) Shares of Series C convertible preferred stock convert to common stock at a ratio of 1.4699 shares of common stock per share of Series C convertible preferred stock.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Subject to preferences that may apply to any outstanding preferred stock, holders of common stock are entitled to receive proportionally any dividends that the Company's board of directors may declare out of funds legally available for that purpose on a non-cumulative basis. The Company has never paid, and for the foreseeable future does not expect to pay, a dividend on its common stock.

Convertible Preferred Stock

In June 2017, the Company amended its certificate of incorporation to increase the number of shares of convertible preferred stock, $0.01 par value per share, authorized for issuance from 266.8 million to 308.6 million shares, of which the Company has designated and issued Series A-1, Series A-2, Series B, Series C, Series D, Series E, Series F and Series G shares. Series A-1 through Series E shares of convertible preferred stock are referred to collectively as Junior Securities and are subordinate to shares of Series G and Series F shares of convertible preferred stock. All of the Company's convertible preferred stock is classified outside of stockholders' deficit because the shares contain deemed liquidation rights that are a contingent redemption feature not solely within the control of the Company.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

The following table summarizes the Company's outstanding convertible preferred stock as of December 31, 2017 and March 31, 2018:

	Shares Authorized and Designated (in thousands)	Shares Issued and Outstanding (in thousands)	Carrying Value (in thousands)	Liquidation Value per Share	Liquidation Value (in thousands)
Series A-1	4,800	4,800	$ 900	$ 0.0617	$ 296
Series A-2	25,385	25,385	16,428	$ 0.2052	5,209
Series B	17,000	17,000	16,859	$ 0.3168	5,386
Series C	20,958	20,958	34,841	$ 0.5253	11,009
Series D	49,426	49,426	29,970	$ 0.2874	14,205
Series E	44,873	44,471	29,800	$ 0.5144	22,876
Series F	105,567	102,334	43,513	$ 0.3356	34,343
Series G	40,584	40,584	14,825	$ 0.3696	15,000
Balance at December 31, 2017 and March 31, 2018	308,593	304,958	$ 187,136		$ 108,324

Conversion

Each share and series of convertible preferred stock is convertible into common stock at any time at the option of the holder thereof at the conversion price then in effect (each subject to adjustments upon the occurrence of certain dilutive events). At March 31, 2018, the conversion price for Series A-1, Series D, Series E, Series F and Series G shares was equal to the original issue price, resulting in a common stock conversion ratio of 1:1. At March 31, 2018, as a result of past anti-dilution adjustments, the conversion price for Series A-2, Series B and Series C shares was below the original issue price, resulting in common stock conversion ratios of 1:1.0257, 1:1.1892 and 1:1.4699, respectively.

All shares of each series of convertible preferred stock are convertible into common stock at the affirmative election of the holders of at least (i) 60% of the outstanding shares of convertible preferred stock, (ii) 60% of the outstanding Series E convertible preferred stock, (iii) 75% of the outstanding Series F convertible preferred stock and (iv) 55% of the outstanding Series G convertible preferred stock.

The Company may at any time require the conversion of all outstanding convertible preferred stock upon a qualified initial public offering of its common stock with a public offering price of at least $0.5544 per share and aggregate gross proceeds of at least $30.0 million.

Liquidation Preferences

In the event of a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or in the event of a deemed liquidation event, which includes a sale of the Company as defined in the Company's certificate of incorporation, holders of Series G convertible preferred stock are entitled to receive, in preference to all other stockholders, an amount equal to their original investment amount plus any declared and unpaid dividends. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series G convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

After payment in full of the liquidation preference of the Series G convertible preferred stock, holders of Series F convertible preferred stock are entitled to receive, in preference to all holders of Junior Securities and common stock, an amount equal to their original investment amount plus any declared and unpaid dividends. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire remaining assets and funds legally available for distribution shall be distributed ratably among the holders of the Series F convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preferences of the Series G and Series F convertible preferred stock, holders of Junior Securities are entitled to receive an amount equal to $59.2 million in the aggregate. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Junior Securities in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preferences of the Series G, Series F and Junior Securities convertible preferred stock, holders of Series F convertible preferred stock are entitled to receive an additional liquidation preference at an amount equal to $0.1678 per share. If upon the occurrence of such event the assets and funds available for distribution are insufficient to pay such holders the full amount to which they are entitled, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series F convertible preferred stock in proportion to the full amounts to which they would otherwise be entitled.

After payment in full of the liquidation preferences of the Series G, Series F and Junior Securities convertible preferred stock and the additional liquidation preference for holders of Series F convertible preferred stock, holders of common stock and holders of Junior Securities, Series F and Series G convertible preferred stock are entitled to receive a liquidation preference until the amount distributed to holders of the Series F convertible preferred stock equals $1.0068 plus declared but unpaid dividends on each share and then to the holders of common stock and holders of Junior Securities and Series G convertible preferred stock until the aggregate amount distributed to such holders equals the amount distributed to holders of Series F convertible preferred stock divided by the Series F ownership percentage.

After payments of the above liquidation preferences have been made, any remaining assets shall be distributed ratably to holders of common stock and holders of Series G, Series F and Junior Securities convertible preferred stock on an “as-converted” basis.

Dividends

Each class of convertible preferred stock is entitled to receive non-cumulative annual dividends at a rate of 9.0%, if and when declared by the Company’s board of directors. The holders of Series G convertible preferred stock are entitled to dividends in preference to holders of any other class or series of the Company’s stock. The holders of Series F convertible preferred stock are entitled to dividends in preference to all holders of Junior Securities and holders of common stock. The holders of Junior Securities are entitled to dividends in preference to holders of common stock.

In the event a dividend is declared to common stockholders, holders of each class of convertible preferred stock will also receive an equivalent dividend on an “as-converted” basis. The Company has never paid, and for the foreseeable future does not expect to pay, a dividend on its common stock.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Voting

The holders of each class of convertible preferred stock are entitled to one vote for each share of common stock into which their shares of convertible preferred stock may be converted and, subject to certain convertible preferred stock class votes specified in the Company's certificate of incorporation or as required by law, the holders of convertible preferred stock and common stock vote together on an "as-converted" basis.

Convertible Preferred Stock Warrants

The following table summarizes the Company's outstanding convertible preferred stock warrants as of March 31, 2018:

	Warrants Outstanding (in thousands)	Exercise Price	Expiration Date
Series E	402	$0.6746	Dec-2022
Series F	878	$0.3356	Feb-2021
Series F	589	$0.3356	Aug-2023
Series F	589	$0.3356	Mar-2024
Series F	588	$0.3356	Dec-2024
	3,046		

11. LOSS PER SHARE

The Company's basic loss per common share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. The Company's restricted stock awards (non-vested shares) are issued and outstanding at the time of grant but are excluded from the Company's computation of weighted-average shares outstanding in the determination of basic loss per share until vesting occurs.

A net loss cannot be diluted, so when the Company is in a net loss position, basic and diluted loss per common share are the same. If in the future the Company achieves profitability, the denominator of a diluted earnings per common share calculation will include both the weighted-average number of shares outstanding and the number of common stock equivalents, if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants, stock options and non-vested restricted stock awards using the treasury stock method, along with the effect, if any, from the potential conversion of outstanding securities, such as convertible preferred stock.

The following potentially dilutive securities outstanding as of March 31, 2017 and 2018 have been excluded from the denominator of the diluted loss per share of common stock outstanding calculation (in thousands):

	March 31,	
	2017	2018
Stock options	61,364	77,374
Non-vested restricted stock awards	568	371
Convertible preferred stock warrants	2,458	3,046
Shares of convertible preferred stock "as-converted"	278,093	318,677

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

The unaudited pro forma net loss per share is computed using the weighted-average number of shares of common stock outstanding after giving effect to the conversion of all issued and outstanding shares of convertible preferred stock into shares of common stock immediately prior to the closing of the Company's proposed initial public offering as if the conversion had occurred at the later of the beginning of the reporting period or the issuance date of the convertible preferred stock.

The following table summarizes the calculation of unaudited pro forma basic and diluted net loss per share of common stock for the three months ended March 31, 2018 (in thousands, except per share data):

Numerator:	
Net loss	$ (5,497)
Denominator:	
Weighted-average common shares outstanding, basic and diluted	6,533
Effect of pro forma adjustments:	
Conversion of convertible preferred stock into common stock	318,677
Pro forma weighted-average common shares outstanding, basic and diluted	325,210
Pro forma net loss per share of common stock outstanding, basic and diluted	$ (0.02)

12. SHARE-BASED COMPENSATION

2003 Incentive Stock Plan

In April 2003 (and as subsequently amended), the Company adopted the 2003 Stock Incentive Plan (2003 Plan), which authorizes the issuance of up to 90.8 million shares in the form of restricted stock, stock appreciation rights and stock options to the Company's directors, employees and consultants. The amount and terms of grants are determined by the Company's board of directors. To date, the Company has granted restricted stock awards only to an independent member of its board of directors and only as compensation for board service. All stock options granted to date have had exercise prices equal to the estimated fair value, as determined by the board of directors, of the underlying common stock on the date of the grant. The contractual term of stock options may be up to 10 years, and stock options are exercisable in cash or as otherwise determined by the board of directors. Generally, stock options vest 25% upon the first anniversary of the date of grant and the remainder ratably monthly thereafter for 36 months. As of March 31, 2018, there were 6.9 million shares available for future issuance under the 2003 Plan.

The amount of share-based compensation expense recognized by the Company by location in its statements of operations for the three months ended March 31, 2017 and 2018 is as follows (in thousands):

	Three Months ended March 31,	
	2017	2018
Cost of revenues	$ —	$ 4
Sales and marketing	13	54
General and administrative	16	55
Research and development	13	31
Total	$ 42	$ 144

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Stock Options

The following table summarizes the Company's stock option activity for the three months ended March 31, 2018:

	Number of Shares under Option (in thousands)	Weighted-average Exercise Price per Option	Weighted-average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2017	70,864	$ 0.08	7.7	
Granted	8,028	$ 0.16		
Exercised	(574)	$ 0.05		
Forfeited	(944)	$ 0.08		
Outstanding at March 31, 2018	77,374	$ 0.09	7.7	$ 504
Exercisable at March 31, 2018	38,274	$ 0.08	6.3	$ 408
Vested and expected to vest at March 31, 2018	77,374	$ 0.09	7.7	$ 504

The Company recognized de minimis and $0.1 million of share-based compensation expense related to stock options during the three months ended March 31, 2017 and 2018, respectively. As of March 31, 2018, there was $2.0 million of total unrecognized compensation cost related to non-vested stock options which the Company expects to recognize over a weighted-average period of 3.3 years. The weighted-average grant-date fair value of stock options granted during the three months ended March 31, 2018 was estimated at $0.10 per option. The total intrinsic value of stock options exercised during the three months ended March 31, 2018 was $0.1 million.

For the three months ended March 31, 2018, the grant-date fair value of stock options was estimated at the time of grant using the following weighted-average inputs and assumptions in the Black-Scholes option pricing model:

Estimated fair value of common stock	$0.16
Exercise price	$0.16
Expected term (in years)	6.1
Risk-free interest rate	2.6%
Expected volatility	66.2%
Dividend yield	0%

In April 2018, the Company's board of directors granted options to purchase 1.6 million shares of common stock to the members of the board. These options have an exercise price of $0.18 and vest in 12 equal monthly installments beginning in March 2018; however, the entire grant is subject to forfeiture if an initial public offering of the Company's common stock has not occurred by December 31, 2018. The estimated grant-date fair value of the options awards was $0.2 million. Upon completion of an initial public offering, the Company will immediately recognize the fair value of the vested portion of the awards as share-based compensation expense, with the unvested portion recognized as share-based compensation expense ratably over the remaining service period.

NEURONETICS, INC.

Notes to Interim Financial Statements—(Continued)

(Unaudited)

Restricted Stock Awards

The following table summarizes the Company's restricted stock award activity for the three months ended March 31, 2018:

	Non-vested Restricted Stock Awards (in thousands)	Weighted-average Grant-date Fair Value
Non-vested at December 31, 2017	457	$ 0.08
Vested	(86)	$ 0.08
Non-vested at March 31, 2018	371	$ 0.08

The Company recognized minimal share-based compensation expense related to restricted stock awards during the three months ended March 31, 2017 and 2018. As of March 31, 2018, there was minimal unrecognized compensation cost related to non-vested restricted stock awards which the Company expects to recognize over a weighted-average period of 1 year. The total fair value at the vesting date of restricted stock awards vested during the three months ended March 31, 2017 was minimal.

13. EMPLOYEE BENEFIT PLANS

401(k) Defined Contribution Plan

The Company maintains a 401(k) defined contribution retirement plan which covers all of its employees. Employees are eligible to participate on the first of the month following their date of hire. Under the 401(k) plan, participating employees may defer up to 100% of their pre-tax salary but not more than statutory limits. There is currently no employer matching of employee contributions and employee contributions vest immediately.

14. COMMITMENTS

Executive Employment Agreements

The Company has entered into an employment agreement and offer letters with certain key executives, providing for compensation and severance in certain circumstances, as defined in the agreements.

Leases

In January 2013, the Company entered into a 93-month lease for its headquarters office and warehouse. The Company also rents certain office equipment. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not yet paid. Landlord allowances for tenant improvements are deferred and recognized as a reduction to rent expense on a straight-line basis and over the remaining lease term.

15. GEOGRAPHICAL SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company currently operates in

one business segment as it is managed and operated as one business. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. The Company does not operate any material separate lines of business or separate business entities with respect to its products or product development.

The following geographic data includes revenue generated from the Company's third-party distributors. The Company's revenue was generated in the following geographic regions for the years indicated (in thousands):

	Revenues by Geography Three Months ended March 31,			
	2017		2018	
	Amount	% of Revenues	Amount	% of Revenues
United States	$7,394	98%	$ 9,972	98%
International	132	2%	180	2%
Total revenues	$7,526	100%	$10,152	100%

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through May 25, 2018, the date at which the financial statements were available to be issued, and determined there are no other items requiring disclosure.

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Shares

NEURONETICS, INC.

Common Stock

PROSPECTUS

Piper Jaffray

William Blair

Canaccord Genuity

BTIG

JMP Securities

, 2018

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other expenses of issuance and distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the SEC registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the fee.

	Amount
SEC Registration fee	$ *
FINRA filing fee	*
Nasdaq initial listing fee	*
Accountants' fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses	*
Transfer Agent's fees and expenses	*
Printing and engraving expenses	*
Miscellaneous	*
Total expenses	$ *

* To be provided by amendment

Item 14. Indemnification of directors and officers.

We are incorporated under the laws of the State of Delaware. Section 102 of the Delaware General Corporation Law permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the Delaware General Corporation Law provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he is or is threatened to be made a party by reason of such position, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

As permitted by the Delaware General Corporation Law, our amended and restated certificate of incorporation and amended and restated bylaws to be in effect upon the closing of this offering will provide that: (i) we are required to indemnify our directors to the fullest extent permitted by the Delaware General Corporation Law; (ii) we may, in our discretion, indemnify our officers, employees

and agents as set forth in the Delaware General Corporation Law; (iii) we are required, upon satisfaction of certain conditions, to advance all expenses incurred by our directors in connection with certain legal proceedings; (iv) the rights conferred in the bylaws are not exclusive; and (v) we are authorized to enter into indemnification agreements with our directors, officers, employees and agents.

In connection with this offering, we have entered into, or expect to enter into indemnification agreements with each of our directors and executive officers that require us to indemnify them against expenses, judgments, fines, settlements and other amounts that any such person becomes legally obligated to pay (including with respect to a derivative action) in connection with any proceeding, whether actual or threatened, to which such person may be made a party by reason of the fact that such person is or was a director or officer of us or any of our affiliates, provided such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, our best interests. The indemnification agreements will also set forth certain procedures that will apply in the event of a claim for indemnification thereunder. We intend to enter into similar indemnification agreements with our executive officers prior to the completion of this offering. At present, no litigation or proceeding is pending that involves any of our directors or officers regarding which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

We maintain a directors' and officers' liability insurance policy. The policy insures directors and officers against unindemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses us for those losses for which we have lawfully indemnified the directors and officers. The policy contains various exclusions.

In addition, the underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act, or otherwise. Our investor rights agreement with certain investors also provides for cross-indemnification in connection with the registration of our common stock on behalf of such investors.

Item 15. Recent sales of unregistered securities.

Issuances of capital stock

Set forth below is information regarding securities issued by us since March 31, 2015 through the date of the prospectus that is part of this registration statement. Also included is the consideration received by us for such shares and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

Preferred Stock Issuances. In April 2015, we issued 102,334,194 shares of our Series F convertible preferred stock at a purchase price of $0.3356 per share for aggregate consideration of $34,343,356. In June 2017, we issued 40,584,416 shares of our Series G convertible preferred stock at a purchase price of $0.3696 per share for aggregate consideration of $15,000,000.

2003 Plan-Related Issuances. Under our 2003 Plan since March 31, 2015, we have granted to our directors, officers, employees and consultants options to purchase an aggregate of 64,887,200 shares of our common stock with exercise prices ranging from $0.03 to $0.18 per share. In addition, we granted to an independent member of our board of directors, as compensation for board service, restricted stock awards for an aggregate of 1,543,599 shares of our common stock with grant prices ranging from $0.07 to $0.14 per share.

Stock Option Grants

Since March 31, 2015, we have granted to our directors, officers, employees and consultants options to purchase an aggregate of 64,887,200 shares of our common stock at a weighted-average exercise price of

$0.09 per share. Of these, through March 31, 2018, 8,116,734 options have been cancelled or forfeited without being exercised and 1,217,218 shares of common stock have been issued upon the exercise of stock options for aggregate consideration of $40,287.

Restricted Stock Awards

Since March 31, 2015, we have granted to an independent member of our board of directors, as compensation for board service, restricted stock awards for 1,226,568 shares of our common stock at an estimated grant-date fair value of $0.07 per share on July 20, 2016 and 371,703 shares of our common stock at an estimated grant-date fair value of $0.14 per share on October 19, 2017.

Warrants

In August 2016, March 2017 and December 2017, we issued preferred stock warrants to Oxford Finance LLC, each of which was immediately exercisable for 588,498 shares of our Series F convertible preferred stock at an exercise price of $0.3356 per share. The August 2016, March 2017 and December 2017 warrants expire on August 31, 2023, March 28, 2024 and December 27, 2024, respectively, if not earlier exercised.

The outstanding warrants which are currently exercisable to purchase shares of our Series E or Series F convertible preferred stock will become warrants to purchase shares of our common stock upon the completion of the offering to which this registration statement relates.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. The sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or 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.

Item 16. Exhibits and financial statement schedules.

The exhibits to the registration statement are listed in the Exhibit Index attached hereto and are incorporated by reference herein. Financial statement schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, 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 SEC 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.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
1.1à	Form of Underwriting Agreement
3.1	Eighth Amended and Restated Certificate of Incorporation of the Registrant, as amended (currently in effect)
3.2#	Amended and Restated Bylaws of the Registrant (currently in effect)
3.3	Form of Ninth Amended and Restated Certificate of Incorporation of the Registrant (to be effective upon the closing of this offering)
3.4	Form of Second Amended and Restated Bylaws of the Registrant (to be effective upon the closing of this offering)
4.1à	Specimen Stock Certificate evidencing shares of common stock of the Registrant
4.2#	Form of Warrant to Purchase Stock, by and between the Registrant and Oxford Finance LLC
4.3#	Warrant to Purchase Stock, by and between the Registrant and Comerica Bank, dated December 20, 2012
5.1à	Opinion of Cooley LLP
10.1*	Distribution Agreement, by and between the Registrant and Teijin Pharma Limited, dated October 12, 2017
10.2#	Sixth Amended and Restated Investors' Rights Agreement by and among the Registrant and certain of its stockholders, dated June 1, 2017
10.3#	Sixth Amended and Restated Stockholders' Agreement by and among the Registrant and certain of its stockholders, dated June 1, 2017
10.4+#	Employment Agreement by and between the Registrant and Christopher Thatcher, dated as of November 1, 2014
10.5+#	Offer Letter, dated August 11, 2016, by and between the Registrant and Greg Harper
10.6+#	Offer Letter, dated February 27, 2017, by and between the Registrant and Peter Donato
10.7#	Form of Indemnification Agreement between the Registrant and its non-employee directors and officers
10.8#	Loan and Security Agreement by and between Oxford Finance LLC and the Registrant, dated March 28, 2017
10.9+#	Amended and Restated 2003 Stock Incentive Plan of the Registrant, as amended
10.10+#	Form of 2018 Equity Incentive Plan (to be effective upon the closing of this offering)
10.11+#	Form of 2018 Employee Stock Purchase Plan (to be effective upon the closing of this offering)
10.12#	Lease Agreement by and between Exeter 3222 Phoenixville, L.P. and the Registrant, dated January 3, 2013
10.13+#	Form of Non-Qualified Stock Option Agreement for the Amended and Restated 2003 Stock Incentive Plan, as amended, of the Registrant
10.14+	Form of Incentive Stock Option Agreement for the Amended and Restated 2003 Stock Incentive Plan, as amended, of the Registrant
10.15+	Forms of grant notice, stock option agreement and notice of exercise under the 2018 Equity Incentive Plan (to be effective upon the closing of this offering)

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Exhibit Number	Description of Exhibit
10.16+	Forms of restricted stock unit grant notice and award agreement under the 2018 Equity Incentive Plan (to be effective upon the closing of this offering)
10.17+	Form of Severance Agreement
10.18+	Form of Restrictive Covenant and Invention Assignment Agreement
10.19+	Offer Letter, dated February 27, 2017, by and between the Registrant and Daniel Guthrie
23.1à	Consent of KPMG LLP, independent registered public accounting firm
23.2à	Consent of Cooley LLP (included in Exhibit 5.1)
24.1à	Powers of Attorney (included on signature page)

+ Indicates management contract or compensatory plan.
* Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and have been separately filed with the Securities and Exchange Commission.
à To be submitted by amendment.
Previously filed

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Malvern, Commonwealth of Pennsylvania, on this day of , 2018.

NEURONETICS, INC.

By: _____
Christopher Thatcher
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Christopher Thatcher and Peter Donato, and each of them, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-1 has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
_____ **Chris Thatcher**	Chief Executive Officer and Director (Principal Executive Officer)	, 2018
_____ **Peter Donato**	Chief Financial Officer (Principal Financial and Accounting Officer)	, 2018
_____ **Stephen Campe**	Director	, 2018
_____ **Brian Farley**	Director	, 2018
_____ **Paulina Hill**	Director	, 2018
_____ **Ronald Hunt**	Director	, 2018
_____ **Wilfred Jaeger, M.D.**	Director	, 2018
_____ **Glenn Muir**	Director	, 2018

Exhibit 3.1

Execution Version

EIGHTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
NEURONETICS, INC.

Neuronetics, Inc., organized with the Secretary of State of Delaware as a limited liability company on July 3, 2001 under the name NeuroNetics, LLC, converted to a corporation on April 2, 2003 under its current name and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: That by written consent of the Board of Directors of the Corporation, a resolution was duly adopted setting forth a proposed amendment and restatement of the Seventh Amended and Restated Certificate of Incorporation of the Corporation, in the form of **Exhibit A** attached hereto (the "Restatement"), declaring said Restatement to be advisable and calling for consideration of said proposed Restatement by the stockholders of the Corporation.

SECOND: That thereafter, the proposed Restatement was approved by the stockholders of the Corporation by written consent.

THIRD: That said Restatement was duly adopted in accordance with the provisions of Sections 242, 245 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Eighth Amended and Restated Certificate of Incorporation to be executed by its duly authorized officer as of this 1st day of June, 2017.

NEURONETICS, INC.

By: /s/ Christopher Thatcher
Name: Christopher Thatcher
Title: Chief Executive Officer

Exhibit A

EIGHTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
NEURONETICS, INC.

ARTICLE I

The name of the corporation is Neuronetics, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, and the name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may now or hereafter be organized under the General Corporation Law of the State of Delaware and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

ARTICLE IV

Stock

The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 715,617,350, consisting solely of: (a) 407,024,262 shares of common stock, $0.01 par value per share ("Common Stock"); and (b) 308,593,088 shares of preferred stock, $0.01 par value per share ("Preferred Stock"), of which (i) 4,800,000 have been designated as shares of Series A-1 Convertible Preferred Stock, $0.01 par value per share ("Series A-1 Preferred Stock"); (ii) 25,384,615 have been designated as shares of Series A-2 Convertible Preferred Stock, $0.01 par value per share ("Series A-2 Preferred Stock"); (iii) 17,000,000 have been designated as shares of Series B Convertible Preferred Stock, $0.01 par value per share ("Series B Preferred Stock"); (iv) 20,958,084 have been designated as shares of Series C Convertible Preferred Stock, $0.01 par value per share ("Series C Preferred Stock"); (v) 49,426,229 have been designated as shares of Series D Convertible Preferred Stock, $0.01 par value per share ("Series D Preferred Stock"); (vi) 44,873,260 have been designated as shares of Series E Convertible Preferred Stock, $0.01 par value per share ("Series E Preferred Stock" and together with the Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, collectively, the "Junior Preferred Stock"); (vii) 105,566,484 have been designated as shares of Series F Convertible Preferred Stock, $0.01 par value per share ("Series F Preferred Stock"); and (viii) 40,584,416 have been designated as shares of Series G Convertible Preferred Stock, $0.01 par value per share ("Series G Preferred Stock") pursuant to the provisions of this Article IV.

The following is a description of the respective classes of stock and a statement of the powers, designations, preferences, privileges, and relative, participating, optional, and other special rights of the Preferred Stock and the Common Stock, respectively. Capitalized terms used herein without definition shall have the respective meanings assigned to them in Section A.9 of this Article IV:

A. PREFERRED STOCK.

1. Designation; Number of Shares.

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 4,800,000 shares, and the designation of such series shall be “Series A-1 Convertible Preferred Stock”.

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 25,384,615 shares, and the designation of such series shall be “Series A-2 Convertible Preferred Stock”.

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 17,000,000 shares, and the designation of such series shall be “Series B Convertible Preferred Stock.”

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 20,958,084 shares, and the designation of such series shall be “Series C Convertible Preferred Stock.”

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 49,426,229 shares, and the designation of such series shall be “Series D Convertible Preferred Stock.”

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 44,873,260 shares, and the designation of such series shall be “Series E Convertible Preferred Stock.”

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 105,566,484 shares, and the designation of such series shall be “Series F Convertible Preferred Stock.”

There is hereby established a series of Preferred Stock, $0.01 par value per share, consisting of 40,584,416 shares, and the designation of such series shall be “Series G Convertible Preferred Stock.”

2. Dividends.

(a) The holders of shares of Series G 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 the Corporation) on the Series F Preferred Stock, Junior Preferred Stock or Common Stock of the Corporation, at the rate of 9% per annum of the Original Issuance Price of shares of Series G Preferred Stock, payable when, as and if declared by the Board of Directors of the Corporation (the "Board of Directors") out of funds legally available for that purpose. Such dividends shall not be cumulative.

(b) Subject to Section A.2(a), the holders of shares of Series F 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 the Corporation) on the Junior Preferred Stock or Common Stock of the Corporation, at the rate of 9% per annum of the Original Issuance Price of shares of Series F Preferred Stock, payable when, as and if declared by the Board of Directors out of funds legally available for that purpose. Such dividends shall not be cumulative.

(c) Subject to Section A.2(a) and Section A.2(b), the holders of shares of Junior 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 the Corporation) on the Common Stock of the Corporation, at the rate of 9% per annum of the applicable Liquidation Amount of such shares of Junior Preferred Stock, payable when, as and if declared by the Board of Directors out of funds legally available for that purpose. Such dividends shall not be cumulative.

(d) Subject to Section A.2(a) and Section A.2(b), whenever any dividend is declared or paid on any shares of any series of Junior Preferred Stock, the Board of Directors shall also declare and pay a dividend on the same terms, at the same rate with respect to the applicable Liquidation Amount, and in like kind upon each other share of each other series of Junior Preferred Stock then outstanding. With respect to dividends, each of the Series A-1 Preferred Stock, the Series A-2 Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and the Series D Preferred Stock shall rank pari passu with the Series E Preferred Stock.

(e) Subject to Section A.2(a) and Section A.2(b), in the event that (i) the Board of Directors shall declare a dividend on the outstanding shares of Junior Preferred Stock or a dividend shall be due and payable pursuant to the provisions of Section A.2(f) below with respect to the outstanding shares of Junior Preferred Stock and (ii) the assets of the Corporation available for payment of such dividends on the outstanding shares of Junior Preferred Stock shall not be sufficient to pay the full amount of such dividends to the holders of outstanding shares of Junior Preferred Stock, then the available funds shall be distributed ratably to the holders of shares of Junior Preferred Stock in proportion to the full dividend amount each such holder is otherwise entitled to receive.

(f) The Corporation shall not declare or pay any dividend (whether in cash, property or securities of the Corporation) upon any shares of Common Stock (other than a dividend declared or paid on Common Stock in the form of additional shares of Common Stock

for which adjustments to the applicable Conversion Prices are made pursuant to Section A.5(f)(iv) below) unless the Corporation shall (i) first pay all unpaid dividends declared on the Series G Preferred Stock in accordance with Section A.2(a), (ii) second pay all unpaid dividends declared on the Series F Preferred Stock in accordance with Section A.2(b), (iii) after payment in full of such dividends on Series G Preferred Stock and Series F Preferred Stock, pay all unpaid dividends declared on Junior Preferred Stock in accordance with Section A.2(c), and (iv) simultaneously therewith declare and set apart cash, property or securities sufficient for the payment of a dividend on the same terms, at the same or equivalent rate (calculated as provided in Section A.2(g) below) and in like kind upon each share then outstanding of each series of Preferred Stock in accordance with Sections A.2(a), (b), (c) and (d), so that all outstanding shares of each series of Preferred Stock participate in such dividend (after giving effect to the provisions of Section A.2(g)) with such shares of Common Stock in accordance with Sections A.2(a), (b), (c) and (d).

(g) For purposes of Section A.2(f), the amount of any dividend (whether in cash, property or securities of the Corporation) payable with respect to each outstanding share of Series G Preferred Stock, Series F Preferred Stock and Junior Preferred Stock shall be determined ratably based on the number of shares of Common Stock into which all then outstanding shares of Series G Preferred Stock, Series F Preferred Stock and Junior Preferred Stock, respectively, are then convertible.

(h) No fractional shares of capital stock shall be issued as a dividend pursuant to the provisions of this Section A.2. In the event that any dividend pursuant to this Section A.2 is in the form of capital stock and in the event that such dividend would, but for the provisions of this Section A.2(h), result in the payment of a fractional share of capital stock to any holder of Preferred Stock, the Corporation shall reduce the amount of such dividend or distribution payable to such holder by rounding down to the nearest whole number of shares.

3. Liquidation Preference.

In the event of any liquidation, dissolution, or winding-up of the affairs of the Corporation, or Deemed Liquidation Event (as defined below), whether voluntary or involuntary, the assets of the Corporation legally available for distribution to its stockholders, whether from capital, surplus, earnings or otherwise (collectively, the "Distributable Assets") shall be distributed in the following order of priority:

(a) Each holder of Series G Preferred Stock shall be entitled to receive an amount per share of Series G Preferred Stock equal to the Original Issuance Price of the Series G Preferred Stock, plus all declared but unpaid dividends on such share of Series G Preferred Stock, calculated on a per share basis (subject to Proportional Adjustment) (the "Series G Liquidation Preference"), prior and in preference to any distribution in any such liquidation, dissolution, or winding-up of the affairs of the Corporation, or Deemed Liquidation Event, to the holders of Series F Preferred Stock, Junior Preferred Stock and/or Common Stock.

(b) After payment of the full Series G Liquidation Preference in accordance with Section A.3(a), each holder of Series F Preferred Stock shall be entitled to receive an amount per share of Series F Preferred Stock equal to the Original Issuance Price of the Series F Preferred

Stock, plus all declared but unpaid dividends on such share of Series F Preferred Stock, calculated on a per share basis (subject to Proportional Adjustment) (the "Series F Liquidation Preference"), prior and in preference to any distribution in any such liquidation, dissolution, or winding-up of the affairs of the Corporation, or Deemed Liquidation Event, to the holders of Junior Preferred Stock and/or Common Stock.

(c) After payment of the full Series G Liquidation Preference in accordance with Section A.3(a) and the full Series F Liquidation Preference in accordance with Section A.2(b), each holder of Junior Preferred Stock shall be entitled to receive, from the remaining Distributable Assets, if any, an amount per share of Junior Preferred Stock up to the applicable Liquidation Amount (as defined below) of each such share of Junior Preferred Stock (subject to Proportional Adjustment) (the "Junior Preferred Liquidation Preference"), prior and in preference to any distribution in any such liquidation, dissolution, or winding-up of the affairs of the Corporation, or Deemed Liquidation Event, to the holders of Common Stock, until the aggregate amount distributed to the holders of Junior Preferred Stock pursuant to this Section A.3(c) equals $59,190,016. Payments under this Section A.3(c) shall be allocated among the series of Junior Preferred Stock pro rata and pari passu in accordance with their respective Liquidation Amounts.

(d) After payment of the full Series G Liquidation Preference in accordance with Section A.3(a), the full Series F Liquidation Preference in accordance with Section A.3(b) and the full Junior Preferred Liquidation Preference in accordance with Section A.3(c), each holder of Series F Preferred Stock shall be entitled to receive, from the remaining Distributable Assets, if any, an amount per share of Series F Preferred Stock equal to $0.1678 (subject to Proportional Adjustment) (the "Additional Series F Preference"), prior and in preference to any distribution in any such liquidation, dissolution, or winding-up of the affairs of the Corporation, or Deemed Liquidation Event, pursuant to Section A.3(e) below.

(e) After payment of the full Series G Liquidation Preference in accordance with Section A.3(a), the full Series F Liquidation Preference in accordance with Section A.3(b), the full Junior Preferred Liquidation Preference in accordance with Section A.3(c) and the Additional Series F Preference in accordance with Section A.3(d), the remaining Distributable Assets, if any, shall be distributed as follows:

(i) first, to the holders of shares of Common Stock, Junior Preferred Stock, Series F Preferred Stock and Series G Preferred Stock pro rata based on the number of shares of Common Stock held by each such holder (assuming full conversion of all shares of Preferred Stock into shares of Common Stock at the then applicable conversion rate) until the aggregate amount distributed to the holders of Series F Preferred Stock pursuant to Section A.3(b), Section A.3(d) and this Section A.3(e)(i), with respect to each share of Series F Preferred Stock, equals $1.0068, plus declared but unpaid dividends on each such share of Series F Preferred Stock;

(ii) then, to the holders of shares of Common Stock, Junior Preferred Stock and Series G Preferred Stock pro rata based on the number of shares of Common Stock held by each such holder (assuming full conversion of all shares of Junior Preferred Stock and Series G Preferred Stock into shares of Common Stock at the then applicable conversion rate) until the aggregate amount distributed to such holders pursuant to this Section A.3(e)(ii) equals (A) the aggregate amount distributed to holders of Series F Preferred Stock pursuant to Section A.3(d) divided by (B) the Series F Ownership Percentage; and

(iii) then, to the holders of shares of Common Stock, Junior Preferred Stock, Series F Preferred Stock and Series G Preferred Stock pro rata based on the number of shares of Common Stock held by each such holder (assuming full conversion of all shares of Preferred Stock into shares of Common Stock at the then applicable conversion rate).

(f) 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, dissolution or winding-up of the affairs of the Corporation or a Deemed 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 such liquidation, dissolution or winding-up of the affairs of the Corporation or a Deemed 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 Section A.3(f), then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of such series of Preferred Stock that have not converted (or have not been deemed to have converted) into shares of Common Stock.

(g) If the Distributable Assets available for distribution to the holders of the Preferred Stock shall be insufficient to permit the payment of the full preferential amounts set forth in Sections A.3(a), A.3(b), A.3(c) and A.3(d) above, then the available funds shall be distributed (i) first, ratably to the holders of shares of Series G Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive pursuant to Section A.3(a) above, (ii) second, ratably to the holders of shares of Series F Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive pursuant to Section A.3(b) above, (iii) third, ratably to the holders of shares of Junior Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive pursuant to Section A.3(c) above and (iv) fourth, ratably to the holders of Series F Preferred Stock in proportion to the full preferential amount each such holder is otherwise entitled to receive pursuant to Section A.3(d) above.

(h) Unless (a) the Required Senior Preferred Holders, (b) holders holding at least 60% of the then outstanding shares of Series E Preferred Stock voting together as a single class, (c) holders holding at least 75% of the then outstanding shares of Series F Preferred Stock voting together as a single class, and (d) the holders holding at least 55% of the then outstanding shares of Series G Preferred Stock voting together as a single class, elect otherwise by notice to the Corporation on or prior to the consummation of such Acquisition, an Acquisition will be regarded as a liquidation, dissolution, or winding-up of the affairs of the Corporation within the meaning of this Section A.3 (such an Acquisition, a "Deemed Liquidation Event"). The Corporation shall provide written notice to each holder of Preferred Stock (at such holder's address appearing in the Corporation's records) at least fifteen (15) business days prior to the consummation of any Acquisition, which notice describes such Acquisition in reasonable detail (including, but not limited to, with respect to the consideration proposed to be paid to the holders of the Common Stock in connection with such Acquisition).

(i) In the event of a Deemed 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 the Corporation subject to contingencies (including, for example, pursuant to an earn out) (collectively, "Delayed Payments"), then (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 this Section A.3 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event and (ii) any additional consideration that becomes payable to the stockholders of the Corporation upon release from escrow or satisfaction of contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with this Section A.3 after taking into account the previous payment of the Initial Consideration and any Delayed Payments that were previously paid, as part of the same transaction; provided that in those circumstances where the Acquisition is a merger or consolidation, then the Corporation shall cause such allocation to be set forth in the merger agreement, and in the case of an Acquisition that is a sale or a license of all or substantially all of the assets, then the Corporation shall include such allocation in the plan of liquidation and dissolution. For the avoidance of doubt, at the closing of any Deemed Liquidation Event with respect to which the Initial Consideration will be legally distributed to the Corporation's stockholders and at each date after such closing on which the Delayed Payments are to be legally distributed to the Corporation's stockholders as a result of such Deemed Liquidation Event (each, a "Payment Date"), each holder of each series of Preferred Stock shall be entitled to be paid, out of the Distributable Assets on such Payment Date, an amount for each share of each series of Preferred Stock then held equal to (1) the amount of cash, securities and other property to which such holder would have been entitled pursuant to Sections A.3(a), (b), (c), (d), (e) or (f) above, after taking into account the operation of this Section A.3(i) with respect to such series of Preferred Stock and treating the distributions to the Corporation's stockholders made upon such Payment Date and all prior Payment Dates as having been made simultaneously upon the closing of the Deemed Liquidation Event, provided that any amounts held in escrow on a Payment Date shall not be treated as distributed to stockholders of the Corporation for purpose of this Section A.3(i) until such amounts are actually paid to stockholders, reduced by (2) the amount per share paid in the aggregate to such holder with respect to such holder's shares of such series of Preferred Stock on all prior Payment Dates. For purposes of this Section A.3, consideration placed into escrow or retained as a holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Delayed Payments.

(j) In the event (i) the Corporation enters into an agreement whereby (A) the Corporation grants any corporation or other entity or person (a "Prospective Acquiror") an option or other right to consummate an Acquisition with respect to the Corporation, or (B) the Corporation has the option or other right to require a Prospective Acquiror to consummate an Acquisition with respect to the Corporation and (ii) the Board of Directors (with prior Super Board Approval) determines to distribute to the Corporation's stockholders any initial consideration paid by the Prospective Acquiror to the Corporation with respect to such option or right (the "Upfront Stockholder Consideration"), any Upfront Stockholder Consideration shall be distributed as proceeds from a Deemed Liquidation Event under this Section A.3.

(k) In the event of a Deemed Liquidation Event described in clause (ii) or (iii) of the definition of an Acquisition, if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law of the State of Delaware within ninety (90) days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the ninetieth (90th) day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause to require the redemption of such shares of Preferred Stock, and (ii) if the Required Senior Preferred Holders so request in a written instrument delivered to the Corporation not later than one hundred twenty (120) days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other Distributable Assets, all to the extent permitted by Delaware law governing distributions to stockholders (the "Available Proceeds"), on the one hundred fiftieth (150th) day after such Deemed Liquidation Event, to redeem all outstanding shares of Preferred Stock. Available Proceeds shall be distributed in accordance with this Section A.3.

4. Voting Rights.

(a) Except as otherwise provided in this Certificate of Incorporation or by applicable law, each share of Preferred Stock shall entitle the holder thereof to vote, together with the holders of Common Stock and all of the other holders of Preferred Stock, all voting together as a single class, on all matters as to which stockholders of the Corporation shall vote or shall be entitled to vote, including, without limitation, actions amending this Certificate of Incorporation to increase or decrease the number of authorized shares of Common Stock. Each share of Preferred Stock shall entitle the holder thereof to such number of votes per share as shall equal the number of shares of Common Stock (rounded down to the nearest whole number) into which such share of Preferred Stock is then convertible as provided in Section A.5 of this Article IV.

(b) Except as otherwise set forth in this Certificate of Incorporation, for so long as at least 20% of the shares originally issued by the Corporation in the aggregate in all related closings for the sale of Series A-2 Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock (subject to Proportional Adjustment) are then outstanding, the Corporation shall not, directly or indirectly whether by amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the Required Senior Preferred Holders:

(i) amend this Certificate of Incorporation or the by-laws of the Corporation in any manner (including, but not limited to, any amendment that changes the size or election procedures of the Board of Directors or that amends, alters or changes any of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, holders of Preferred Stock), except for amending the Certificate of Incorporation (A) for the sole purpose of increasing the number of shares of authorized Common Stock upon the occurrence of an adjustment to the Conversion Price that results in the number of shares of Common Stock issued plus the number of shares of Common Stock issuable upon conversion and/or exercise of all outstanding Preferred Stock and all other Derivative Securities, exceeding the number of shares of Common Stock then authorized by this Certificate of Incorporation, but only to the extent of such excess amount, and (B) as contemplated by Section A.10 of Article IV (the exceptions contained in subparagraphs (A) and (B) above, herein referred to as the "Exceptions");

(ii) increase or decrease the number of authorized shares of any class or series of capital stock of the Corporation, other than in the case of the Exceptions;

(iii) take any action to authorize, create or issue any shares of any other class or series of capital stock having preferences superior to or on a parity with the Preferred Stock;

(iv) effect any merger or consolidation of the Corporation with or into any other entity, or any Acquisition, liquidation, dissolution or winding up of the Corporation;

(v) effect any exchange, cancellation, reclassification or recapitalization of the outstanding capital stock of the Corporation;

(vi) declare or pay any dividend with respect to the Common Stock (except for a dividend payable solely in shares of Common Stock for which adjustments to the applicable Conversion Prices are made pursuant to Section A.5(f)(iii) below), make any distribution of assets to its stockholders, or repurchase, redeem, retire or otherwise acquire for value any shares of its capital stock (except for acquisitions of Common Stock by the Corporation approved by the Board of Directors (A) pursuant to agreements that permit the Corporation to repurchase such shares upon termination of services to the Corporation at an amount equal to or less than the original purchase price therefor or (B) in exercise of any right of first refusal provided to the Corporation by contract upon a proposed transfer);

(vii) enter into any agreement or arrangement which would restrict the Corporation's ability to perform its obligations under the Series A-2 Purchase Agreement, the Series B Purchase Agreement, the Series C Purchase Agreement, the Series D Purchase Agreement, the Series E Purchase Agreement, the Series F Purchase Agreement or the Series G Purchase Agreement;

(viii) approve any stock option, stock purchase or other similar plan or stock incentive program, or increase the authorized number of shares allocated to any such existing or new plan or program;

(ix) change the fundamental nature of the Corporation's business;

(x) incur any indebtedness in excess of $500,000 individually or in excess of $1,000,000 in the aggregate in any 12-month period; or

(xi) take any action to assign, transfer, terminate or knowingly breach any license or similar agreement with a third party that grants to the Corporation rights in any Intellectual Property (as defined in the Series F Purchase Agreement) (other than "off-the-shelf" software programs that have not been customized for its use).

(c) Except as otherwise contemplated in Section A.10 of this Article IV, for so long as at least 20% of the shares originally issued by the Corporation in all related closings for the sale of Series C Preferred Stock are then outstanding, the Corporation shall not, whether by

amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the holders of at least a majority of the then outstanding Series C Preferred Stock voting together as a single class, amend this Certificate of Incorporation in any manner that would increase or decrease the aggregate number of authorized shares of Series C Preferred Stock, increase or decrease the par value of the shares of Series C Preferred Stock, or alter or change the powers, preferences or special rights of the shares of Series C Preferred Stock so as to affect them adversely.

(d) Except as otherwise contemplated in Section A.10 of this Article IV, the Corporation shall not, whether by amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the holders of at least 65% of the then outstanding shares of Series D Preferred Stock voting together as a single class, amend this Certificate of Incorporation in any manner that would increase or decrease the aggregate number of authorized shares of Series D Preferred Stock, increase or decrease the par value of the shares of Series D Preferred Stock, or alter, change, or waive the powers, preferences or special rights of the shares of Series D Preferred Stock so as to affect them adversely.

(e) Except as otherwise contemplated in Section A.10 of this Article IV, the Corporation shall not, whether by amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the holders of at least two-thirds (2/3) of the then outstanding shares of Series E Preferred Stock voting together as a single class, amend this Certificate of Incorporation in any manner that would increase or decrease the aggregate number of authorized shares of Series E Preferred Stock, increase or decrease the par value of the shares of Series E Preferred Stock, or alter, change, or waive the powers, preferences or special rights of the shares of Series E Preferred Stock so as to affect them adversely.

(f) Except as otherwise contemplated in Section A.10 of this Article IV, the Corporation shall not, whether by amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the holders of at least seventy-five percent (75%) of the then outstanding shares of Series F Preferred Stock voting together as a single class, amend this Certificate of Incorporation in any manner that would increase or decrease the aggregate number of authorized shares of Series F Preferred Stock, increase or decrease the par value of the shares of Series F Preferred Stock, or alter, change, or waive the powers, preferences or special rights of the shares of Series F Preferred Stock so as to affect them adversely.

(g) Except as otherwise contemplated in Section A.10 of this Article IV, the Corporation shall not, whether by amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the holders of at least fifty-five percent (55%) of the then outstanding shares of Series G Preferred Stock voting together as a single class: (i) amend this Certificate of Incorporation in any manner that would increase or decrease the aggregate number of authorized shares of Series G Preferred Stock; (ii) increase or decrease the par value of the shares of Series G Preferred Stock; (iii) alter, change, or waive the powers, preferences or special rights of the shares of Series G Preferred Stock so as to affect them adversely; (iv) effect any reclassification of another class or series of the Corporation’s capital stock in a manner that adversely affects the powers, preferences or special rights of the shares of the Series G Preferred Stock; or (v) effect any liquidation, dissolution or Deemed Liquidation Event as a result of which each holder of shares of Series G Preferred Stock would receive, in connection with such

liquidation, dissolution or Deemed Liquidation Event, an amount of cash and/or securities publicly traded on a nationally recognized exchange (the value of such securities deemed to be the average of the closing prices of the securities on such exchange or market over the thirty (30) day period ending three (3) days prior to the closing of such transaction) in respect of each share of Series G Preferred Stock held by such holder that is less than the Series G Liquidation Preference. The Corporation shall not, whether by amendment, merger, consolidation or otherwise or in any other manner, without the affirmative approval of the holders of at least forty-two and five tenths percent (42.5%) of the then outstanding shares of Series G Preferred Stock voting together as a single class, adopt any plan or agreement providing for a cash bonus payment to any officers, directors or employees of the Company upon the consummation of a change in control transaction, including without limitation any Deemed Liquidation Event; and, notwithstanding anything to the contrary set forth herein or in the Corporation's bylaws, the holders of forty-two and five tenths percent (42.5%) of the then outstanding shares of Series G Preferred Stock shall constitute a quorum for purposes of such approval.

(h) The Board of Directors shall consist of up to nine (9) directors. Each director shall be entitled to one (1) vote. At each annual meeting of the stockholders of the Corporation, and at each special meeting of the stockholders of the Corporation called for the purpose of electing directors of the Corporation, and at any time at which stockholders of the Corporation shall have the right to, or shall, vote for or consent in writing to the election of directors of the Corporation, then, and in each such event:

(i) the holders of record of Series A-2 Preferred Stock, voting together as a separate class, shall have the right to elect two (2) directors (the "Series A-2 Directors") by majority vote;

(ii) the holders of record of the Series B Preferred Stock, voting together as a separate class, shall have the right to elect one (1) director (the "Series B Director") by majority vote;

(iii) the holders of record of the Series C Preferred Stock, voting together as a separate class, shall have the right to elect one (1) director (the "Series C Director") by majority vote;

(iv) the holders of record of the Series D Preferred Stock, voting together as a separate class, shall have the right to elect one (1) director (the "Series D Director") by majority vote;

(v) the holders of record of the Series E Preferred Stock, voting together as a separate class, shall have the right to elect one (1) director (the "Series E Director") by the Series E Supermajority Vote; and

(vi) the holders of Preferred Stock and Common Stock voting together as a single class on an as-converted to Common Stock basis, shall have the right to elect up to three (3) directors (the "Remaining Directors") by majority vote.

The presence in person or by proxy of (A) the holders of a majority of the shares of Series A-2 Preferred Stock then outstanding, in the case of the election of a Series A-2 Director,

(B) the holders of a majority of the shares of Series B Preferred Stock then outstanding, in the case of the election of a Series B Director, (C) the holders of a majority of the shares of Series C Preferred Stock then outstanding, in the case of the election of a Series C Director, (D) the holders of a majority of the shares of Series D Preferred Stock then outstanding, in the case of the election of a Series D Director, (E) the holders of shares of Series E Preferred Stock then outstanding constituting the Series E Supermajority Vote, in the case of the election of a Series E director, and (F) the holders of a majority of the shares of Preferred Stock (on an as-converted to Common Stock basis) and Common Stock then outstanding as a single class, in the case of the election of the Remaining Directors, shall constitute a quorum for the election of directors to be elected by such holders.

Each director who shall have been elected as provided in this Section A.4(h) of Article IV may be removed during his term of office, whether with or without cause, only by the holders of record of the shares of the series or class or classes of stock then outstanding entitled to elect such director as set forth in this Section A.4(h).

A vacancy in any directorship (whether as a result of death, permanent disability, resignation or removal) elected by the holders of shares of a specified series or class or classes of stock then outstanding shall be filled only by vote or written consent of the holders of shares of such specified series or class or classes of stock, in the manner set forth in this Section A.4(h) of Article IV.

5. Optional Conversion.

(a) Each holder of outstanding shares of Preferred Stock shall have the right, exercisable by such holder at its option, at any time or from time to time, to convert any or all of its shares of Preferred Stock into fully paid and nonassessable shares of Common Stock pursuant to, and in accordance with, the provisions of this Section A.5. The number of fully paid and nonassessable shares of Common Stock into which each share of Preferred Stock shall convert pursuant to this Section A.5 shall be equal to the quotient obtained by dividing (A) the applicable Original Issuance Price of such share of Preferred Stock, by (B) the applicable Conversion Price, as last adjusted and then in effect pursuant to Section A.5(f) of this Article IV, if applicable, of such share of Preferred Stock.

(b) Each holder of shares of Preferred Stock who exercises the right to convert any of such shares of Preferred Stock into shares of Common Stock pursuant to this Section A.5 shall be entitled to payment of all declared but unpaid dividends with respect to such shares of Preferred Stock, as of the applicable Conversion Date.

(c) Any holder of outstanding shares of Preferred Stock may exercise the right to convert any or all of its shares of Preferred Stock into Common Stock pursuant to this Section A.5 by delivering to the Corporation during regular business hours, at the office of the Corporation or any transfer agent of the Corporation or at such other place as may be designated by the Corporation, the certificate or certificates for the shares to be converted (each a "Preferred Stock Certificate"), duly endorsed or assigned in blank to the Corporation (if required by it) (or a reasonably acceptable affidavit and indemnity undertaking in the case of a lost, stolen or destroyed certificate), accompanied by written notice stating the number of shares represented by

such Preferred Stock Certificate or Preferred Stock Certificates that such holder elects to convert and stating the name or names (with addresses) in which the certificate or certificates for the shares of Common Stock are to be issued. Such conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein, in each instance, as the "Conversion Date." As promptly as practicable thereafter (and in no event greater than five (5) days), the Corporation shall issue and deliver to or upon the written order of such holder, at the place designated by such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled, a check or cash in respect of any fractional interest in any share of Common Stock, as provided in Section A.5(e) of this Article IV, issuable with respect to the shares of Preferred Stock so converted and a check or cash in payment of all dividends declared but unpaid, if any, with respect to the shares of Preferred Stock so converted as of the applicable Conversion Date. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of record of Common Stock on the applicable Conversion Date, unless the transfer books of the Corporation are closed on such Conversion Date, in which event the holder shall be deemed to have become the stockholder of record on the next succeeding date on which the transfer books are open; *provided*, that the Conversion Price with respect to the shares of Preferred Stock converted shall be that in effect for such shares of Preferred Stock on the applicable Conversion Date. Upon conversion of only a portion of the number of shares covered by a Preferred Stock Certificate surrendered for conversion, the Corporation shall issue and deliver to or upon the written order of the holder of such Preferred Stock Certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the unconverted number of shares of Preferred Stock, represented by such Preferred Stock Certificate, which new certificate shall entitle the holder thereof to all the rights, powers and privileges of a holder of such shares. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section A.5. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(d) If a holder of shares of Preferred Stock shall surrender more than one (1) share of Preferred Stock for conversion at any one time, then the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Preferred Stock so surrendered.

(e) No fractional shares of Common Stock shall be issued upon conversion of shares of Preferred Stock. The Corporation shall pay a cash adjustment for any such fractional interest in an amount equal to the Current Market Price thereof on the applicable Conversion Date. Fractional interests shall not be entitled to dividends, and the holders of fractional interests shall not be entitled to any rights as stockholders of the Corporation in respect of such fractional interest.

(f) For all purposes of this Section A.5, the Conversion Price with respect to each series of Preferred Stock shall be subject to adjustment from time to time as follows:

(i) (A) If the Corporation shall, at any time or from time to time after the Effective Date, issue, or be deemed to have issued pursuant to Section A.5(f)(ii)(D) of this Article IV, any Additional Shares of Common Stock for a consideration per share less than the Conversion Price of the Series G Preferred Stock in effect immediately prior to the issuance of such Additional Shares of Common Stock, then the Conversion Price of the Series G Preferred Stock in effect immediately prior to each such issuance shall automatically be lowered to a price equal to the quotient obtained by dividing (X) by (Y) (such quotient, the "New Series G Conversion Price"), where:

(X) is an amount equal to the sum of

(1) the product of (a) the total number of shares of Common Stock outstanding immediately prior to such issuance (including any shares of Common Stock then issuable upon the conversion of shares of Preferred Stock then outstanding and upon exercise of all other Derivative Securities then outstanding), and (b) the Conversion Price of the Series G Preferred Stock in effect immediately prior to such issuance, plus

(2) the consideration received by the Corporation upon such issuance; and

(Y) is the total number of shares of Common Stock outstanding immediately prior to such issuance (including any shares of Common Stock then issuable upon the conversion of shares of Preferred Stock then outstanding and upon exercise of all other Derivative Securities then outstanding) plus the number of shares so issued.

(B) If the Corporation shall, at any time or from time to time after the Effective Date, issue, or be deemed to have issued pursuant to Section A.5(f)(ii)(D) of this Article IV, any Additional Shares of Common Stock for a consideration per share less than the Conversion Price of the Series G Preferred Stock in effect immediately prior to the issuance of such Additional Shares of Common Stock, then the Conversion Price of each of the Series A-1 Preferred Stock (but only if the consideration per share of the Additional Shares of Common Stock is also less than the Conversion Price of the Series A-1 Preferred Stock in effect immediately prior to such issuance), Series A-2 Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock in effect immediately prior to each such issuance shall automatically be lowered to a price determined by multiplying each such Conversion Price by the quotient obtained by dividing the New Series G Conversion Price by the Conversion Price of the Series G Preferred Stock in effect immediately prior to such issuance.

(ii) For the purposes of any adjustment of the Conversion Price of any series of Preferred Stock pursuant to Sections A.5(f)(i)(A) and (B) of this Article IV, the following provisions shall be applicable:

(A) In the case of the issuance of Common Stock in whole or in part for cash, the consideration shall be deemed to be the amount of cash paid therefor, plus the value of any property other than cash received by the Corporation (determined as provided in Section A.5(f)(ii)(B) of this Article IV) plus the value of any other consideration received by the Corporation (determined as set forth in Section A.5(f)(ii)(C) of this Article IV).

(B) In the case of the issuance of Common Stock for a consideration in whole or in part in property other than cash, the value of such property other than cash shall be deemed to be the fair market value of such property as determined in good faith by the Board of Directors, irrespective of any accounting treatment; *provided, however*, that such fair market value of such property as determined by the Board of Directors shall not exceed the aggregate Current Market Price of the shares of Common Stock being issued, less any cash consideration paid for such shares (determined as provided in Section A.5(f)(ii)(A) of this Article IV) and less any other consideration received by the Corporation for such shares (determined as set forth in Section A.5(f)(ii)(C) of this Article IV).

(C) In the case of the issuance of Common Stock for consideration in whole or in part other than cash or property, the value of such other consideration shall be deemed to be the fair market value of such other consideration as determined in good faith by the Board of Directors, irrespective of any accounting treatment; *provided, however*, that such fair market value of such other consideration as determined by the Board of Directors shall not exceed the aggregate Current Market Price of the shares of Common Stock being issued, less any cash consideration paid for such shares (determined as provided in Section A.5(f)(ii)(A) of this Article IV) and less the fair market value of any property received by the Corporation for such shares (determined as set forth in Section A.5(f)(ii)(B) of this Article IV).

(D) With respect to the issuance of (x) any warrants or options exercisable for shares of Common Stock, (y) any securities convertible into, or exchangeable for, shares of Common Stock or (z) any warrants or options to purchase, or other rights to subscribe for, such convertible or exchangeable securities:

(1) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such options to purchase or rights to subscribe for Common Stock (said maximum number of shares being that set forth in the instrument relating to such options or rights to subscribe for Common Stock without giving effect to changes under, or by reason of, provisions contained therein designed to protect against dilution) shall be deemed to have been issued at the time such options or rights were granted or issued and for a consideration equal to the consideration (determined in the manner provided in Sections A.5(f)(ii)(A), (B) and (C) of this Article IV), if any, received by the Corporation upon the issuance or grant of such options or rights plus the minimum purchase price provided in such options or rights for the Common Stock covered thereby (the consideration in each case to be determined in the manner provided in Sections A.5(f)(ii)(A), (B) and (C) of this Article IV);

(2) the aggregate maximum number of shares of Common Stock deliverable upon conversion of, or in exchange for, any such convertible or exchangeable securities or upon the exercise of options or warrants to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof (said maximum number of shares being that set forth in the instrument relating to such convertible or exchangeable securities without giving effect to changes under, or by reason of, provisions contained therein designed to protect against dilution) shall be deemed to have been issued at the time such convertible or exchangeable securities were issued or such options, warrants or rights were issued or granted and for a consideration equal to the consideration received by the Corporation in connection with the issuance or grant of any such convertible or exchangeable securities and/or any such options, warrants 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 the Corporation upon the conversion or exchange of any such convertible or exchangeable securities and/or the exercise of any such options, warrants or rights (the consideration in each case to be determined in the manner provided in Sections A.5(f)(ii)(A), (B) and (C) of this Article IV);

(3) if there is any change in the exercise price of, or number of shares deliverable upon exercise of, any such warrants, options or rights or upon the conversion or exchange of any such convertible or exchangeable securities, then the Conversion Price of each series of Preferred Stock shall automatically be readjusted to reflect such change; and

(4) upon the expiration of any such warrants, options or rights or the termination of any such rights to convert or exchange such convertible or exchangeable securities, the Conversion Price of each series of Preferred Stock shall be automatically readjusted to the Conversion Price that would have been obtained had such expired or terminated warrants, options, rights or convertible or exchangeable securities not been issued.

(E) Anything contained herein to the contrary notwithstanding, (1) the provisions of this Section A.5(f) as they relate to the Conversion Price of each series of Junior Preferred Stock may be waived in any instance with the affirmative approval of the holders of at least 60% of the then outstanding shares of Series E Preferred Stock voting together as a single class, and the affirmative approval of the holders of at least 60% of the then outstanding shares of Junior Preferred Stock (on an as-converted to Common Stock basis) voting or consenting together as a single class, (2) the provisions of this Section A.5(f) as they relate to the Conversion Price of the Series F Preferred Stock may be waived in any instance with the affirmative approval of the holders of at least 75% of the then outstanding shares of Series F Preferred Stock voting together as a separate class, and (3) the provisions of this Section A.5(f) as they relate to the Conversion Price of the Series G Preferred Stock may be waived in any instance with the affirmative approval of the holders of at least 60% of the then outstanding shares of Series G Preferred Stock voting together as a separate class, in each case by delivery of a written notice of waiver to the Corporation.

(iii) If the number of shares of Common Stock outstanding at any time after the Effective Date is increased by a stock dividend payable in shares of Common Stock or by a stock split, subdivision or split-up of shares of Common Stock, without a similar change in the Preferred Stock, then, following the record date fixed for the determination of holders of

Common Stock entitled to receive such stock dividend, stock split, subdivision or split-up, the Conversion Price of each series of Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be increased in proportion to such increase in outstanding shares of Common Stock.

(iv) If, at any time after the Effective Date, the number of shares of Common Stock outstanding is decreased by a reverse stock split or combination of the outstanding shares of Common Stock, without a similar change in the Preferred Stock, then, following the record date for such combination, the Conversion Price of each series of Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of Preferred Stock shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

(v) In the event, at any time after the Effective Date, of any capital reorganization, or any reclassification of the capital stock of the Corporation (other than a change in par value or from par value to no par value or from no par value to par value or as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the Corporation with or into another person (other than consolidation or merger in which the Corporation is the continuing corporation) other than an Acquisition subject to the provisions of Section A.3 above (any such transaction, an "Extraordinary Transaction"), after the effectiveness of such Extraordinary Transaction, each share of Preferred Stock shall be thereafter convertible into the kind and number of shares of stock or other securities or property of the Corporation, or of the company resulting from or surviving such Extraordinary Transaction, that would have been received if such share of Preferred Stock had been converted into Common Stock immediately prior to the effectiveness of such Extraordinary Transaction. The provisions of this Section A.5(f)(v) shall similarly apply to successive Extraordinary Transactions.

(vi) All calculations under this Section A.5(f) shall be made to the nearest one-tenth of a cent ($0.001) or to the nearest one-tenth (1/10) of a share, as the case may be.

(vii) In any case in which the provisions of this Section A.5(f) shall require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of Preferred Stock converted after such record date and before the occurrence of such event the additional shares of capital stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of capital stock issuable upon such conversion before giving effect to such adjustment, and (B) paying to such holder any cash amounts in lieu of fractional shares pursuant to Section A.5(e) hereof; *provided*, *however*, that the Corporation shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(g) Whenever the Conversion Price of any series of Preferred Stock shall be adjusted as provided in Section A.5(f) of this Article IV, the Corporation shall forthwith file and keep on record at the office of the Secretary of the Corporation and at the office of any transfer agent for such series of Preferred Stock or at such other place as may be designated by the Corporation, a statement, signed by its President, Chief Executive Officer, Treasurer or Chief Financial Officer, showing the facts requiring such adjustment and the Conversion Price of each series of Preferred Stock that shall be in effect after such adjustment. The Corporation shall also cause a copy of such statement to be sent to each holder of such series of Preferred Stock at such holder's address appearing on the Corporation's records.

(h) In the event the Corporation shall propose to take any action of the types described in Section A.5(f)(iii), (iv) or (v) of this Article IV, the Corporation shall give notice to each holder of Preferred Stock at such holder's address appearing on the Corporation's records, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price of each series of Preferred Stock, as the case may be, and the number, kind or class of shares or other securities or property which shall be deliverable or purchasable upon conversion of such Preferred Stock at any time following the effective date of such action. In the case of any action that would require the fixing of a record date, such notice shall be given at least ten (10) days prior to the record date so fixed, and in the case of any other action, such notice shall be given at least fifteen (15) days prior to the taking of such proposed action.

(i) The Corporation shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of shares of capital stock of the Corporation upon conversion of any shares of Preferred Stock; *provided*, *however*, that the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder in respect of which such shares of Preferred Stock are being issued.

(j) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of shares of Preferred Stock, a sufficient number of shares of Common Stock to provide for the conversion of all outstanding shares of Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock will not be sufficient to effect the conversion of all then outstanding shares of Preferred Stock, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as will be sufficient for such purpose.

(k) Any notice required by the provisions of this Section A.5 to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, or sent by email, and addressed to each holder of record at his, her or its address or email address appearing on the books of this Corporation.

6. Automatic Conversion.

(a) Upon the closing of a Qualified Public Offering, by virtue of, and simultaneously with, the closing of the Qualified Public Offering and without any action on the part of the holders thereof, all shares of each series of Preferred Stock then outstanding shall be automatically converted into that number of fully paid and nonassessable shares of Common Stock into which such shares would have been convertible in the event of optional conversion at such time pursuant to Section A.5 of this Article IV.

(b) In the event the Corporation's first underwritten public offering of Common Stock does not qualify as a Qualified Public Offering, then, subject to the affirmative approval, set forth in a written notice to the Corporation, of (i) the holders of at least 60% of the then outstanding shares of Preferred Stock (on an as-converted to Common Stock basis) voting or consenting together as a single class, (ii) the holders of at least 60% of the then outstanding shares of Series E Preferred Stock voting or consenting together as a separate class, (iii) the holders of at least 66.66% of the then outstanding shares of Series F Preferred Stock voting or consenting together as a separate class and (iv) the holders of at least 42.5% of the then outstanding shares of Series G Preferred Stock voting or consenting together as a separate class, and, notwithstanding anything to the contrary set forth herein or in the Corporation's bylaws, the holders of forty-two and five tenths percent (42.5%) of the then outstanding shares of Series G Preferred Stock shall constitute a quorum for purposes of such approval (provided, however, that if the Corporation's first underwritten public offering is at a price per share of Common Stock at least equal to the Original Issuance Price of the Series G Preferred Stock, then the separate vote of the holders of Series G Preferred Stock shall not be required pursuant to this subclause (iv)), upon the closing of such public offering, by virtue of, and simultaneously with, the closing of such public offering, all shares of each series of Preferred Stock then outstanding shall be automatically converted into that number of fully paid and nonassessable shares of Common Stock into which such shares would have been convertible in the event of optional conversion at such time pursuant to Section A.5 of this Article IV.

(c) Upon the affirmative approval, set forth in a written notice to the Corporation, of (i) the holders of at least 60% of the then outstanding shares of Preferred Stock (on an as-converted to Common Stock basis) voting or consenting together as a single class, (ii) the holders of at least 60% of the then outstanding shares of Series E Preferred Stock voting or consenting together as a separate class, (iii) the holders of at least 75% of the then outstanding shares of Series F Preferred Stock voting or consenting together as a separate class and (iv) the holders of at least 55% of the then outstanding shares of Series G Preferred Stock voting or consenting together as a separate class, all of the outstanding shares of Preferred Stock shall be automatically converted into that number of fully paid and nonassessable shares of Common Stock into which such shares would have been convertible in the event of optional conversion at such time pursuant to Section A.5 of this Article IV.

(d) The provisions of Section A.5 shall apply to any automatic conversion effected pursuant to Section A.6(a), A.6(b) or A.6(c).

(e) Upon any conversion of shares of Preferred Stock into Common Stock pursuant to this Section A.6, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; *provided*, *however*, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Preferred Stock are either delivered to the Corporation or its transfer agent as provided below, or the holder notifies the Corporation or its transfer agent that such certificates have been lost,

stolen or destroyed and executes a reasonably acceptable affidavit and indemnity undertaking. Upon the occurrence of such automatic conversion of the Preferred Stock, the holders of Preferred Stock shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the Preferred Stock. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Preferred Stock surrendered were convertible on the date on which such automatic conversion occurred.

(f) Upon any conversion of shares of Preferred Stock into Common Stock pursuant to Section A.6(a), A.6(b) or A.6(c), each holder of such shares of Preferred Stock shall be entitled to payment of all declared but unpaid dividends with respect to such shares of Preferred Stock as of the applicable Conversion Date.

7. Redemption: The Preferred Stock is not redeemable at the option of the holder thereof.

8. Waiver: Except for any provision of this Certificate of Incorporation containing a different voting threshold as specifically set forth therein (which voting thresholds may only be waived by at least the same percentage voting threshold), any of the rights, powers, preferences and other terms of the Preferred Stock set forth herein may be waived on behalf of all holders of Preferred Stock by the affirmative written consent or vote of the holders of at least 60% of the shares of Preferred Stock then outstanding (on an as-converted to Common Stock basis), voting or consenting together as a single class (subject to Proportional Adjustment).

9. Definitions. As used herein, the following terms shall have the following meanings:

"Acquisition" shall mean (i) any consolidation or merger of the Corporation with or into any other corporation, partnership, limited liability company or other entity, or other business transaction or series of other business transactions to which the Corporation is a party, as a result of which the holders of capital stock of the Corporation immediately prior to such merger, consolidation or other business transaction own, directly or indirectly, less than a majority (by voting power) of the outstanding capital stock or equity interests of the surviving corporation, partnership, limited liability company or other entity immediately after such merger, consolidation or other business transaction (taking into account for purposes of determining such percentage ownership, only outstanding shares of capital stock of the Corporation held by such stockholders before the transaction) or a transaction in which any shares of Preferred Stock are converted into any other property or security, other than Common Stock, or (ii) a sale, lease or transfer or other disposition of all or substantially all of the assets of the Corporation, or (iii) the license of all or substantially all of the assets of the Corporation where such license is substantially equivalent to a sale of all or substantially all of the assets of the Corporation; in each case, other than (y) a merger or consolidation with a wholly-owned subsidiary of the Corporation or (z) a merger effected exclusively to change the domicile of the Corporation, provided that the holders of capital stock of the Corporation immediately prior to such merger or consolidation described in clauses (y) and (z) continue to hold (A) all of the voting power of the capital stock of the Corporation or the surviving or acquiring entity in substantially the same

proportions (relative to all such holders) as immediately prior to such transaction and (B) capital stock of the Corporation, or the surviving or acquiring entity, with rights, preferences, powers and other provisions that are substantially identical to the rights, preferences, powers and other provisions of the capital stock each such holder held immediately prior to such merger or consolidation.

"Additional Shares of Common Stock" shall mean all shares of Common Stock (including, for the purposes hereof, (i) all warrants or options exercisable for shares of Common Stock, (ii) all securities convertible into, or exchangeable for, shares of Common Stock, and (iii) any warrants or options to purchase, or other rights to subscribe for, such convertible or exchangeable securities) issued by the Corporation on or after the Effective Date, other than:

(i) shares of Preferred Stock issued or issuable pursuant to the Series G Purchase Agreement;

(ii) shares of Common Stock issued or issuable as a dividend or other distribution on the Preferred Stock;

(iii) shares of Common Stock issued or issuable by reason of any of the events or circumstances covered by Section A.5(f)(iii) or A.5(f)(v);

(iv) shares of Common Stock issued or issuable upon conversion of shares of Preferred Stock;

(v) shares of Common Stock issued or deemed to be issued in consideration of the grant by or to the Corporation of marketing rights, license rights or similar rights or in consideration of the exchange of proprietary technology, in each case with prior Super Board Approval;

(vi) shares of Common Stock issued or deemed to be issued in connection with acquisitions or strategic alliances or issued to landlords, commercial financing or leasing companies, in each case with prior Super Board Approval;

(vii) shares of Common Stock issued pursuant to a Qualified Public Offering or any other public offering in connection with which all shares of Preferred Stock then outstanding are converted into shares of Common Stock in accordance with the terms of this Certificate of Incorporation;

(viii) shares of Common Stock or options, warrants or other rights to acquire shares of Common Stock that are issued or issuable by the Corporation to officers, directors, employees or consultants of the Corporation with the prior approval of the Board of Directors or an appropriate committee thereof pursuant to the Corporation's Amended and Restated 2003 Stock Incentive Plan, as further amended, or any other stock option, stock purchase or other plan approved by the Board of Directors and by the stockholders in accordance with Section A.4(b)(viii) hereof; and

(ix) shares of capital stock of the Corporation issued upon exercise, conversion or exchange of Derivative Securities that are outstanding as of the Effective Date.

"Affiliate" shall mean, with respect to any holder of Preferred Stock, any person or entity that, directly or indirectly, controls, is controlled by, or is under common control with such holder, including, without limitation, any partner, member, officer or director of such holder or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such holder.

"Conversion Date" shall have the meaning set forth in Section A.5(c) of this Article IV.

"Conversion Price" shall mean, as of the Effective Date: (a) $0.1875 per share of Series A-1 Preferred Stock, (b) $0.6337 per share of Series A-2 Preferred Stock, (c) $0.8409 per share of Series B Preferred Stock, (d) $1.1361 per share of Series C Preferred Stock, (e) $0.61 per share of Series D Preferred Stock, (f) $0.6746 per share of Series E Preferred Stock, (g) $0.3356 per share of Series F Preferred Stock, and (h) $0.3696 per share of Series G Preferred Stock, and as each such Conversion Price may be adjusted from time to time after the Effective Date pursuant to the provisions of Section A.5(f) of Article IV. For the avoidance of doubt, there shall be no change to the Conversion Prices as a result of the issuance of the Series G Preferred Stock pursuant to the Series G Purchase Agreement.

"Current Market Price" shall mean, as of the day in question, the fair market value of a share of Common Stock on such date, as determined in good faith by the Board of Directors.

"Derivative Securities" shall mean (i) all shares of stock and other securities that are convertible into or exchangeable for shares of Common Stock, including shares of Preferred Stock, and (ii) all options, warrants and other rights to acquire shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock.

"Effective Date" shall mean the date this Eighth Amended and Restated Certificate of Incorporation is filed with the State of Delaware.

"Extraordinary Transaction" shall have the meaning set forth in Section A.5(f)(v) of this Article IV.

"Liquidation Amount" shall mean (i) $0.06165627 per share of Series A-1 Preferred Stock, (ii) $0.20519206 per share of Series A-2 Preferred Stock, (iii) $0.31684067 per share of Series B Preferred Stock, (iv) $0.52530293 per share of Series C Preferred Stock, (v) $0.28741023 per share of Series D Preferred Stock and (vi) $0.51442900 per share of Series E Preferred Stock (each subject to Proportional Adjustment).

"Original Issuance Price" shall mean (i) $0.1875 per share of Series A-1 Preferred Stock, (ii) $0.65 per share of Series A-2 Preferred Stock, (iii) $1.00 per share of Series B Preferred Stock, (iv) $1.67 per share of Series C Preferred Stock, (v) $0.61 per share of Series D Preferred Stock, (vi) $0.6746 per share of Series E Preferred Stock (vi) $0.3356 per share of Series F Preferred Stock and (vii) $0.3696 per share of Series G Preferred Stock (each subject to Proportional Adjustment).

"Person" (whether or not such term is capitalized) shall mean an individual, partnership, corporation, limited liability company, association, trust, joint venture, unincorporated organization, and any government, governmental department or agency or political subdivision thereof.

"Preferred Stock Certificate" shall have the meaning set forth in Section A.5(c) of this Article IV.

"Proportional Adjustment" shall mean a proportional or other equitable adjustment made upon the occurrence of a stock split, reverse stock split, stock dividend, stock combination, reclassification or other similar change.

"Qualified Public Offering" shall mean the Corporation's first underwritten public offering of Common Stock in which the gross proceeds received by the Corporation are in excess of $30,000,000 and the price per share of Common Stock is at least $0.5544 (subject to Proportional Adjustment).

"Required Senior Preferred Holders" shall mean, collectively, the holders of at least 60% of the then outstanding shares of Series A-2 Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock and Series G Preferred Stock (on an as-converted to Common Stock basis), voting or consenting together as a single class.

"Series A-2 Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series A-2 Preferred Stock, dated as of April 3, 2003.

"Series B Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series B Preferred Stock, dated as of March 4, 2005.

"Series C Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series C Preferred Stock, dated as of August 2, 2006.

"Series D Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series D Preferred Stock, dated on or about August 20, 2009.

"Series E Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series E Preferred Stock, dated on or about May 13, 2011.

"Series E Supermajority Vote" shall mean the affirmative vote or written consent of the holders of at least two-thirds (2/3) of the outstanding shares of Series E Preferred Stock.

"Series F Ownership Percentage" shall mean (i) the number of shares of Common Stock issuable upon conversion of all outstanding shares of Series F Preferred Stock divided by (ii) the number of shares of Common Stock outstanding on a fully-diluted basis, assuming full conversion of all shares of Preferred Stock into shares of Common Stock.

"Series F Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series F Preferred Stock, dated as of April 24, 2015.

"Series G Purchase Agreement" shall mean the Stock Purchase Agreement by and among the Corporation and the holders of Series G Preferred Stock, dated as of the Effective Date.

"Super Board Approval" shall mean the approval (by vote or written consent) of the Board of Directors, which vote must include the affirmative vote or consent of at least 60% of the directors (rounded up to the nearest director) then in office.

10. No Reissuance of Preferred Stock. No share of Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise, shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares that the Corporation is authorized to issue. In connection with any such redemption, purchase, conversion or otherwise in accordance with this Section A.10 of this Article IV, the Corporation will, from time to time, accordingly take such appropriate corporate action as may be necessary to reduce the authorized number of shares of any series of Preferred Stock, which action shall not be subject to the requirements set forth in Section A.4(b), 4(c), 4(d), 4(e), 4(f) or 4(g) of this Article IV.

B. COMMON STOCK.

1. Increase or Decrease in Authorized Number. 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 the majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law.

2. Voting Rights. Except as otherwise required by law, and subject to the voting rights provided to the holders of any series of Preferred Stock (including, without limitation, pursuant to Section A.4(b) of this Article IV), the holders of Common Stock shall have full voting rights and powers to vote on all matters submitted to stockholders of the Corporation for vote, consent or approval, and each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record by such holder.

3. Dividend, Liquidation and Other Rights. Each share of Common Stock issued and outstanding shall be identical in all respects with each other such share, and no dividends shall be paid on any shares of Common Stock unless the same dividend is paid on all shares of Common Stock outstanding at the time of such payment. Except for and subject to those rights expressly granted to the holders of Preferred Stock and except as may be provided by the laws of the State of Delaware, the holders of Common Stock shall have all other rights of stockholders, including, without limitation, (a) the right to receive dividends, when and as declared by the Board of Directors, out of assets lawfully available therefor, and (b) in the event of any distribution of assets upon a liquidation or otherwise, subject to Sections A.3(a), (b), (c), (d) and (e) of Article IV, the right to receive ratably and equally all the assets and funds of the Corporation remaining after the payment to the holders of the Preferred Stock or any other class or series of stock ranking senior to the Common Stock upon liquidation of the specific preferential amounts which they are entitled to receive upon such liquidation.

ARTICLE V

Election of Directors

Elections of directors need not be by written ballot unless the Bylaws shall so provide.

ARTICLE VI

Liability Limitation

The directors of the Corporation shall be entitled to the benefits of all limitations on the liability of directors generally that are now or hereafter become available under the Delaware General Corporation Law. Any repeal or modification of this Article VI shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE VII

Corporate Opportunity

The Corporation renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "Excluded Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of any director of the Corporation who is also a partner or employee of a Fund (as defined below), an employee of an entity that manages such Fund, any holder of Preferred Stock, or any partner, member, director, stockholder, employee or agent of such holder, other than someone who is an employee of the Corporation or any of its subsidiaries, and that may be a corporate opportunity for both the Corporation and such Fund; provided, however, that such director acts in good faith and such opportunity was not offered to such person expressly and solely in his or her capacity as a director of the Corporation; and provided, further, that nothing herein or otherwise shall limit the Corporation's right to pursue or consummate any transaction related to any Excluded Opportunity even if originated by any director or any Fund. For purposes of this Article VII, a "Fund" shall mean an entity that is a holder of Preferred Stock and that is in the business of investing and reinvesting in other entities.

ARTICLE VIII

Amendments

The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation as the same may from time to time be in effect, in the manner now or hereafter prescribed by law; and all rights conferred upon stockholders or any other persons herein are granted subject to the rights reserved in this Article VIII.

ARTICLE IX

Indemnification; Exculpation

To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which Delaware General Corporation Law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the Delaware General Corporation Law. Any amendment, repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the Delaware General Corporation Law or any other law of the State of Delaware 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 the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended. Any repeal or modification of the foregoing provisions of this Article IX by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

ARTICLE X

Bylaws

The Board of Directors is authorized to adopt, amend or repeal the bylaws of the Corporation, subject to the provisions of Section A.4(b)(i) of Article IV hereof.

ARTICLE XI

DGCL Section 203

The Corporation hereby elects not to be governed by the provisions of Section 203 of the Delaware General Corporation Law.

CERTIFICATE OF AMENDMENT OF
EIGHTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF
NEURONETICS, INC.

NEURONETICS, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "**Corporation**"), does hereby certify as follows:

FIRST: The name of the Corporation is **NEURONETICS, INC.**

SECOND: Neuronetics, Inc. was organized with the Secretary of State of the State of Delaware a as a limited liability company on July 3, 2001, under the name "NeuroNetics, LLC," and converted to a corporation on April 2, 2003, under its current name and existing under and by virtue of the General Corporation Law of the State of Delaware. The Certificate of Incorporation of the Corporation was last amended and restated on June 1, 2017, by the filing of a Eighth Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "**Current Charter**").

THIRD: The Current Charter is hereby amended to amend and restate the first paragraph of Article IV in its entirety as follows:

"The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 722,510,874, consisting solely of: (a) 413,917,786 shares of common stock, $0.01 par value per share ("Common Stock"); and (b) 308,593,088 shares of preferred stock, $0.01 par value per share ("Preferred Stock"), of which (i) 4,800,000 have been designated as shares of Series A-1 Convertible Preferred Stock, $0.01 par value per share ("Series A-1 Preferred Stock"); (ii) 25,384,615 have been designated as shares of Series A-2 Convertible Preferred Stock, $0.01 par value per share ("Series A-2 Preferred Stock"); (iii) 17,000,000 have been designated as shares of Series B Convertible Preferred Stock, $0.01 par value per share ("Series B Preferred Stock"); (iv) 20,958,084 have been designated as shares of Series C Convertible Preferred Stock, $0.01 par value per share ("Series C Preferred Stock"); (v) 49,426,229 have been designated as shares of Series D Convertible Preferred Stock, $0.01 par value per share ("Series D Preferred Stock"); (vi) 44,873,260 have been designated as shares of Series E Convertible Preferred Stock, $0.01 par value per share ("Series E Preferred Stock" and together with the Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, collectively, the "Junior Preferred Stock"); (vii) 105,566,484 have been designated as shares of Series F Convertible Preferred Stock, $0.01 par value per share ("Series F Preferred Stock"); and (viii) 40,584,416 have been designated as shares of Series G Convertible Preferred Stock, $0.01 par value per share ("Series G Preferred Stock") pursuant to the provisions of this Article IV."

FOURTH: This Certificate of Amendment was approved by the stockholders of the Corporation by written consent, and duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned authorized officer of the Corporation has caused this Certificate of Amendment to be signed this 27th day of April 2018.

NEURONETICS, INC.

By: /s/ Christopher Thatcher
Name: Christopher Thatcher
Title: Chief Executive Officer

Exhibit 3.3

NEURONETICS, INC.

FORM OF NINTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

NEURONETICS, INC., a corporation organized and existing under the laws of the State of Delaware (the "***Company***"), does hereby certify as follows:

FIRST: The name of the Company is Neuronetics, Inc.

SECOND: The Company was originally formed as NeuroNetics, LLC, a limited liability company formed under the jurisdiction of the State of Delaware on July 3, 2001. NeuroNetics, LLC filed a Certificate of Conversion and the original Certificate of Incorporation with the State of Delaware on April 2, 2003, pursuant to which it was converted into a corporation, and incorporated pursuant to the General Corporation Law under the name Neuronetics, Inc. The Company's Certificate of Incorporation was last amended and restated by the Eighth Amended and Restated Certificate of Incorporation on June 1, 2017. The Certificate of Amendment of the Amended and Restated Certificate of Incorporation was filed on [ ].

THIRD: This Amended and Restated Certificate of Incorporation (the "***Amended and Restated Certificate of Incorporation***") has been duly adopted and approved by the Board of Directors of the Company.

FOURTH: This Amended and Restated Certificate of Incorporation was approved by the holders of the requisite number of shares of the Company in accordance with Section 228 of the Delaware General Corporate Law ("***DGCL***"). This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the Board of Directors and the stockholders of the Company.

FIFTH: The Amended and Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and is incorporated herein by reference in its entirety.

*** * * ***

IN WITNESS WHEREOF, Neuronetics, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by its President and Chief Executive Officer on this day of [ ], 2018.

NEURONETICS, INC.

By: _____
Chris Thatcher
President and Chief Executive Officer

Exhibit A

NEURONETICS, INC.

NINTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION

I.

The name of this corporation is Neuronetics, Inc. (the "***Company***").

II.

The address of the registered office of the Company in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, and the name of the registered agent of the Company in the State of Delaware at such address is The Corporation Trust Company.

III.

The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law ("***DGCL***").

IV.

A. The Company is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of all classes of capital stock which the Company shall have authority to issue is [ ] ([ ]) shares, of which [ ] ([ ]) shares shall be Common Stock (the "***Common Stock***"), each having a par value of one cent ($0.01), and [ ] ([ ]) shares shall be Preferred Stock (the "***Preferred Stock***"), each having a par value of one cent ($0.01).

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Company (the "***Board***") is hereby expressly authorized to provide for the issue of the shares of the Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board providing for the issuance of such shares and as may be permitted by the DGCL. The Board is also expressly authorized to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series. The number of authorized shares of Preferred 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 voting power of the stock of the Company entitled to vote thereon, without a separate vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any certificate of designation filed with respect to any series of Preferred Stock.

C. Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Company for their vote; *provided, however*, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Ninth Amended and Restated Certificate of Incorporation (the "***Amended and Restated Certificate of Incorporation***") (including any certificate of designation filed with respect to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock).

V.

For the management of the business and for the conduct of the affairs of the Company, and in further definition, limitation and regulation of the powers of the Company, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. MANAGEMENT OF BUSINESS. The management of the business and the conduct of the affairs of the Company shall be vested in its Board.

B. BOARD OF DIRECTORS.

1. Number. The number of directors that shall constitute the Board shall be fixed exclusively by resolutions adopted by a majority of the authorized number of directors constituting the Board.

2. Term. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, directors shall be elected at each annual meeting of stockholders for a term of one year. Each director shall serve until his successor is duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

3. Removal.

a. Subject to the rights of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Initial Public Offering, neither the Board nor any individual director may be removed without cause.

b. Subject to any limitation imposed by law, any individual director or directors may be removed with cause by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all then-outstanding shares of capital stock of the Company entitled to vote generally at an election of directors.

4. Vacancies. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board resulting from death, resignation, disqualification, removal or

other causes, and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

C. BYLAW AMENDMENTS. The Board is expressly empowered to adopt, amend or repeal the Bylaws of the Company. Any adoption, amendment or repeal of the Bylaws of the Company by the Board shall require the approval of a majority of the authorized number of directors. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Company; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the Company required by law or by this Amended and Restated Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class.

D. WRITTEN BALLOTS. The directors of the Company need not be elected by written ballot unless the Bylaws so provide.

E. ACTION BY STOCKHOLDERS. No action shall be taken by the stockholders of the Company except at an annual or special meeting of stockholders called in accordance with the Bylaws and no action shall be taken by the stockholders by written consent or electronic transmission.

F. ADVANCE NOTICE. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company shall be given in the manner provided in the Bylaws of the Company.

VI.

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated to the fullest extent permitted by the DGCL, as so amended.

B. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VII.

Unless the Company consents in writing to the selection of an alternative forum, (A) the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders; (iii) any action asserting a claim

against the Company arising pursuant to any provision of the General Corporation Law, the Amended and Restated Certificate of Incorporation or the Bylaws of the Company; or (iv) any action asserting a claim against the Company governed by the internal affairs doctrine, and (B) the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and to have consented to the provisions of this Article VII.

VIII.

A. The Company reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article VIII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Company required by law or by this Amended and Restated Certificate of Incorporation or any certificate of designation filed with respect to a series of Preferred Stock that may be designated from time to time, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, VII and VIII.

*** * * ***

Exhibit 3.4

AMENDED AND RESTATED BYLAWS

OF

NEURONETICS, INC.
(A DELAWARE CORPORATION)

April 25, 2018

NEURONETICS, INC.
AMENDED AND RESTATED
BYLAWS

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office shall be established and maintained at the office of The Corporation Trust Company, in the City of Wilmington, in the County of New Castle, in the State of Delaware, and said corporation, or other such person or entity as the Board of Directors may from time to time designate, shall be the registered agent of the corporation.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and 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

CORPORATE SEAL

Section 3. Corporate Seal. The Board of Directors may adopt a corporate seal. If adopted, the corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. 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 provided under the Delaware General Corporation Law (the "***DGCL***").

Section 5. Annual Meetings.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may properly come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders (with respect to

business other than nominations); (ii) brought specifically by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving the stockholder's notice provided for in Section 5(b) below, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 5. For the avoidance of doubt, clause (iii) above shall be the exclusive means for a stockholder to make nominations and submit other business (other than matters properly included in the corporation's notice of meeting of stockholders and proxy statement under Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "***1934 Act***")) before an annual meeting of stockholders.

(b) At an annual meeting of the stockholders, only such business shall be conducted as is a proper matter for stockholder action under Delaware law and as shall have been properly brought before the meeting.

(1) For nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(3) and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each nominee such stockholder proposes to nominate at the meeting: (1) the name, age, business address and residence address of such nominee, (2) the principal occupation or employment of such nominee, (3) the class and number of shares of each class of capital stock of the corporation which are owned of record and beneficially by such nominee, (4) the date or dates on which such shares were acquired and the investment intent of such acquisition and (5) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the 1934 Act and the rules and regulations promulgated thereunder (including such person's written consent to being named as a nominee and to serving as a director if elected); and (B) the information required by Section 5(b)(4). The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such proposed nominee.

(2) Other than proposals sought to be included in the corporation's proxy materials pursuant to Rule 14a-8 under the 1934 Act, for business other than nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(3), and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each matter such stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest (including any anticipated benefit of such business to any Proponent (as defined below) other than solely as a result of its ownership of the corporation's capital stock, that is material to any Proponent individually, or to the Proponents in the aggregate) in such business of any Proponent; and (B) the information required by Section 5(b)(4).

(3) To be timely, the written notice required by Section 5(b)(1) or 5(b)(2) must be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; *provided, however,* that, subject to the last sentence of this Section 5(b)(3), in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so received not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment or a postponement of an annual meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder's notice as described above.

(4) The written notice required by Section 5(b)(1) or 5(b)(2) shall also set forth, as of the date of the notice and as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "***Proponent***" and collectively, the "***Proponents***"): (A) the name and address of each Proponent, as they appear on the corporation's books; (B) the class, series and number of shares of the corporation that are owned beneficially and of record by each Proponent; (C) a description of any agreement, arrangement or understanding (whether oral or in writing) with respect to such nomination or proposal between or among any Proponent and any of its affiliates or associates, and any others (including their names) acting in concert, or otherwise under the agreement, arrangement or understanding, with any of the foregoing; (D) a representation that the Proponents are holders of record or beneficial owners, as the case may be, of shares of the corporation entitled to vote at the meeting and intend to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice (with respect to a notice under Section 5(b)(1)) or to propose the business that is specified in the notice (with respect to a notice under Section 5(b)(2)); (E) a representation as to whether the Proponents intend to deliver a proxy statement and form of proxy to holders of a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (with respect to a notice under Section 5(b)(1)) or to carry such proposal (with respect to a notice under Section 5(b)(2)); (F) to the extent known by any Proponent, the name and address of any other stockholder supporting the proposal on the date of such stockholder's notice; and (G) a description of all Derivative Transactions (as defined below) by each Proponent during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions.

For purposes of Sections 5 and 6, a "***Derivative Transaction***" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proponent or any of its affiliates or associates, whether record or beneficial:

(w) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the corporation,

(x) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the corporation,

(y) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or

(z) which provides the right to vote or increase or decrease the voting power of, such Proponent, or any of its affiliates or associates, with respect to any securities of the corporation,

which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proponent in the securities of the corporation held by any general or limited partnership, or any limited liability company, of which such Proponent is, directly or indirectly, a general partner or managing member.

(c) A stockholder providing written notice required by Section 5(b)(1) or (2) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five (5) business days prior to the meeting and, in the event of any adjournment or postponement thereof, five (5) business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting. In the case of an update and supplement pursuant to clause (ii) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than two (2) business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two (2) business days prior to such adjourned or postponed meeting.

(d) Notwithstanding anything in Section 5(b)(iii) to the contrary, in the event that the number of directors of the Board of Directors of the corporation is increased and there is no public announcement of the appointment of a director, or, if no appointment was made, of the vacancy, made by the corporation at least 10 days before the last day a stockholder may deliver a notice of nomination in accordance with Section 5(b)(iii), a stockholder's notice required by this Section 5 and which complies with the requirements in Section 5(b)(i), other than the timing requirements in Section 5(b)(iii), shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(e) A person shall not be eligible for election or re-election as a director unless the person is nominated either in accordance with clause (ii) of Section 5(a), or in accordance with clause (iii) of Section 5(a). Except as otherwise required by law, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, or the Proponent does not act in accordance with the representations in Sections 5(b)(4)(D) and 5(b)(4)(E), to declare that such proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nominations or such business may have been solicited or received.

(f) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however,* that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to proposals and/or nominations to be considered pursuant to Section 5(a)(iii) of these Bylaws.

(g) For purposes of Sections 5 and 6,

(1) "***public announcement***" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act; and

(2) "***affiliates***" and "***associates***" shall have the meanings set forth in Rule 405 under the Securities Act of 1933, as amended (the "***1933 Act***").

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose as is a proper matter for stockholder action under Delaware law, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption).

(b) The Board of Directors shall determine the time and place, if any, of such special meeting. Upon determination of the time and place, if any, of the meeting, the Secretary shall cause a notice of meeting to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. No business may be transacted at such special meeting otherwise than specified in the notice of meeting.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in this paragraph, who shall be entitled to vote at the meeting and who delivers written notice to the Secretary of the corporation setting forth the information required by Section 5(b)(1). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder of record may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if written notice setting forth the information required by Section 5(b)(1) of these Bylaws shall be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the later of the ninetieth (90th) day prior to such meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The stockholder shall also update and supplement such information as required under Section 5(c). In no event shall an adjournment or a postponement of a special meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder's notice as described above.

(d) Notwithstanding the foregoing provisions of this Section 6, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder with respect to matters set forth in this Section 6. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however,* that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to nominations for the election to the Board of Directors to be considered pursuant to Section 6(c) of these Bylaws.

Section 7. Notice Of Meetings. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at any such meeting. If mailed, notice is deemed given when deposited in the U.S. mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his, her or its attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute or by applicable stock exchange rules, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment And Notice Of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares present in person, by remote communication, if applicable, or represented by proxy at the meeting. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. 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.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners Of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his or her act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List Of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address 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, (a) 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 (b) 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. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

Section 13. Action Without Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, and no action shall be taken by the stockholders by written consent or by electronic transmission.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his or her absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are

necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

Section 15. Number And Term Of Office. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Board of Directors. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, directors shall be elected at each annual meeting of stockholders to serve until the next annual meeting of stockholders. Each director shall serve until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 18. Vacancies. Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, and not by the stockholders, *provided*, *however*, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled

by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time. If no such specification is made, it shall be deemed effective at the time of delivery to the Secretary. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his or her successor shall have been duly elected and qualified.

Section 20. Removal.

(a) Subject to the rights of holders of any series of Preferred Stock to elect additional directors under specified circumstances, neither the Board of Directors nor any individual director may be removed without cause.

(b) Subject to any limitation imposed by law, any individual director or directors may be removed with cause by the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors.

Section 21. Meetings.

(a) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for regular meetings of the Board of Directors.

(b) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the Chief Executive Officer or a majority of the authorized number of directors.

(c) Meetings by Electronic Communications Equipment. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) Notice of Special Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting. If notice is sent by US mail, it shall be sent by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing, or by electronic transmission, at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(e) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though it had been transacted at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum And Voting.

(a) Unless the Certificate of Incorporation requires a greater number, and except with respect to questions related to indemnification arising under Section 43 herein for which a quorum shall be one-third of the exact number of directors fixed from time to time, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; *provided, however,* at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without 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 such writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 24. Fees And Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and 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 (i) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any Bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Section 25, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his or her death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. 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, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he 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.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors and stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the Chief Executive Officer (if a director), or, if a Chief Executive Officer is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his or her absence, any Assistant Secretary or other officer or director directed to do so by the President, shall act as secretary of the meeting. The Chairman of the Board of Directors shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

ARTICLE V

OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors (provided that notwithstanding anything to the contrary contained in these Bylaws, the Chairman of the Board of Directors shall not be deemed an officer of the corporation unless so designated by the Board of Directors), the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer and the Treasurer. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure And Duties Of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chief Executive Officer. The Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless an officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. To the extent that a Chief Executive Officer has been appointed and no President has been appointed, all references in these Bylaws to the President shall be deemed references to the Chief Executive Officer. The Chief Executive Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors or the Chief Executive Officer has been appointed and is present. Unless another officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, if the Chief Executive Officer has not been appointed or is absent, the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary or other officer to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. To the extent that a Chief Financial Officer has been appointed and no Treasurer has been appointed, all references in these Bylaws to the Treasurer shall be deemed references to the Chief Financial Officer. The President may direct the Treasurer, if any, or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(g) Duties of Treasurer. Unless another officer has been appointed Chief Financial Officer of the corporation, the Treasurer shall be the chief financial officer of the corporation and shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President, and, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Treasurer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation Of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or by the Chief Executive Officer or other superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution Of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 33. Voting Of Securities Owned By The Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

Section 34. Form And Execution Of Certificates. The shares of the corporation shall be represented by certificates, or shall be uncertificated if so provided by resolution or resolutions of the Board of Directors. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock represented by certificate in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case 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, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 35. Lost Certificates. A new certificate or certificates shall 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 of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount 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.

Section 36. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and, in the case of stock represented by certificate, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 37. Fixing Record Dates.

(a) 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, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. 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.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders 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, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 38. 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, and to vote as such owner, 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 VIII

OTHER SECURITIES OF THE CORPORATION

Section 39. Execution Of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; *provided, however,* that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

Section 40. Declaration Of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 41. Dividend Reserve. 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 Board of Directors from time to time, in their absolute 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 purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 43. Indemnification Of Directors, Officers, Employees And Other Agents.

(a) Directors. The corporation shall indemnify its directors to the fullest extent not prohibited by the DGCL or any other applicable law; *provided, however,* that the corporation may modify the extent of such indemnification by individual contracts with its directors; and, *provided, further,* that the corporation shall not be required to indemnify any director in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Officers, Employees and Other Agents. The corporation shall have power to indemnify its officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director in connection with such proceeding; *provided, however*, that, if the DGCL requires, an advancement of expenses incurred by a director in his or her capacity as a director (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this section or otherwise.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director. Any right to indemnification or advances granted by this Bylaw to a director shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. To the extent permitted by law, the claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the director has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director is not entitled to be indemnified, or to such advancement of expenses, under this section or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL, or by any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this section.

(h) Amendments. Any repeal or modification of this section shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director to the full extent not prohibited by any applicable portion of this section that shall not have been invalidated, or by any other applicable law. If this section shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director to the full extent under any other applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

ARTICLE XII

NOTICES

Section 44. Notices.

(a) Notice To Stockholders. Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by U.S. mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) Notice To Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), as otherwise provided in these Bylaws, or by overnight delivery service, facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) Affidavit Of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(e) Notice To Person With Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) Notice to Stockholders Sharing an Address. Except as otherwise prohibited under DGCL, any notice given under the provisions of DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall have been deemed to have been given if such stockholder fails to object in writing to the corporation within sixty (60) days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

ARTICLE XIII

AMENDMENTS

Section 45. Bylaw Amendments. Subject to the limitations set forth in Section 43(h) of these Bylaws or the provisions of the Certificate of Incorporation, the Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the corporation. Any adoption, amendment or repeal of the Bylaws of the corporation by the Board of Directors shall require the approval of a majority of the authorized number of directors. The stockholders also shall have power to adopt, amend or repeal the Bylaws of the corporation; *provided*, *however*, that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE XIV

LOANS TO OFFICERS OR EMPLOYEES

Section 46. Loans To Officers Or Employees. Except as otherwise prohibited by applicable law, including the Sarbanes-Oxley Act of 2002, 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.

NEURONETICS, INC.

DISTRIBUTION AGREEMENT

This Distribution Agreement (this "*Agreement*") is made and entered into this 12th day of October 2017 (the "*Effective Date*") by and between Neuronetics, Inc., a Delaware corporation having its principal offices at 3222 Phoenixville Pike, Malvern, Pennsylvania, 19355, USA ("*Company*"), and Teijin Pharma Limited, a Japanese company having its principal offices at 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan ("*Distributor*"). Each of Company and Distributor are sometimes referred to individually in this Agreement as a "*Party*" and collectively as the "*Parties.*"

RECITALS

WHEREAS, Company desires to appoint Distributor as a distributor of the Products (as defined below) in the Territory (as defined below), subject to the terms and conditions of this Agreement; and

WHEREAS, Distributor desires to accept such appointment.

NOW, THEREFORE, Company and Distributor, intending to be legally bound, agree as follows:

1. Definitions.

1.1 The following terms shall be defined as follows:

1.1.1 "*1st Reimbursement Approval*" means the initial Reimbursement Approval issued by MHLW.

1.1.2 "*1st Qualifying Approval*" means (a) if the Product Approval and/or the 1st Reimbursement Approval requires a physician to obtain a training certification in respect of use of the System from a person, other than Distributor, its Affiliates or persons acting on behalf of Distributor or its Affiliates, in order to be permitted to use the System to treat patients on a reimbursed basis, then the first time that any physician in the Territory is granted such certification or (b) if no such training certification is required by the Product Approval or the 1st Reimbursement Approval, then the 1st Reimbursement Approval.

1.1.3 "*1st Reimbursement Revision Approval*" means the next permanent Reimbursement Approval issued by MHLW (*honshusai*) after the 1st Reimbursement Approval.

1.1.4 "*Affiliate*" means, with respect to a person, any individual, group, corporation, limited liability company, partnership, joint venture, association, trust and any other legal entity directly or indirectly Controlled by, Controlling, or under common Control with such person. The term "*Control*" of a legal entity means the possession, direct or indirect, of the power to: (a) vote more than fifty percent of the voting stock of such legal entity; or (b) direct or cause the direction of the management or policies of such legal entity, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

1.1.5 "*Anti-Corruption Laws*" has the meaning set forth in Section 5.5.1.

1.1.6 "*Applicable Law*" means all Laws, including cGMP, relevant to each Party's obligations under this Agreement, including, without limitation, any rules, regulations, guidelines or other requirements of the FDA and any other Governmental Authority with respect to the manufacture of the Products and rules, regulations, guidelines or other requirements of the MHLW applicable to the promotion, marketing, distribution and sale of the Products in the Territory.

1.1.7 "*Baseline Year*" means the Fiscal Year in which either of the Parties or their respective Affiliates commences sales of Home Use Devices in the Territory.

1.1.8 "*Certificate of Conformance*" means that certificate to be delivered by Company's contract manufacturer to Distributor in the form attached as Schedule L.

1.1.9 "*Change of Control*" means with respect to a Party (a) a merger or consolidation of such Party with a third party which results in the voting securities of Company outstanding immediately prior thereto ceasing to represent at least fifty percent (50%) of the combined voting power of the surviving entity immediately after such merger or consolidation, (b) except in the case of a bona fide equity financing in which such Party issues new shares of its capital stock, a transaction or series of related transactions in which a third party, together with its Affiliates, becomes the beneficial owner of fifty percent (50%) or more of the combined voting power of the outstanding securities of Company, or (c) the sale or other transfer to a third party of all or substantially all of such Party's business to which the subject matter of this Agreement relates.

1.1.10 "*Code*" has the meaning set forth in Section 5.6.

1.1.11 "*Company MHLW Lead Period*" means the period from the date of the 1st Reimbursement Approval until and including the date of the 1st Reimbursement Revision Approval.

1.1.12 "*Company Trademarks*" means (a) the English language trademarks listed on Schedule D and (b) the katakana trademarks listed on Schedule D.

1.1.13 "*Company's Agent*" means Vorpal or such other company as Company designates from time to time by sending notice to Distributor.

1.1.14 "*Competitive Product*" means [*]

1.1.15 "*Confidential Information*" has the meaning set forth in Section 8.1.

1.1.16 "*cGMP*" means the current good manufacturing practices applicable to the manufacture of the Product under this Agreement as defined in the U.S. Current Good Manufacturing Practices, 21 C.F.R. Part 820, and the equivalent Laws in the Territory, each as may be amended and applicable from time to time.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

1.1.17 "*Default Notice*" shall have the meaning set forth in Section 6.3.

1.1.18 "*Defect*" means, in respect of a Product, a manufacturing defect, a failure to meet or operate in accordance with the applicable Specifications or a failure to have been manufactured in accordance with Applicable Law including cGMP, and, in the case of the Software, a failure to operate in substantial compliance with the Software Documentation, and "*Defective*" shall be construed accordingly.

1.1.19 "*Defective Product*" means a Product with a Defect.

1.1.20 "*Designated Marketing Authorization Holder*" or "*DMAH*" means the agent approved by the MHLW to act as the MAH in accordance with and as defined in the Law on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics.

1.1.21 "*Disclosing Party*" has the meaning set forth in Section 8.1.

1.1.22 "*Distributor 1st MHLW Lead Election*" has the meaning set forth in Section 4.1.2.

1.1.23 "*Distributor 1st MHLW Lead Period*" means the [*] period following the date of Distributor's written notice making the Distributor 1st MHLW Lead Election.

1.1.24 "*Distributor 2nd MHLW Lead Election*" has the meaning set forth in Section 4.1.4.

1.1.25 "*Distributor 2nd MHLW Lead Period*" means the [*] period following the date of the 1st Reimbursement Revision Approval.

1.1.26 "*Distributor Approvals*" has the meaning set forth in Section 4.2.

1.1.27 "*Distributor Quality Plan*" means the separate Distributor Quality Plan between the Parties, as amended by the Parties from time to time. The current Distributor Quality Plan is document number [*]

1.1.28 "*Distributor Trademarks*" has the meaning set forth in Section 7.2.2

1.1.29 "*Documentation*" shall mean any and all information in written, graphic, electronic or machine-readable form relating to use or operation of the System, including but not limited to, the System user manual and instructions for use, installation and service of the System provided by Company to Distributor pursuant to this Agreement.

1.1.30 "*Dollar*," "*Dollars*," "*U.S. Dollars*" and the symbol "*$*" shall mean lawful money of the United States of America.

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1.1.31 [*]

1.1.32 "*FDA*" means the United States Food and Drug Administration or its successor.

1.1.33 "*Fiscal Year*" means the period commencing on April 1 of each calendar year and ending on March 31 of the subsequent calendar year.

1.1.34 "*Fixed Transfer Price Period*" has the meaning set forth in Section 3.5.1.

1.1.35 "*Force Majeure*" has the meaning set forth in Section 14.13.

1.1.36 "*Foreign Manufacturer Accreditation*" means the license issued by M1-ILW to a manufacturer of medical devices located outside of Japan for import and sale of such medical devices in Japan as specified in Article 13-3 of the Pharmaceuticals Affairs Law of Japan.

1.1.37 "*Governmental Authority*" means any multinational, national, federal, prefectural, state, local, municipal or other governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal), in each case, having jurisdiction over the applicable subject matter.

1.1.38 "*Government Official*" has the meaning set forth in Section 5.5.1.

1.1.39 "[*] *Baseline*" means the Dollar value of Distributor's purchases of Products from Company during the first Fiscal Year after the Baseline Year.

1.1.40 "[*] *Credit*" has the meaning set forth in Section 3.12.

1.1.41 "[*] *Device*" means any transcranial magnetic stimulation device that is, or is intended to be, marketed for use by [*] for the treatment of Major Depressive Disorder.

1.1.42 "[*] *Minimum*" means the higher of (a) the Dollar value of purchases of Products by Distributor from Company during the Baseline Year or (b) the Dollar value of purchases of Products by Distributor from Company during the full Fiscal Year prior to the Baseline Year.]

1.1.43 "*Indemnification Claim Notice*" has the meaning set forth in Section 10.2.1.

1.1.44 "*Indemnified Party*" has the meaning set forth in Section 10.2.1.

1.1.45 "*Indemnifying Party*" has the meaning set forth in Section 10.2.1.

1.1.46 "*Indemnitee*" and "*Indemnitees*" has the meaning set forth in Section 10.2.1.

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1.1.47 "*Initial Milestone Payment 2*" means Milestone Payment 2 calculated using the Reimbursement Rate set in the 1st Reimbursement Approval.

1.1.48 "*Initial Payment*" has the meaning set forth in Section 3.1.1.

1.1.49 "*Initial Period*" has the meaning set forth in Section 3.4.2.

1.1.50 "*Initial Sales Forecast*" has the meaning set forth in Section 3.4.2.

1.1.51 "*Initial Term*" has the meaning set forth in Section 12.1.

1.1.52 "*Initial Transfer Price*" has the meaning set forth in Section 3.5.1.

1.1.53 "*Insolvent Party*" has the meaning set forth in Section 12.12.

1.1.54 "[*]" means [*] that the Company and Distributor will develop pursuant to Section 6.1 [*]

1.1.55 "*Laws*" means all laws, statutes, rules, regulations, directives, decisions and ordinances of any Governmental Authority.

1.1.56 "*Limited License*" has the meaning set forth in Section 7.3.1.

1.1.57 "*Losses*" has the meaning set forth in Section 10.1.1.

1.1.58 "*MAH*" means Marketing Authorization Holder.

1.1.59 "*Major Depressive Disorder*" has the meaning set forth in ICD-9 §§ 296.X.

1.1.60 "*Marketing Materials*" has the meaning set forth in Section 7.5.

1.1.61 "*MHLW*" means the Japanese Ministry of Health, Labour and Welfare and any successor thereto.

1.1.62 "*Milestone Payment 1*" has the meaning set forth in Section 3.1.2.

1.1.63 "*Milestone Payment 2*" has the meaning set forth in Section 3.1.3.

1.1.64 "*Minimum Purchase Requirement*" has the meaning set forth in Section 3.4.1.

1.1.65 "*Minimum Terms and Conditions of Sale*" has the meaning set forth in Section 7.3.4.

1.1.66 "*NeuroStar Product*" means the NeuroStar TMS Therapy® System, Item Number 81-60000-101 as listed in the Product Catalog and set forth in Schedule A. For the avoidance of doubt, the NeuroStar Product does not include the TrakStar Computer and peripherals, the NeuroStar Treatment Packs or the other items included in the NeuroStar Starter Package.

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1.1.67 "*NeuroStar Starter Package*" means a bundled package of the Products set forth in Schedule A together with the Limited License.

1.1.68 "*NeuroStar Treatment Packs*" means alignment and hygiene barrier consumables used in conjunction with NeuroStar Treatment Sessions, Item Number 81-00931-000 as listed in the Product Catalog.

1.1.69 "*NeuroStar Treatment Sessions*" or "*NSTS*" means a single treatment session delivered by the NeuroStar Product to a patient, comprised of a maximum of 5,000 magnetic pulses and delivered in accordance with the treatment parameters specified by the prescribing physician. The treatment parameters include but are not limited to number of pulses, stimulation time, stimulation frequency, interval and coil orientation.

1.1.70 "*New Sales Forecast*" has the meaning set forth in Section 3.4.2.

1.1.71 "[*] *Development Plan*" has the meaning set forth in Section 6.1.

1.1.72 "*Out of Box Failure*" means at the time of installation at the customer's facility of a NeuroStar Starter Package (a) non-conformance to the Certificate of Conformance provided by Company's contract manufacturer for such NeuroStar Starter Package; or (b) a failure of the NeuroStar Starter Package to pass the visual inspection procedure set forth in Schedule E or any of the criteria or items set forth in the NeuroStar OUS Installation Record [*], after Distributor or its Technical Support Company follows all installation and troubleshooting procedures in the NeuroStar Distributor Service Manual [*], other than any such non-conformance or failure caused by Distributor or its Technical Support Company after Company's delivery of such NeuroStar Starter Package to Distributor.

1.1.73 "*Order Forecast*" has the meaning set forth in Section 3.2.2.

1.1.74 "*PMDA*" means the Pharmaceuticals and Medical Devices Agency and any successor thereto.

1.1.75 "*Post-Reimbursement Approval Channel*" means: (a) any customer for the Products in the Territory that treats patients with Major Depressive Disorder primarily on a reimbursed basis; and (b) any customers of Distributor for the Products obtained prior to receipt of the 1st Reimbursement Approval, whether the 1st Reimbursement Approval is obtained by Company or Distributor.

1.1.76 "*Pre-Reimbursement Approval Channel*" means any customer for the Products in the Territory during the period prior to receipt of the 1st Reimbursement Approval, whether the 1st Reimbursement Approval is obtained by Company or Distributor.

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1.1.77 "*Product*" means: (a) the NeuroStar Product, Software, SenStar Connect, SenStar Treatment Links, NeuroStar Treatment Packs and those other items set forth in Schedules A and O attached to this Agreement, modified as necessary in order for the foregoing to receive the Regulatory Approvals; (b) all updates and improvements to any the foregoing that are marketed or sold by Company or its distributors in any country for Major Depressive Disorder indications; and (c) such additions, parts and accessories thereto as Company and Distributor mutually agree from time to time.

1.1.78 "*Product Approval*" means the approval by MHLW of a registration of the Product that allows for the importation, marketing, promotion, distribution and sale of the Product in the Territory as medical devices for the treatment of Major Depressive Disorder indications that are substantially similar to the Major Depressive Disorder indications for which the Products are approved in the United States with substantially the same conditions as approved in the United States.

1.1.79 "*Product Catalog*" means Company's catalog of Products available for sale dated as of 2013, as modified by Company from time to time.

1.1.80 "*Recall*" has the meaning set forth in Section 6.8.

1.1.81 "*Receiving Party*" has the meaning set forth in Section 8.1.

1.1.82 "*Redistributable Code*" shall mean all third party software that is licensed to Company for redistribution with the Software.

1.1.83 "*Regulatory Approvals*" means (a) the Product Approval, (b) the Reimbursement Approval and (c) MAH/DMAH Approval.

1.1.84 "*Regulatory Authorities*" means the MHLW, PMDA and any other governmental body that has legal authority to regulate the manufacture, distribution or sale of medical devices in the Territory.

1.1.85 "*Reimbursement Approval*" means a determination by MHLW of the Reimbursement Rate.

1.1.86 "*Reimbursement Approval Deadline*" means the second anniversary of the date on which MHLW grants the first Product Approval.

1.1.87 "*Reimbursement Rate*" means the amount set by the MI-ILW from time to time that MHLW will reimburse hospitals and medical clinics for use of transcranial magnetic stimulation devices to treat patients suffering from those Major Depressive Disorder indications for which Company has obtained Product Approval.

1.1.88 "*Return Policy*" has the meaning set forth in Section 3.10.

1.1.89 "*Rolling Termination Right*" has the meaning set forth in Section 12.11.

1.1.90 "*Rules*" has the meaning set forth in Section 14.4.

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1.1.91 “*Sales Representatives*” has the meaning set forth in Section 2.3.2.

1.1.92 “*SenStar Connect*” means Item Number 81-71000-100 as listed in the Product Catalog, a multiple-use consumable integrated flexible circuit that (a) must be attached to the treatment coil prior to MT or treatment to facilitate contact sensing and magnetic field detection and to decrease the magnetic field at the scalp surface to enhance tolerability during treatment and (b) is used in conjunction with a hygiene barrier.

1.1.93 “*SenStar Treatment Link*” means the current version of SenStar Treatment Links, Item Number 81-70000-001 as listed in the Product Catalog.

1.1.94 “*Software*” means the software programs, tools and data, whether in source or object code format, embedded or incorporated in the System or used in conjunction with the operation of the Products, including, without limitation, TrakStar Software, MT Assist, and Redistributable Code incorporated into or delivered with such software.

1.1.95 “*Software Documentation*” means [*], Rev B: Controlled Release of NeuroStar 2.3.1 System Software and [*], Rev C : Controlled Release of TrakStar 2.3.1 Software, as updated by Company from time to time.

1.1.96 “*Specifications*” means (a) prior to the Product Approval, the specifications for the Products set forth in Schedule M; and (b) after the Product Approval, the specifications for the Products as approved by MHLW from to time and the specifications for the Products set forth in Schedule M as amended by Company from time to time including in connection with changes to the Products.

1.1.97 [*]

1.1.98 “*Steering Committee*” has the meaning set forth in Section 2.5.1.

1.1.99 “*Subsequent Year*” means each full Fiscal Year immediately following the Baseline Year.

1.1.100 “*System*” means the Products, the Software, and single use items and other accessories sold by Company for use with the Products operating together as an integrated system or tool, including all successors, extensions, new models and upgrades thereto.

1.1.101 “*Taxes*” has the meaning set forth in Section 14.12.

1.1.102 “*Technical Support Company*” means [*] and such companies as Distributor may designate in writing to Company from time to time that will assist Distributor in the Territory with the delivery, installation and maintenance of Products and Software and provide technical support and such other assistance to end-user customers as requested by Distributor.

1.1.103 “*Term*” has the meaning set forth in Section 12.1.

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1.1.104 "*Territory*" means Japan.

1.1.105 "*Third Party Claim*" has the meaning set forth in Section 10.1.1.

1.1.106 "*TrakStar Software*" means the Company's practice data management system software including, if any, new versions, updates and upgrades thereto.

1.1.107 "*TrakStar Computer*" means a stand-alone personal computer that meets the specifications set forth on Schedule N, as such specifications may be updated by Company from time to time.

1.1.108 "*Transition Effective Date*" means the first business day that is [*] days before the expiration or termination of this Agreement.

1.1.109 "*True-Up Payment*" has the meaning set forth in Section 3.4.5.

1.1.110 "*Vorpal*" means Vorpal Technologies K.K.

1.1.111 "*Warranty Period*" has the meaning set forth in Section 9.3.1.

1.1.112 "*Withholding Party*" has the meaning set forth in Section 14.12.

1.1.113 "*Year 2*" means the first full Fiscal Year immediately following the first Subsequent Year.

2. Distributorship Terms.

2.1 Appointment and Acceptance.

2.1.1 Subject to the terms and conditions of this Agreement, Company hereby appoints Distributor as Company's sole and exclusive distributor of Products and provider of NSTS in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel, and Distributor accepts such appointment. During the Term, except as set forth in Section 2.1, Company shall (a) neither distribute any Products or provide any NSTS in the Pre-Reimbursement Approval Channel or the Post-Reimbursement Approval Channel nor appoint another distributor for the Products or NSTS in the Pre-Reimbursement Approval Channel or the Post-Reimbursement Approval Channel and (b) not sell Products to any third party that it knows or reasonably should know intends to resell the Products or provide NSTS in the Pre-Reimbursement Approval Channel or the Post-Reimbursement Approval Channel. Without limiting the generality of the foregoing, Company shall not solicit sales of Products or NSTS or promote the sale of Products or NSTS in the Territory except as specifically permitted by Sections 2.1.3 and 2.1.5. If Company receives an inquiry, purchase orders or other orders from a third party for delivery or sale of Products or provision of NSTS in the Pre-Reimbursement Approval Channel or Post-Reimbursement Approval Channel, Company shall promptly notify Distributor and refuse to fill any such inquiry, purchase order or other order unless Company is expressly permitted to do so by Sections 2.1.3 or 2.1.5.

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2.1.2 Distributor specifically acknowledges that if, despite Company's use of commercially reasonable efforts to prevent the unauthorized sale or resale of Products or NSTS in the Territory, Company is unable to stop or prevent such unauthorized sales or resale of Products or NSTS in the Territory in the Pre-Reimbursement Approval Channel or the Post-Reimbursement Approval Channel, then such unauthorized sale or resales of Products or NSTS in the Territory in the Pre-Reimbursement Approval Channel or the Post-Reimbursement Approval Channel shall not constitute a material breach of the terms of this Agreement, provided, however, that the Minimum Purchase Requirement shall be reduced by the amount of any such unauthorized sales or resale in the Post-Reimbursement Approval Channel.

2.1.3 Prior to receipt of the 1st Reimbursement Approval (whether obtained by Company or Distributor), Company shall have the right to sell Products and NSTS outside the Pre-Reimbursement Approval Channel in the Territory only for indications approved by the MHLW. Prior to receipt of the 1st Reimbursement Approval (whether obtained by Company or Distributor), Company shall have the right to sell Products and NSTS inside the Pre-Reimbursement Approval Channel in the Territory directly to: (a) [*]; provided that Company: (i) obtains [*] written agreement to comply with such use restriction and to not, as a normal course of business, distribute, resell, lease or otherwise transfer the Products to any third party; and (ii) uses commercially reasonable efforts to cause [*] compliance with such agreement; and (b) no more than one (1) customer (plus its Affiliates) other than [*], provided; that: (i) such customer must purchase the Products solely for use at medical clinics owned and operated by the customer or its Affiliates and not for resale; (ii) Company obtains the written agreement of the customer to not, as a normal course of business, distribute, resell, lease or otherwise transfer the Products to any third party; and (iii) Company uses commercially reasonable efforts to cause such customer to comply with such agreement.

2.1.4 Effective upon receipt of the 1st Reimbursement Approval (whether obtained by Company or Distributor), Company shall not, directly or indirectly, transfer, sell, or otherwise distribute itself or through any third party, any Products in the Pre-Reimbursement Approval Channel and the Post-Reimbursement Approval Channel except as set forth in Section 2.1.5.

2.1.5 After receipt of the 1st Reimbursement Approval (whether obtained by Company or Distributor), Company shall have the right to sell Products and NSTS (i) outside the Post-Reimbursement Approval Channel in the Territory for indications approved by the MHLW and (ii) in the Post-Reimbursement Approval Channel in the Territory directly to [*] or to [*] through [*] or a replacement distributor, solely for use at medical clinics owned and operated by [*], provided that Company: (a) obtains [*] and [*] written agreement to comply with such use restriction and to not, as a normal course of business, distribute, resell, lease or otherwise transfer the Products to any third party; and (b) uses commercially reasonable efforts to cause [*] and [*] compliance with such agreement. If [*] terminates its business involving use of the Products, Company may replace [*] with a customer (and its Affiliates) outside the Post-Reimbursement Channel in the Territory; provided that Company: (i) obtains such customer's written agreement to be bound by and comply with the same restrictions as applicable to [*] and to not, as a normal course of business, distribute, resell, lease or otherwise transfer the Products to any third party; and (ii) uses commercially reasonable efforts to cause such customer's compliance with such

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agreement. If Company has sold Products to one additional customer pursuant to clause (b) of Section 2.1.3, then upon receipt of the 1st Reimbursement Approval (whether obtained by Company or Distributor) Distributor shall have the option, exercisable by sending written notice to Company within [*] after Company confirms to Distributor in writing that such customer desires to use Products to treat patients on a reimbursed basis, to sell Products and NSTS to such customer in the Post-Reimbursement Approval Channel. If Distributor does not exercise such option, then Company shall have the right to sell Products and NSTS to such customer in the Post-Reimbursement Approval Channel, provided that: (i) such customer must purchase the Products solely for use at medical clinics owned and operated by the customer or its Affiliates and not for resale; (ii) Company obtains the written agreement of the customer to not, as a normal course of business, distribute, resell, lease or otherwise transfer the Products to any third party; and (iii) Company uses commercially reasonable efforts to cause such customer to comply with such agreement.

2.1.6 For the avoidance of doubt, nothing in this Agreement limits Company in relation to a [*] Device in the Territory.

2.2 No Activities Outside the Territory. Distributor shall not solicit sales of Products or promote the sale of Products outside the Territory. In the event Distributor receives an inquiry, purchase orders or other orders from a third party for delivery or sale of Products outside of the Territory, Distributor shall promptly notify Company and refuse to fill any such inquiry, purchase order or other order.

2.3 Sub-Distributors.

2.3.1 Distributor shall have the right to appoint its Affiliates as sub-distributors; provided that Distributor shall cause such Affiliates to comply with Distributor's obligations under this Agreement and be liable to Company for any failures of such Affiliates to so comply.

2.3.2 Except as otherwise set forth in Section 2.3.1, Distributor shall not appoint any sub-distributor of Products in the Territory without the prior written consent of Company, which shall not be unreasonably withheld or conditioned; provided, however, Distributor may sell Products in the Territory to end-users in the Territory through Distributor's sales representatives comprising part of its standard sales channels in the normal course of business ("***Sales Representatives***"), and such Sales Representatives shall not be deemed sub-distributors mentioned in this provision; provided, further, that: (a) Distributor shall cause each such Sale Representative to comply with Distributor's obligations under this Agreement that are applicable to such Sales Representative's activities; and (b) Distributor shall be liable to Company for any failure of the Sales Representative to comply with Distributor's obligations under this Agreement that are applicable to such Sales Representative's activities. For the avoidance of doubt, agents, distributors affiliated with hospitals, clinics and other end-users and unaffiliated distribution, logistics and similar companies designated by hospitals, clinics and other end-users for the purchase of Products shall not be deemed to be sub-distributors or Sales Representatives for purposes of this Agreement.

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2.4 Independent Contractor Relationship. The relationship of Company and Distributor is that of independent contractors. This Agreement sets forth the duties and responsibilities of the Parties with respect to each other in furtherance of the purpose of this Agreement. This Agreement does not, however, give either Party the power to direct or control the day-to-day activities of the other. This Agreement further does not create or imply any relations between the Parties as partners, joint venturers, or co-owners. Neither Distributor nor its agents and employees are the representatives of Company for any purpose, and they shall have no power or authority as agent, employee or in any other capacity to represent, act for, bind, or otherwise create or assume any obligation on behalf of Company. Neither Company nor its agents, including the DMAH, and employees are the representatives of Distributor for any purpose, and they shall have no power or authority as agent, employee or in any other capacity to represent, act for, bind, or otherwise create or assume any obligation on behalf of Distributor. All financial obligations associated with Distributor's business are the sole responsibility of Distributor. All financial obligations associated with Company's business are the sole responsibility of Company. All sales and other agreements between Distributor and its customers are Distributor's exclusive responsibility and do not affect Distributor's obligations under this Agreement.

2.5 Steering Committee.

2.5.1 Establishment of Steering Committee. As soon as practicable after the Effective Date, the Parties shall establish a committee to facilitate the distribution of the Products in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel in the Territory under this Agreement (the "***Steering Committee***") in accordance with this Section 2.5.

2.5.2 Composition of the Steering Committee. The Steering Committee shall be comprised of one (1) representative designated by each of the Parties. Each representative shall be a senior executive of the designating Party. Each Party shall appoint its respective initial representative to the Steering Committee within [*] after the Effective Date, and may from time to time substitute its representative, in its sole discretion, effective upon notice to the other Party of such change. Additional representatives or consultants may from time to time be invited to attend Steering Committee meetings, subject to such representatives' and consultants' written agreement to comply with the requirements of Section 8 and the agreement of each Party. Each Party shall bear its own expenses relating to attendance at such meetings by its representatives and consultants.

2.5.3 Meetings. The Steering Committee shall meet in accordance with a schedule established by mutual written agreement of the Parties, but no less frequently than once per calendar year or as frequently as needed to discharge its responsibilities under this Agreement. The Steering Committee may meet by means of teleconference, videoconference or other similar communications equipment. In-person meetings shall alternate between a Company facility in the United States and a Distributor facility in Japan.

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2.5.4 Matters for Steering Committee Discussion or Decision. The Steering Committee shall serve as a forum for discussion of development, regulatory, commercial and related matters concerning the Products in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel in the Territory and have the following powers:

(a) approve the New Sales Forecast in accordance with and subject to Section 3.4.2;

(b) approve the transfer prices for the NeuroStar Starter Packages and other Products after the Fixed Transfer Price Period in accordance with and subject to Section 3.5.6;

(c) be presented with and discuss ideas and plans for updates and improvements to, and new versions of, the Products and Software for use in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel; and

(d) be presented with and discuss information concerning competitive intelligence, market development and best practices concerning the marketing, promotion, distribution, sale and support of the Products and Software for use in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel.

2.5.5 Decision-Making. With respect to the matters set forth in Sections 2.5.4(c) and 2.5.4(d), the Steering Committee has no decision making power as these matters are discussion only. With respect to the matters set forth in Sections 2.5.4(a) and 2.5.4(b), the Steering Committee shall use reasonable best efforts to reach unanimous agreement on a proposed decision with each Party (regardless of the number of attendees from the Party at a given meeting) having only one (1) vote. If the Steering Committee is unable to reach unanimous agreement on the matters set forth in Sections 2.5.4(a) or 2.5.4(b) within [*] days prior to the rules set forth in Sections 2.5.4(a) or 2.5.4(b), as applicable, controlling the decision, then a Party may by written notice to the other Party escalate the relevant decision to a senior executive appointed by each of the Parties. If the senior executives of both Parties are unable to reach agreement on the relevant decision within such [*] day period, then (a) for matters set forth in Section 2.5.4(a), Section 3.4.2 will control, and (b) for matters set forth in Section 2.5.4(b), Section 3.5.6 will control.

3. Prices and Terms.

3.1 Initial Payment; Milestone Payments.

3.1.1 Distributor shall pay Company a non-refundable initial payment of Seven Hundred and Fifty Thousand Dollars ($750,000) (the "***Initial Payment***"), such payment to be made by the end of the month following the month in which the Effective Date falls and the Distributor receives an invoice for the Initial Payment.

3.1.2 Distributor shall pay Company a non-refundable milestone payment of Two Million Dollars ($2,000,000) (the "***Milestone Payment 1***") by the end of the month following the month in which Company obtains the first Product Approval for the Product in the Territory, provides written notice thereof to Distributor and Distributor receives an invoice for Milestone Payment 1.

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3.1.3 Distributor shall pay Company a second non-refundable (other than a potential true-up payment required by Section 3.1.7) milestone payment based on the Reimbursement Rate in accordance with the following formula ("***Milestone Payment 2***"):

[*]

3.1.4 If the 1st Reimbursement Approval is not obtained by the Reimbursement Approval Deadline and Distributor makes the Distributor 1st MHLW Lead Election under Section 4.1.2, then Milestone Payment 2 shall be deemed fully earned and the Reimbursement Rate used in calculating Milestone Payment 2 shall be [*].

3.1.5 If Company obtains the 1st Reimbursement Approval by the Reimbursement Approval Deadline and the Reimbursement Rate is less than [*] and neither Party terminates this Agreement pursuant to Section 12.7.1, then Distributor shall pay Initial Milestone Payment 2 using the Reimbursement Rate in the 1st Reimbursement Approval. Milestone Payment 2 shall then be finally calculated as follows:

(a) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is less than [*] and Distributor makes the Distributor 2nd MHLW Lead Election under Section 4.1.4, then Milestone Payment 2 shall be calculated using [*] as the Reimbursement Rate.

(b) if the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is less than [*] and Distributor does not make the Distributor 2nd MHLW Lead Election under Section 4.1.4, then regardless of whether this Agreement is terminated pursuant to Section 12.8.1, Milestone Payment 2 shall be calculated using the Reimbursement Rate set in the 1st Reimbursement Revision Approval.

(c) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is at least [*], then Milestone Payment 2 shall be calculated using the Reimbursement Rate set in the 1st Reimbursement Revision Approval.

3.1.6 If the Company obtains the 1st Reimbursement Approval by the Reimbursement Approval Deadline and the Reimbursement Rate is at least [*], then Distributor shall pay Initial Milestone Payment 2 using the Reimbursement Rate in the 1st Reimbursement Approval. Milestone Payment 2 shall then be finally calculated as follows:

(a) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is less than [*] and either Party elects to terminate the Agreement pursuant to Section 12.7.2, then Milestone Payment 2 shall be calculated using the Reimbursement Rate set in the 1st Reimbursement Revision Approval.

(b) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is less than [*] and neither Party elects to terminate the Agreement pursuant to Section 12.7.2, then Milestone Payment 2 shall be calculated using the Reimbursement Rate set in the 1st Reimbursement Revision Approval.

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(c) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is [*] and Distributor makes the Distributor 2nd MHLW Lead Election under Section 4.1.4, then Milestone Payment 2 shall be calculated using [*] as the Reimbursement Rate.

(d) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is less than [*] and Distributor does not make the Distributor 2nd MHLW Lead Election under Section 4.1.4 and the Agreement is terminated pursuant to Section 12.8.1, then Milestone Payment 2 shall be calculated using the Reimbursement Rate set in the 1st Reimbursement Revision Approval.

(e) If the Reimbursement Rate set in the 1st Reimbursement Revision Approval during the Company MHLW Lead Period is at least [*], then Milestone Payment 2 shall be calculated using the Reimbursement Rate set in the 1st Reimbursement Revision Approval.

3.1.7 Once Milestone Payment 2 is finally calculated pursuant to Sections 3.1.5 or 3.1.6, one of the Parties shall make a payment to the other as follows: (a) if Milestone Payment 2 (as finally calculated) is more than Initial Milestone Payment 2, Distributor shall pay Company an amount equal to the difference of Milestone Payment 2 (as finally calculated) minus Initial Milestone Payment 2; or (b) if Milestone Payment 2 (as finally calculated) is less than Initial Milestone Payment 2, Company shall refund Distributor an amount equal to the difference of Initial Milestone Payment 2 minus Milestone Payment 2 (as finally calculated).

3.1.8 Distributor shall pay Company Initial Milestone Payment 2 and Milestone Payment 2 in US Dollars at a fixed exchange rate of [*] to One Dollar ($1), by the end of the month following the month in which Distributor receives an invoice from Company setting forth a correct calculation of the amounts due to Company. For amounts that Company must refund to Distributor pursuant to Section 3.1.7, if any, Company shall provide Distributor with a credit in the amount of the refund and Distributor may apply such credit at its discretion against other amounts owed to Company pursuant to this Agreement. If the credit is not exhausted by the effective date of termination of this Agreement, Company shall pay the remaining balance of the credit in US Dollars by wire transfer in immediately available funds to such bank account as designated by Distributor no later than [*] after the date this Agreement terminates.

3.2 Delivery Lead Time; Order Forecasts.

3.2.1 Company will notify Distributor of the delivery date(s) for Products within [*] after receipt of Distributor’s purchase order placed pursuant to Sections 3.2.3 or 3.3.2; provided that such delivery date(s) will be no longer than [*] from the date of Distributor’s purchase order.

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3.2.2 Distributor shall, on a monthly basis commencing on the [*] of the month following the month in which the Effective Date falls and thereafter within the initial [*] of each succeeding month, provide Company with Distributor's good faith [*] forecast of Distributor's monthly requirements for the Products, including the NeuroStar Starter Package (each, an "***Order Forecast***"). Distributor's first Order Forecast may not include any NeuroStar Starter Package for delivery in months [*] of such Order Forecast or have more than [*] of NeuroStar Starter Package in months [*] of such Order Forecast except with Company's consent in its sole discretion. Distributor may not adjust months [*] of any subsequent Order Forecast except with the consent of Company in its sole discretion. Until Distributor issues a purchase order, Distributor may adjust the forecast for months five and six of any Order Forecast in succeeding Order Forecasts (i.e. when months [*] on an Order Forecast become months [*] on the next Order Forecast) to an amount between [*] of the NeuroStar Starter Package per month. If Distributor adjusts the forecast for NeuroStar Starter Packages in month [*] of an Order Forecast to an amount greater than [*] in month [*] on the next Order Forecast, then Company will use commercially reasonable efforts to respond within [*] as to the extent to which Company will be able to fulfill such a request by Distributor. If Company notifies Distributor that Company can fulfill such request, in whole or in part, then the Order Forecast for the applicable month will be increased above [*] by the additional number of units that Company agrees to deliver in such month. If Company cannot fulfill such request by Distributor, then the Order Forecast will be [*] of the NeuroStar Starter Package for the applicable month. Distributor agrees to use commercially reasonable efforts to make each Order Forecast as accurate as possible.

3.2.3 Promptly after the Effective Date Company and Distributor shall discuss in good faith the initial quantity of Products other than the NeuroStar Starter Package that Distributor will purchase from Company and the timing of when Distributor will place its initial purchase order for such Products. Distributor will place its initial purchase order for such quantities of such Products and at such time as agreed by Company and Distributor.

3.3 Purchase Orders.

3.3.1 During the Term, Distributor shall order Products from Company by submitting monthly written purchase orders identifying: Products ordered by catalog number and quantity and requested delivery date(s); provided that: (a) NeuroStar Starter Packages shall be subject to a minimum individual order of [*]; (h) SenStar Treatment Links shall be subject to a minimum individual order of [*], packaged in the 50 pack form; (c) Treatment Session Treatment Packs (200 Packs per box) shall be subject to a minimum individual order of [*]; and (d) spare parts can only be ordered on a quarterly basis in quantities to replenish (or increase) Distributor's normal inventory of spare parts (which normal inventory until the second anniversary of the date of Product Approval will be equal to or greater than Company's recommended spare parts inventory level and thereafter will be determined by Distributor with reference to its experience servicing the Products in the Territory for the installed base of NeuroStar Starter Packages in the Territory), except that until the second anniversary of the date of Product Approval, if there is a stock out of a particular spare part or an unexpected need for a spare part not normally carried in inventory, Company will accept ad hoc purchase orders therefor. The NeuroStar Product cannot be ordered separate from a NeuroStar Starter Package.

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3.3.2 At the same time that Distributor sends each Order Forecast to the Company (and in any event no later than the date by which Distributor must send the applicable Order Forecast to the Company), Distributor shall issue purchase orders to Company for the first [*] of requirements for each of the NeuroStar Starter Packages shown on such Order Forecast and, after issuing the initial purchase order pursuant to Section 3.2.3, for such other Products as Distributor desires to order. Company may elect to treat months one through four of each Order Forecast as binding purchase orders for NeuroStar Starter Packages if Distributor fails to issue the required purchase order on a timely basis.

3.3.3 An purchase orders for Products are subject to acceptance by Company; provided that Company must accept a purchase order if the order complies with this Agreement including the limitations and requirements of Sections 3.2 and 3.3.1. If Company rejects a purchase order that it is permitted to reject, Company shall notify Distributor within [*] after receiving the purchase order and state the reason(s) for rejecting the purchase order. If Company does not notify Distributor of the rejection of the purchase order and state the reason(s) for rejecting the purchase order within the [*], the purchase order shall be deemed accepted. If Company does not accept a purchase order for Products, in whole or part, that otherwise complies with this Agreement including the limitations and requirements of Sections 3.2 and 3.3.1, then Distributor shall receive a credit against its then-current Minimum Purchase Requirement for the amount of Products that Distributor would have paid Company if Company had accepted the rejected portion of such purchase order.

3.3.4 Purchase orders placed by Distributor and accepted by Company and the delivery of Products by Company pursuant to such purchase orders shall not be canceled or rescheduled unless mutually agreed upon by both Parties.

3.3.5 If Company does not deliver NeuroStar Starter Packages or other Products by the dates set forth in purchase orders that Company has accepted pursuant to this Section 3.3, other than by (a) Distributor not providing all shipping information required by Company including approved carriers, departure port, vessel and sail date within forty (45) days prior to shipment or (b) damage, loss or other casualty while in transit from Company to the delivery point in the Territory, then, in addition to any other rights or remedies that Distributor may have, Company shall provide Distributor with a credit to be applied toward Distributor's future purchase of Products for each day that delivery of the Products is delayed over fifteen (15) days from the delivery date that shall be calculated by multiplying the purchase price of the Products for which delivery is delayed times 6% and dividing the resulting amount by 360.

3.4 Minimum Purchase Requirement.

3.4.1 After the 1st Qualifying Approval is obtained and for the remainder of the Term, Distributor shall be required to purchase a minimum annual Dollar value of the Products from Company based on the sales forecasts for the Products in the Territory ("***Minimum Purchase Requirement***") or pay Company the True-Up Payment (as set forth in Section 3.4.5) unless this Agreement is terminated as set forth in Section 12, in which case Distributor's Minimum Purchase Requirement and True-Up Payment obligations shall be as set forth in Section 12, as applicable.

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3.4.2 The sales forecast to be used to determine the Minimum Purchase Requirement for the period from the date on which [*] (the "***Initial Period***") is set forth in Schedule B (the "***Initial Sales Forecast***"). No later than [*] prior to the end of each Fiscal Year (starting with the last Fiscal Year of the Initial Period), the Steering Committee shall meet and discuss in good faith the sales forecast of Products in the Territory for the next Fiscal Year of Distributor during the Term (each, "***New Sales Forecast***"). If the Steering Committee and senior executive escalation process set forth in Section 2.5.5 does not result in an agreed New Sales Forecast for any such Fiscal Year by [*], then the New Sales Forecast for such Fiscal Year shall equal [*] However, if the Company commences the sale or promotion of [*] Devices in the Territory, then [*] For clarity, each New Sales Forecast reflects the Dollar value of the forecasted amount of purchases of the Products by Distributor from Company during the relevant Fiscal Year.

3.4.3 The Minimum Purchase Requirement for the Initial Period shall be [*]; provided, however, that all purchases of Products after the Product Approval shall count toward satisfying the Minimum Purchase Requirement for the Initial Period.

3.4.4 For each [*], the Minimum Purchase Requirement will be adjusted in accordance with the following:

(a) If Distributor's purchases of Products from Company [*] the Initial Sales Forecast for the Initial Period or the New Sales Forecast for any subsequent Fiscal Year, then the Minimum Purchase Requirement [*] for the next succeeding Fiscal Year shall be [*] (which by way of example means that if Distributor [*] the Initial Sales Forecast for the Initial Period, then the Minimum Purchase Requirement for the next Fiscal Year shall be [*];

(b) If Distributor's purchases of Products from Company [*] the Initial Sales Forecast for the Initial Period or the New Sales Forecast for any subsequent Fiscal Year, then the Minimum Purchase Requirement [*] for the next succeeding Fiscal Year shall be [*];

(c) Except as set forth in Section 34.4(d), the Minimum Purchase Requirement [*] shall [*];

(d) Notwithstanding Sections 3.4.4(a), 3.4.4(b) and 3.4.4(c), if Distributor commences sales of [*] Devices in the Territory, Company has not sold or promoted [*] Devices in the Territory prior thereto and Distributor's Dollar value of purchases of Products during any Subsequent Year are [*] of the [*] Minimum, then the Minimum Purchase Requirement for that Subsequent Year shall [*]; and

(e) The Minimum Purchase Requirement for [*] shall not be more than [*]

3.4.5 Distributor shall satisfy its Minimum Purchase Requirement obligations for [*] by either: (a) purchasing the Dollar value of Products from Company equal to the Minimum Purchase Requirement; or (b) paying Company an amount equal to [*] (each, a "***True-Up Payment***"). Distributor shall pay Company each True-Up Payment within [*] and receipt of an invoice from Company. If Distributor satisfies its Minimum Purchase Requirement

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obligations for any period under clause (b) Distributor shall also have the option to terminate this Agreement on [*] prior written notice to Company and [*]. For the avoidance of doubt, payment of a True-Up Payment shall not be considered as achieving [*] for purposes of calculating Minimum Purchase Requirement [*].

3.5 Transfer Prices.

3.5.1 The initial transfer price for each NeuroStar Starter Package shall be [*] (the "***Initial Transfer Price***") [*] (the "***Fixed Transfer Price Period***").

3.5.2 The transfer price of the SenStar Treatment Link will be Sixty Dollars ($60) per one SenStar Treatment Link unit until Company [*] in accordance with Distributor's reasonable requirements and Company [*]. If Company does not obtain a Reimbursement Approval in the Territory that [*] within [*], then Company and Distributor shall discuss an adjustment in the transfer price of SenStar Treatment Links in good faith. Upon agreeing to an adjustment in the transfer price of SenStar Treatment Links, the Parties shall amend Schedule J to set forth the new agreed upon transfer price for SenStar Treatment Links.

3.5.3 Until Reimbursement Approval that includes [*] is obtained in the Territory, the transfer price for orders of [*] will be [*] during [*] and thereafter will be [*].

3.5.4 Distributor must separately order NeuroStar Treatment Packs as needed from Company.

3.5.5 The transfer price for orders of NSTS placed after the date of the Reimbursement Approval will be determined as set forth in Schedule J for the Fixed Transfer Price Period; provided, however, that if during the Fixed Transfer Price Period the Reimbursement Rate changes, then the NSTS transfer price for orders placed after the Reimbursement Rate change will be determined in accordance with Schedule J based on the new Reimbursement Rate.

3.5.6 The transfer price for orders of all Products set forth on Schedule O but not set pursuant to Sections 3.5.1 through 3.5.5 will be as set forth on Schedule O and fixed for the Fixed Transfer Price Period.

3.5.7 [*] prior to the end of the Fixed Transfer Price Period, Company and Distributor shall, through the Steering Committee, meet to discuss in good faith changes to the transfer prices for the NeuroStar Starter Package and all other Products based on all relevant factors. All new transfer prices for such Products agreed to by Company and Distributor shall apply for a period of [*]. [*] the Steering Committee shall meet and discuss in good faith changes to such transfer prices based on the factors set forth in the preceding sentence. If the Steering Committee and the escalation process does not result in mutually agreed revised transfer prices as contemplated by this Section by [*] prior to the end of the Fixed Transfer Price Period or then-current [*], then the transfer prices shall be increased by [*]

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3.5.8 Company shall notify Distributor when Company commences development of a Product that incorporates major improvements in functionality over the then-current version of the Product and provide periodic status reports regarding the development of such Product to Distributor. Prior to any sale of any Product in the Territory that incorporates major improvements in functionality over the then current version of the Product, the Parties shall meet and discuss in good faith an adjustment to the transfer price for such Product.

3.6 Resale Pricing. Distributor shall be free to establish its own resale pricing for Products that it distributes in the Territory.

3.7 Shipping and Delivery Terms.

3.7.1 Company shall ship all Products ordered by Distributor pursuant to this Agreement DDP (Incoterms 2010) cleared through customs to Distributor's or the Technical Support Company's facility in Japan as notified by Distributor to Company in writing; provided that the following exceptions to DDP shall apply: (a) Company will use the carrier or carriers approved by Distributor unless such carrier(s) indicate(s) that they cannot deliver the Products at least [*] prior to the applicable delivery date in which case Company may use an appropriate alternative carrier that is able to timely deliver the Products; (b) Distributor will reimburse Company for the cost of shipping from Company's warehouse to the point of delivery in the Territory, associated freight insurance and import duties and tariffs, which amounts Company will invoice to Distributor on a pass-through basis within [*] after the end of each month and accompanied by copies of invoices or receipts that reasonably document the costs of shipping, insurance and import duties and tariffs for which Company is seeking reimbursement from Distributor; and (c) Company's liability to Distributor for damage, loss or other casualty to Products for the period from the shipment from Company's warehouse to the delivery point in the Territory will be exclusively limited to prompt re-supply of the same number of Products so damaged, lost or subject to casualty. Company will package each such shipment in accordance with standard practices acceptable to mode of shipment chosen by Distributor unless Company is permitted pursuant to clause (a) of this Section 3.7.1 to use a different mode of shipping.

3.7.2 If there is any shortage in the quantity of Products delivered by Company and Distributor notifies Company within [*] after delivery, Company shall promptly deliver replacement Products in accordance with the terms of this Agreement at Company's expense to make up such shortfall.

3.8 Payment. Unless otherwise specified in this Agreement and unless subject to a bona fide dispute, Distributor shall pay all amounts due and payable under this Agreement by the end of the month following the month in which the Products have been delivered in accordance with this Agreement and Distributor receives an invoice for such Products. Company reserves the right to withhold shipments of Products or to require payment in full prior to shipment of Products in the event any amounts due Company by Distributor are past due unless such amounts are subject to a bona fide dispute. All such amounts, and any other payment due pursuant to the terms of this Agreement, shall be paid by wire transfer in United States Dollars to the bank listed below (or such other wire transfer instructions or bank as Company may specify in writing from time to time) or by other means specified in writing and mutually agreed by both Parties to:

Pay to: [*]

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Routing and transit no.: [*]
SWIFT Code: [*]
For credit of: [*]
Final credit account no.: [*]
By order of: (Sender's name)

All costs incurred in connection with any such wire transfer shall be the responsibility of Distributor. Amounts due under this Agreement shall be considered paid as of the day such funds are received by the aforementioned bank.

3.9 Late Payments. In addition to the other rights of Company under this Agreement, all amounts due and owing to Company under this Agreement, but not paid by Distributor on the due date thereof (excluding amounts subject to a bona fide dispute), shall bear interest (in U.S. Dollars) at the lower of the of [*] per annum or the maximum lawful interest rate permitted under applicable law. Such interest shall accrue on the balance of unpaid amounts from time to time outstanding from the date on which portions of such amounts become due and owing until payment thereof in full.

3.10 Return of Products. Distributor and Company shall follow the procedures set forth in Schedule F with respect to allegedly Defective Products.

3.11 Governing Document. This Agreement, together with its Schedules, shall supersede any additional, conflicting or supplemental terms used by Company or Distributor in the ordering, shipment and receiving of Products, including without limitation, any purchase orders or order acknowledgements other than ministerial items such as shipping address, delivery date and quantities.

3.12 [*] Credit. If Distributor commences the sale of [*] Devices in the Territory [*], then Company shall [*]

4. Regulatory Approvals; Distributor Approvals; Interactions with Regulatory Authorities.

4.1 Regulatory Approvals.

4.1.1 Company shall use commercially reasonable efforts to obtain and shall thereafter maintain all Regulatory Approvals including, in connection with the first Regulatory Approval, a use results survey period (exclusivity) of [*] and shall provide all information required to be submitted to the Regulatory Authorities or which the Regulatory Authorities request in connection with the *Iryoukiki no Seizo Hanbai Go no Chousa oyobi Shiken no Jisshi no Kijun ni kansuru Shourei* (Ministerial Ordinance on Standards for Post Market Surveillance and Testing of Medical Equipment); provided that Company shall not be required to (a) undertake any clinical trial in order to obtain the Regulatory Approvals including post-marketing studies required by MHLW as a condition to granting any of the Regulatory Approvals unless Distributor agrees to fully fund such post-marketing studies or (b) make changes to the form, fit or function of any of the Products, except as set forth in Section 6.1. Distributor shall reasonably cooperate with Company's efforts to secure the Regulatory Approvals.

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4.1.2 If, notwithstanding the exercise of its commercially reasonable efforts, Company does not obtain the 1st Reimbursement Approval by the Reimbursement Approval Deadline, then Distributor may elect to take over the process for obtaining the Reimbursement Approval with the assistance of Vorpal or such other third party(ies) as Distributor desires (the "***Distributor 1st MHLW Lead Election***"); provided that such election is made by written notice to Company within ninety (90) days after the Reimbursement Approval Deadline. If Distributor makes the Distributor 1st MHLW Lead Election, then Distributor shall use its commercially reasonable efforts during the Distributor 1st MHLW Lead Period to obtain the 1st Reimbursement Approval, subject to the termination rights set forth in Section 12.6.2.

4.1.3 If Company obtains the 1st Reimbursement Approval by the Reimbursement Approval Deadline and either (a) the Reimbursement Rate is [*] and neither Party terminates this Agreement pursuant to Section 12.7.1 or (b) the Reimbursement Rate is [*], then Company shall use its commercially reasonable efforts until the 1st Reimbursement Revision Approval is issued by MHLW to attempt [*].

4.1.4 If Company obtains the 1st Reimbursement Approval by the Reimbursement Approval Deadline and notwithstanding the exercise of commercially reasonable efforts, Company is not able [*] then Distributor may elect to take over the process for obtaining the Reimbursement Approval with the assistance of Vorpal or such other third party(ies) as Distributor desires (the "***Distributor 2nd MHLW Lead Election***"), provided that such election is made by written notice to Company within ninety (90) days after the date of the 1st Reimbursement Revision Approval. If Distributor makes the Distributor 2nd MHLW Lead Election, then Distributor shall use its commercially reasonable efforts during the Distributor 2nd MHLW Lead Period [*] subject to the termination rights set forth in Section 12.8.2.

4.2 Distributor Approvals. Distributor shall use commercially reasonable efforts to obtain and thereafter maintain all approvals, permits and licenses not within the definition of Regulatory Approvals required for import, marketing and sale of the Products in accordance with the Product Approval including a medical device retail and leasing license for the Product in the Territory (collectively, the "***Distributor Approvals***").

4.3 Initial Designation of DMAH and Replacement. Company's Agent shall be the initial Designated Marketing Authorization Holder in the Territory. If Company is unable to be hold any of the Regulatory Approvals or Company's Agent is unable to be the Designated Marketing Authorization Holder in Japan or is unable to supply Distributor with Products as set forth in Section 6.3, Distributor shall have the right to become the MAH instead of Company and/or Company's Agent for purposes of allowing Distributor to continue to market and sell Products in the Territory for business continuity purposes. In such event, Company shall cooperate with Distributor to effect such changes.

4.4 Interactions with Regulatory Authorities.

4.4.1 Subject to Distributor's rights set forth in Sections 4.1 and 4.3, Company is responsible for all interactions with regulatory authorities in the Territory (including MHLW) which are conducted through the DMAH. Distributor shall reasonably assist Company in any

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regulatory request or action by providing customer or product information that is requested by regulatory authorities worldwide from Company or the DMAH and support any regulatory actions required in the Territory. Notwithstanding the foregoing, Distributor will lead all interactions with the MHLW concerning reimbursement during the Distributor 1st MHLW Lead Period and the Distributor 2nd MHLW Lead Period and Company shall reasonably assist Distributor.

4.4.2 Company and the DMAH are responsible for medical device reporting for complaints and/or adverse event reports, conducting such reporting to regulatory agencies in the Territory in compliance with applicable regulatory timelines and regulations, and for reporting complaints and/or adverse event reports to any other jurisdiction including, but not limited, to the United States. Company is also responsible for working with the DMAH on any issues that arise in clearing the Products through customs in the Territory. For the avoidance of doubt, Distributor shall have no such responsibility.

5. Distributor's Duties.

5.1 Distributor's Efforts. Upon Company's receipt of the Regulatory Approvals, Distributor shall use its commercially reasonable efforts to diligently promote the sale of Products in the Territory, in compliance with Applicable Law. Distributor shall do nothing to detract from the good name of Company or the reputation of Products. Without limiting the generality of the foregoing, Distributor shall have the following obligations with respect to the advertising, promotion, marketing, distribution and sale of Products:

5.1.1 To undertake its marketing, promotional, distributional and selling activities for the Products in the Territory at its own risk and expense using a field sales force as soon as reasonably commercially practical after receipt of the Regulatory Approvals;

5.1.2 To install and maintain all Products sold to Distributor and its Affiliates in the Territory;

5.1.3 To negotiate in good faith the terms of a memorandum of good vigilance practice with the DMAH and to comply with the terms of that memorandum once agreed to;

5.1.4 To use commercially reasonable efforts to advertise and promote Products diligently in the Territory, in compliance with Applicable Laws as soon as commercially reasonable after receipt of the Regulatory Approvals;

5.1.5 To attend and assist at trade shows, physician meetings and other professional gatherings in the Territory, to the extent Distributor deems it appropriate to promote the sale of Products as soon as reasonably practical after receipt of the Regulatory Approvals. From time to time, Company may make specific reasonable requests of Distributor to attend or assist in international trade shows, physician meetings and other professional gatherings outside the Territory;

5.1.6 To maintain an adequate inventory of Products and spare parts to support the installed base of Products in the Territory;

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5.1.7 To work according to, and perform its responsibilities under, the Distributor Quality Plan;

5.1.8 To follow-up on sales leads from potential customers in the Territory referred to Distributor by Company;

5.1.9 Provide Company prior to the commencement of each Fiscal Year: (a) an annual financial forecast in the Territory that includes Distributor's assumptions for the Territory; and (b) Distributor's annual marketing plan that includes information concerning Competitive Product that Distributor is then aware of, trade shows and workshops to be held in the Territory, advertising and promotion for the Product in the Territory and product and marketing needs in the Territory; and

5.1.10 Within [*] after the end of each calendar quarter, provide Company with a report describing performance against the then-current sales forecast (i.e. Initial Sales Forecast or then-current New Sales Forecast) and marketing plan and a brief summary of the reasons for positive and negative variances from such sales forecast and plan with the format of such report being substantially in the form of Schedule G. The provision of such information to Company does not, in and of itself, provide Company with a right to terminate this Agreement that is independent from and/or in addition to Company's express termination rights under this Agreement.

5.2 Clinical Studies.

5.2.1 Except as set forth in Section 5.2.2, Distributor shall not conduct or otherwise support any study of the Products in the Territory without the prior written consent of Company.

5.2.2 Distributor shall solely fund all post-marketing clinical studies in the Territory subsequently agreed to by Distributor and Company in writing but excluding all post-marketing studies in the Territory required by the MHLW in connection with obtaining the Regulatory Approvals. Distributor's obligations under this Section 5.2.2 shall be limited to the direct expenses of clinical studies incurred by Company after the Effective Date and Distributor shall have no obligation with respect to any costs and expenses incurred prior to the Effective Date.

5.2.3 Distributor shall reasonably cooperate with Company concerning the implementation of clinical studies of the Products in the Territory described in Section 5.2.2 for the Major Depressive Disorder indications referred to therein.

5.3 TrakStar Computer. Distributor shall be responsible for obtaining and supplying to each purchaser of the NeuroStar Product a TrakStar Computer that is dedicated to use with the NeuroStar Product. Distributor may charge the customer whatever price it determines for the TrakStar Computer and, as between Distributor and Company, shall be solely responsible for all warranties and service with respect to the TrakStar Computer.

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5.4 Company Audit Rights. Distributor shall ensure that an independent third party selected by Company and reasonably acceptable to Distributor and the Regulatory Authorities, to the extent permitted by Applicable Law, may, during regular business hours, after entering into a confidentiality agreement reasonably acceptable to Distributor and upon reasonable advance written notice, not more than once annually, (a) examine and inspect Distributor's facilities or, subject to any third party confidentiality restrictions and other obligations, the facilities of any Affiliate or Sales Representatives involved in the promotion or sales of the Products in the Territory, and (b) subject to Applicable Law and any third party confidentiality restrictions and other obligations, inspect all data, documentation and work product relating to the activities performed by Distributor and Distributor's Affiliates and Sales Representatives engaged in the promotion and sales of Products in the Territory solely for the purposes of determining Distributor's compliance with the terms of this Agreement. If an audit discloses that Distributor is not in material compliance with the terms of this Agreement, then notwithstanding the previous sentence Company shall have the right to conduct a follow-up audit during the same year or thereafter to confirm that the deficiencies discovered during the initial audit have been corrected by Distributor and Distributor is in material compliance with the terms of this Agreement. This right of Company to audit and inspect the data and documentation of Distributor and Distributor's Affiliates and Sales Representatives involved in the promotion and sales of the Products in the Territory may be exercised at any time during the Term upon reasonable notice (subject to each Party's record retention policies then in effect), or such longer period as shall be required by Applicable Law.

5.5 Payments to Government Officials.

5.5.1 Distributor shall not directly or indirectly, for the purpose of obtaining approval, promoting, selling or distributing Products, offer, pay, or promise to pay, or provide any money, service, gift, or thing of value to any official, agent, employee or representative of a government or government agency such as a public hospital (hereafter collectively "***Government Official***"), and shall otherwise comply with the laws and regulations then in effect, if any, governing interactions with Government Officials, including but not limited to, the U.S. Foreign Corrupt Practices Act to the extent applicable to Distributor (hereafter, the "***Anti-Corruption Laws***"). Distributor further makes the following representations and warranties as of the Effective Date and covenants in connection with its activities related to this Agreement:

(a) Distributor and its Affiliates are solely responsible for complying, have to its best knowledge complied, and shall comply, with the Anti-Corruption Laws in connection with performing the obligations of Distributor set forth in this Agreement and have to the best of its and their knowledge not taken and shall not take or fail to take any action, which act or failure would subject Company to liability under Anti-Corruption Laws in connection with performing the obligations of Distributor set forth in this Agreement; and

(b) Neither Distributor nor any of its Affiliates has, to its or their best knowledge, offered, paid, given or loaned or promised to pay, give or loan, or will not offer, pay, give or loan or promise to pay, give or loan, directly or indirectly, money or any other thing of value to or for the benefit of any Government Official in connection with performing the obligations of Distributor set forth in this Agreement, for the purposes of corruptly: (i)

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influencing any act or decision of such Government Official in his official capacity; (ii) inducing such Government Official to do or omit to do any act in violation of his lawful duty; (iii) securing any improper advantage; or (iv) inducing such Government Official to use his influence with a government entity to affect or influence any act or decision of that Government Official, in each instance to direct business to Distributor or Company.

5.5.2 Distributor shall assist and cooperate fully with the efforts of Company to comply with the Anti-Corruption Laws. In particular, Distributor shall keep accurate books and records and Distributor shall immediately notify Company of any information that bribes or other improper payments are being requested, made or offered by Distributor or its Affiliates in connection with this Agreement. Upon request of Company, with Distributor's prior written consent and to the extent applicable to Distributor, Distributor shall make those records which are necessary for Company to verify Distributor's compliance with the Anti-Corruption Laws relating to this Agreement available to an auditor selected by Company. If such auditor notices any failure by Distributor to comply with the Anti-Corruption Laws, Distributor agrees that the auditor may disclose information relating to such Distributor's failure to Company and, to the extent required by a legal demand by a competent court of law or government body, to third parties.

5.5.3 Distributor shall truthfully and accurately complete the distributor qualification form and anti-bribery certification which are attached to Schedule H and deliver such documents to Company promptly after the Effective Date and dated the Effective Date. On each anniversary of the Effective Date during the Term, or the next succeeding business day if any anniversary is not a business day, Distributor shall deliver to Company an updated anti-bribery certification using Company's form of anti-bribery certification then required by Company's anti-bribery and anti-corruption policy (currently document number 14-00023-001, Rev. A).

5.5.4 In no event shall Company be obligated to Distributor under or in connection with this Agreement to act or refrain from acting if Company believes that such act or omission would cause Company to be in violation of the Anti-Corruption Laws. In no event shall Company be liable to Distributor for any act or omission which Company believes is necessary to comply with the Applicable Law. In no event shall Distributor be obligated to Company under or in connection with this Agreement to act or refrain from acting if Distributor believes that such act or omission would cause Distributor to be in violation of the Anti-Corruption Laws. In no event shall Distributor be liable to Company for any act or omission which Distributor believes is necessary to comply with Applicable Law.

5.5.5 If Distributor or any of its Affiliates breaches any of the representations, warranties or covenants in this Section 5.5, and each of which is deemed to be material and continuously made throughout the Term, then, in addition to any other rights Company may have under this Agreement:

(a) Company may declare a forfeit of any unpaid amounts owing to Distributor and shall be entitled to repayment of any amounts paid or credited to Distributor, in each case, which are prohibited by the Anti-Corruption Laws; and

(b) Company may immediately terminate this Agreement upon written notice to Distributor.

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5.6 Compliance with Code of Conduct for Interactions with Healthcare Providers. Distributor agrees to comply with the Japan Federation of Medical Devices Associations': (a) Code of Ethics, as amended from time to time; and (b) Promotion Code of the Medical Devices Industry, as amended from time to time ((a) and (b), together, the "***Code***"), and to ensure that all marketing and sales interactions with customers will be conducted in compliance with the Code.

5.7 Sales and Clinical Training. Distributor shall be responsible for training its personnel who promote Products so that they are knowledgeable about Products and can represent Products in accordance with the terms of this Agreement and in compliance with Applicable Law. Company shall provide initial training to Distributor's personnel at Company's cost and expense as set forth in Schedule C. Distributor may, at its discretion, have Company provide additional training to its personnel at Distributor's cost and expense as set forth in Schedule C.

5.8 Attendance at Meetings. At Company's request, Distributor shall, at its own expense, have a representative(s) attend a sales meeting sponsored by Company at least once each year during the Term.

5.9 Technical Support. Distributor shall be responsible for training its personnel who provide technical services for the Products in the Territory or arrange to train personnel of Distributor's Technical Support Company who will provide technical services for the Products in the Territory. In the Territory, Distributor shall itself or through its Technical Support Company maintain service personnel qualified to provide repair service and technical support for Products during its normal business hours.

5.10 Non-Compete. Distributor covenants that during [*], Distributor shall not directly or indirectly itself or through any Affiliate or licensee manufacture, promote, market, distribute or sell, or assist in the promotion, marketing, distribution or sale of any Competitive Product in the Pre-Reimbursement Approval Channel or Post-Reimbursement Approval Channel in the Territory; provided, however, that [*]

6. Company's Duties.

6.1 Development of Products. Subject to the terms and conditions of this Agreement, Company and Distributor shall use commercially reasonable efforts to develop [*], in each case in accordance with [*]. Without limiting the generality of the foregoing, the Parties shall hold a kick-off meeting regarding development of [*] no later than [*] and work together to reach as soon as reasonably possible a mutually agreed architecture, specification, development plan and timeline for the development of [*] ***Development Plan***"). Upon the Parties agreeing to the [*] Development Plan in writing, the Company will use its commercially reasonable efforts to develop the [*] in accordance with the [*] Development Plan and Distributor will reasonably cooperate with and provide such assistance to Company as may be set forth in the [*] Development Plan. After [*], the Parties will discuss in good faith a development agreement covering [*] under which agreement Distributor would be required to fund such development activities.

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6.2 Supply of Products. Subject to the terms and conditions of this Agreement, Company shall manufacture and supply Distributor's requirements of the Products that fully meet the Specifications and in full compliance with Applicable Law; provided that following the receipt of the 1St Reimbursement Approval and Company making NSTS available in the Territory, Company may discontinue SenStar Treatment Link.

6.3 Company Inability to Supply Products. If Company receives a written notice alleging Company's material breach of or default under any loan or debt financing agreement (the "***Default Notice***") and Distributor reasonably determines that such breach or default will result in Company not being able to supply Distributor with an amount of Product to satisfy the then-current New Sales Forecast or, if for any reason, Company is unable to supply Distributor with Products meeting at least [*], then, in addition to any other remedies available to Distributor at law or in equity or otherwise pursuant to this Agreement, (a) Distributor may order directly from Company's contract manufacturers quantities of Products sufficient to satisfy Distributor's forecasts that Distributor continues to provide to Company in accordance with Section 3.2 as well as all Products which Company was unable to manufacture and sell to Distributor and (b) all Products that Distributor orders from Company's contract manufacturers and all Products that Company was unable to supply and are not supplied by Company's contract manufacturers shall count toward satisfying Distributor's Minimum Purchase Requirement at the prices set forth in this Agreement. As soon as Company is able to demonstrate, to Distributor's reasonable satisfaction, that Company may resume supply in a manner that complies with this Agreement, Distributor will no longer have the right to place orders for the Products with Company's contract manufacturers. Further, until the earlier of a Change of Control of Company or Company's securities being publicly listed on a securities exchange, Company shall provide quarterly financial statements to Distributor and immediately notify Distributor of Company's receipt of a notice alleging Company's material breach of or default under any loan or debt financing agreement.

6.4 Technical and Promotional Materials. Company shall furnish Distributor with Company's technical, clinical and safety information as reasonably required by Distributor to evaluate, market, promote, distribute and sell Products in the Territory. Without limiting the generality of the foregoing, Company shall provide Distributor with one (1) copy of all Documentation electronically within [*] after the Effective Date if available as of the Effective Date or [*] after finalization by Company if not available as of the Effective Date.

6.5 Promotional Materials. Company shall furnish Distributor with Company's brochures and other marketing materials, which Distributor may use to prepare its own advertising and promotional materials for use in the Territory.

6.6 Marketing Support. Company shall provide commercially reasonable support to Distributor in connection with Distributor's marketing, promotion and distribution of the Products in the Territory.

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6.7 Product Changes. If Company desires to change (i) the form, fit or function or (ii) any part, process or manufacturer, which change will require the approval of any of the Regulatory Authorities or would be expected to have a material impact on quality control processes or the quality of the Products, then Company shall provide Distributor with [*] prior written notice and shall obtain all Regulatory Approvals necessary to allow Distributor to import, market, promote, distribute and sell such changed Product in the Territory as a medical device for the treatment of Major Depressive Disorder indications that are substantially similar to the Major Depressive Disorder indications for which the Product is then approved in the Territory. Company shall not discontinue any Product unless (a) Company provides Distributor with at least six (6) months prior written notice of the discontinuance, (b) Company introduces a new Product for use in the Territory that retains reasonably comparable or better functionality as the discontinued Product and (c) ensures that repair service and compatible service parts and components necessary for after-sales service of the discontinued Products remain available until the earlier of the date that is: (i) [*] after Company discontinues any Product; or (ii) the end of the Term.

6.8 Recall. Company and the DMAH have sole authority to issue a recall or require corrective action with respect to Products in the Territory (collectively, the "***Recall***") including those required by Applicable Law or a regulatory authority in the Territory. In the case of any Recall, Company and DMAH shall be responsible to plan and lead the Recall with input from the Distributor, and Distributor shall be responsible for executing the plan within the Territory including communications with customers, performing all field activities in the Territory and, if necessary, the physical return of the Product from the Territory. The Parties shall fully cooperate with each other concerning any Recall. Except to the extent that the Recall is caused by Distributor's negligence (such improper installation or service of the Products) or breach of this Agreement, Company shall provide Distributor with replacement Products free of charge and shall reimburse Distributor for its out-of-pocket expenses and technical service labor at Distributor's then-current list price for labor. If the Recall is caused by Distributor's negligence or Distributor's material breach of this Agreement, Distributor shall be responsible for the cost of replacement Products and all its expenses incurred in the Recall.

6.9 Safety Information. Company shall provide to Distributor copies of any correspondence it provides to MHLW or other regulatory authority in the Territory concerning safety issues with respect to the Products (whether experienced inside or outside the Territory) promptly after sending such correspondence to MHLW or the applicable regulatory authority.

6.10 Technical Training. Company shall provide initial technical support training to Distributor's personnel as set forth in Schedule C at Company's expense. Distributor may require Company to provide additional technical training to Distributor personnel to be held at a location or locations to be determined by Distributor and at Distributor's expense as set forth in Schedule C.

6.11 Technical Support. Company shall provide technical support in accordance with Schedule K.

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6.12 Distributor Audit Rights. Company shall ensure that an independent third party selected by Distributor and reasonably acceptable to Company and any Regulatory Authorities, to the extent permitted by Applicable Law, may, during regular business hours, after entering into a confidentiality agreement reasonably acceptable to Company and upon reasonable advance written notice, not more than once annually, (i) examine and inspect Company's facilities or, subject to any third party confidentiality restrictions and other obligations, the facilities of any subcontractor and the facilities of the DMAH and Company's Agent, and (ii) subject to Applicable Law and any third party confidentiality restrictions and other obligations, inspect all data, documentation and work product relating to the activities performed by Company, its subcontractors, DMAH and Company's Agent, including relating to the Products and their manufacture, solely for the purposes of determining Company's compliance with the terms of this Agreement. This right of Distributor to audit and inspect the data, documentation, and work product of the Company, its subcontractors, the DMAH and Company Agent may be exercised at any time during the Term upon reasonable notice (subject to each Party's record retention policies then in effect), or such longer period as shall be required by Applicable Law.

7. Intellectual Property.

7.1 Company's Registration of Trademarks. Promptly after the Effective Date, the Company shall register the English language Company Trademarks not yet registered in the Territory and the katakana Company Trademarks in the Territory and, once obtained, maintain the registration of such Company Trademarks in the Territory during the Term.

7.2 Distributor's Use of Company Trademarks.

7.2.1 Company hereby grants to Distributor an exclusive (except for those to whom Company may sell Products in the Territory as set forth in Section 2.1), royalty-free, non-transferable, license to use the Company Trademarks during the Term to import, market, promote, distribute and sell the Products in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel in the Territory, with the rights to grant sublicenses to Distributor's Affiliates, Sales Representatives, subdistributors and customers.

7.2.2 Distributor shall brand the Products with the Company Trademarks at no cost to Distributor; provided that Distributor shall also have the right to co-brand the Products with Distributor's trademarks approved by Company ("***Distributor Trademarks***"), such approval not to be unreasonably withheld. The ownership of Distributor Trademarks used to co-brand the Products shall remain with Distributor, and Company shall have no rights with respect to the Distributor Trademarks, except for a limited royalty-free license to use after termination of this Agreement by either Party any Distributor Trademarks that Distributor develops and uses solely in connection with the promotion and distribution of the Products in the Territory.

7.2.3 Distributor shall use Company Trademarks in accordance with Company's trademark usage guidelines, a draft of which Company has provided to Distributor prior to the Effective Date and which Company may update and finalize prior to Distributor promoting sales of Products in the Territory. Company may update such guidelines from time to time on at least [*] prior written notice; provided that Distributor will not be required to destroy

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marketing collateral based on the guidelines previously in effect and already produced or under a non-cancelable contract or a contract cancelable only with a penalty or other payment obligation for production as of the date of such notice. Company shall retain all right, title and interest in and to all Company Trademarks and all usage of the Company Trademarks by Distributor shall inure to the benefit of Company, except to the extent related to the Distributor Trademarks. Distributor shall take no steps to register any Company Trademarks or any other mark confusingly similar to any of the Company Trademarks, and upon the Transition Effective Date, Distributor shall not initiate any new use of the Company Trademarks. Distributor shall not use Company Trademarks in any manner that is disparaging or that otherwise portrays Company or Products in a negative light. Company shall not apply to register the Distributor Trademarks or any trademarks that combine Distributor Trademarks and Company Trademarks in any jurisdiction.

7.3 Software.

7.3.1 Company hereby grants to Distributor a limited, non-exclusive, non-transferable, royalty-free and non-sublicensable right (except to the Technical Support Company and to customers as set forth in this Section 7.3.1) and license to: (a) use the Software to demonstrate, maintain and support the Products; and (b) supply licensed copies of the Software and grant sublicenses to use the Software to purchasers of the NeuroStar Products in the Territory solely for use with the Products or a TrakStar Computer (the "***Limited License***"). For the avoidance of doubt, the Limited License will remain in effect after expiration or termination of this Agreement solely to allow Distributor's customers to continue using Products purchased prior to expiration or termination of the Agreement. Distributor obtains no right, title or interest in or to the Software, except for the Limited License granted pursuant hereto, and Company and its licensors reserve all rights not expressly granted.

7.3.2 Distributor or the Technical Support Company shall be responsible for loading the TrakStar Software onto the TrakStar Computer and for loading all new versions, releases updates and bug fixes to the Software released after the applicable Product is placed into inventory at Company's warehouse. Company shall supply to Distributor or the Technical Support Company, as directed by Distributor, all new versions, releases, updates and bug fixes to the Software in such format as to enable the Distributor or Technical Support Company to install such new version, release, update or bug fix in the Products purchased by Distributor's customers in the Territory and the TrackStar Computer, as applicable.

7.3.3 Except as set forth in this Section 7.3, Distributor may not loan, rent, lease, license or otherwise transfer to any other person, or host on behalf of any other person, the Software, and may not copy, modify, remove, disintegrate, create derivative works from or tamper with the Software.

7.3.4 Distributor shall require all purchasers of the NeuroStar Product in the Territory to enter in an agreement of sale that contains at least the terms attached to Schedule I for which Distributor may prepare a Japanese version that is revised so as to be enforceable in accordance with the laws of the Territory and in accordance with local custom and practice (the "***Minimum Terms and Conditions of Sale***"). Company may update the Minimum Terms and

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Conditions of Sale from time to time on at least [*] prior written notice to Distributor. Company shall consider in good faith any comments that Distributor may have regarding any updates to the Minimum Terms and Conditions of Sale. Distributor shall update its terms and conditions of sale for the NeuroStar Product as promptly as possible after expiration of such [*] so as to be consistent with the updated Minimum Terms and Conditions of Sale, enforceable in accordance with the laws of the Territory and in accordance with local custom and practice and ensure that all new customers for the Products after the completion of the notice period (that is, customers who have not previously purchased Products from Distributor and who are not purchasing through a purchasing cooperative or other entity that already has a contract with Distributor for the purchase of Products) enter into an agreement of sale that includes at least the updated Minimum Terms and Conditions of Sale as modified to be in accordance with the laws of the Territory and in accordance with local custom and practice.

7.3.5 Except as expressly permitted under Applicable Law, Distributor may not decompile, reverse engineer or disassemble the Software and may not disintegrate the Redistributable Code from the Software.

7.4 Documentation. Distributor may copy and distribute the Documentation as necessary to maintain, support and service the Products; provided that it shall maintain all Company Trademarks and copyright notices thereon. Company hereby grants to Distributor a limited, royalty-free, non-exclusive, non-transferable, and non-sublicensable right and license (except to the Technical Support Company) to: (a) copy, use and distribute the Documentation to demonstrate, maintain, support and service the Products; and (b) create Japanese versions of the Documentation and copy, use and distribute such translated versions of the Documentation to demonstrate, maintain, support and service the Products and supply such Documentation to the Technical Support Company and purchasers of the Product in the Territory. Distributor obtains no right, title or interest in or to the Documentation, except as expressly set forth in this Section 7.4, and Company reserves all rights not expressly granted.

7.5 Marketing Materials. Company may from time to time provide Distributor with certain materials such as, but not limited to: demonstration Products, models, advertising materials, booklets and brochures, reprints of technical articles and marketing plans (the "***Marketing Materials***"). The Marketing Materials shall remain the sole property of Company and any such Marketing Materials remaining in the possession of Distributor shall be promptly destroyed, at Distributor's expense, upon request any time after the expiration of this Agreement; provided that Distributor may continue to use the Marketing Materials and will not be required to destroy the Marketing Materials until Distributor's rights under Section 13.2 expire. Distributor shall also have the right to cross link to Company's website and to use Company Trademarks on its website to promote and sell the Products in the Territory.

7.6 Intellectual Property Rights. Except as set forth in this Section 7, Distributor shall have no rights to any intellectual property rights of Company.

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8. Confidential Information.

8.1 Confidential Information. As used in this Agreement, the term "***Confidential Information***" means all information, whether it be written or oral, including all production schedules, lines of products, volumes of business, processes, new product developments, product designs, formulae, technical information, laboratory data, clinical data, patent information, know-how, trade secrets, financial and strategic information, marketing and promotional information and data, and other material relating to any products, projects or processes of one Party (the "***Disclosing Party***") that is provided to, or otherwise obtained by, the other Party (the "***Receiving Party***") in connection with this Agreement. Notwithstanding the foregoing sentence, Confidential Information shall not include any information or materials that:

8.1.1 were already known to the Receiving Party (other than under an obligation of confidentiality), at the time of disclosure by the Disclosing Party, to the extent such Receiving Party has documentary evidence to that effect;

8.1.2 were generally available to the public or otherwise part of the public domain at the time of disclosure thereof to the Receiving Party;

8.1.3 became generally available to the public or otherwise part of the public domain after disclosure or development thereof, as the case may be, and other than through any act or omission of a Party in breach of such Party's confidentiality obligations under this Agreement;

8.1.4 were disclosed to a Party, other than under an obligation of confidentiality, by a third party who had no obligation to the Disclosing Party not to disclose such information to others; or

8.1.5 were independently discovered or developed by or on behalf of the Receiving Party without the use of the Confidential Information belonging to the other Party, to the extent such Receiving Party has documentary evidence to that effect.

8.2 Confidentiality Obligations. Each of Distributor and Company shall keep all Confidential Information received from or on behalf of the other Party with the same degree of care with which it maintains the confidentiality of its own Confidential Information, but in all cases no less than a reasonable degree of care. Neither Party shall use such Confidential Information for any purpose other than in performance of its obligations or the exercise of its rights pursuant to this Agreement or disclose the same to any other person other than to such of its and its Affiliates' directors, managers, employees, independent contractors, agents, consultants or sublicensees who have a need to know such Confidential Information to implement the terms of this Agreement or enforce its rights under this Agreement; provided, however, that a Receiving Party shall advise any of its and its Affiliates' directors, managers, employees, independent contractors, agents, consultants or sublicensees who receives such Confidential Information of the confidential nature thereof and of the obligations contained in this Agreement relating thereto, and the Receiving Party shall ensure (including, in the case of a third party, by means of a written agreement with such third party having terms at least as protective as those contained in this Section 8) that all such directors, managers, employees, independent contractors, agents, consultants or sublicensees comply with such obligations. Upon

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expiration or termination of this Agreement, the Receiving Party shall return or destroy all documents, tapes or other media containing Confidential Information of the Disclosing Party that remain in the possession of the Receiving Party or its directors, managers, employees, independent contractors, agents, consultants or sublicensees, except that the Receiving Party may keep one copy of the Confidential Information in the legal department files of the Receiving Party, solely for archival purposes. Such archival copy shall be deemed to be the property of the Disclosing Party, and shall continue to be subject to the provisions of this Section 8. It is understood that receipt of Confidential Information under this Agreement will not limit the Receiving Party from assigning its employees to any particular job or task in any way it may choose, subject to causing such employees to comply with this Section 8.

8.3 Permitted Disclosure and Use. Notwithstanding Section 8.2 either Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary to: (a) comply with or enforce any of the provisions of this Agreement, (b) comply with Applicable Law or (c) to the extent such disclosure is reasonably necessary to obtain or maintain regulatory approval of a Product, to the extent such disclosure is made to a Governmental Authority. If a Receiving Party deems it necessary to disclose Confidential Information of the Disclosing Party pursuant to this Section 8.3, the Receiving Party shall give reasonable advance written notice of such disclosure to the Disclosing Party to permit the Disclosing Party sufficient opportunity to object to such disclosure or to take measures to ensure confidential treatment of such information, including seeking a protective order or other appropriate remedy. Notwithstanding Section 8.2, Distributor may also disclose Confidential Information belonging to Company related to Product (i) to third parties in connection with the promotion, marketing and sales of Products in the Territory and (ii) to potential subdistributors and potential Sales Representatives (provided that such third parties in clauses (i) and (ii) are bound by written agreements having terms at least as protective as those contained in this Section 8 with respect to keeping such Confidential Information confidential). The Receiving Party shall notify the Disclosing Party promptly upon discovery of any unauthorized use or disclosure of the Disclosing Party's Confidential Information, and will cooperate with the Disclosing Party in any reasonably requested fashion to assist the Disclosing Party to regain possession of such Confidential Information and to prevent its further unauthorized use or disclosure.

8.4 Notification. In the event that a Receiving Party becomes aware that a third party recipient of Confidential Information has breached its confidentiality obligations, then the Receiving Party shall promptly inform the Disclosing Party of such event, and the Parties will cooperate in their investigation of such occurrence and enforcement of the provisions of the relevant confidentiality agreement.

8.5 Publicity; Filing of this Agreement. Each Party shall maintain the confidentiality of all provisions of this Agreement, and without the prior written consent of the other Party, which consent shall not be unreasonably withheld, neither Party nor its respective Affiliates shall make any press release or other public announcement of or otherwise publicly disclose the provisions of this Agreement to any third party, except for: (a) disclosures required any national securities exchange and any other disclosures made pursuant to any listing agreement with a national securities exchange, in which case the disclosing Party shall provide the nondisclosing

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Party with at least [*] notice unless otherwise not practicable, but in any event no later than the time the disclosure required by the regulations of the applicable national securities exchange or listing agreement is made, and (b) disclosures as may be required by Applicable Law, in which case the disclosing Party shall provide the nondisclosing Party with prompt advance notice of such disclosure and cooperate with the nondisclosing Party to seek a protective order or other appropriate remedy, including a request for confidential treatment in the case of Company for a filing with the Securities and Exchange Commission; and (c) other disclosures for which consent has previously been given. A Party may publicly disclose without regard to the preceding requirements of this Section 8.5 any information that was previously publicly disclosed pursuant to this Section 8.5.

8.6 Use of Names. Except as otherwise set forth in this Agreement, neither Party shall use the name of the other Party in relation to this transaction in any public announcement, press release or other public document without the written consent of such other Party, which consent shall not be unreasonably withheld.

8.7 No Implied Licenses. All right, title and interest in and to the Disclosing Party's Confidential Information, including, without limitation, any intellectual property rights related thereto, shall remain with the Disclosing Party, subject to the limited licenses or rights to use granted to the Receiving Party in this Agreement. Except as otherwise provided in this Agreement, neither this Agreement, nor the cooperation of the Parties during the Term, shall be deemed to grant to the Receiving Party any right or licenses, express or implied, under any patents or patent applications, or to use or practice any know-how, technology or inventions, owned or controlled by Disclosing Party. Nothing in this Agreement shall be construed to prevent the Disclosing Party from exploiting the Disclosing Party's Confidential Information and all patent and other intellectual property rights therein and appurtenant thereto in any manner for any purpose.

8.8 Survival. The obligations and prohibitions contained in this Section 8 as they apply to Confidential Information shall survive the expiration or termination of this Agreement for a period of [*].

9. Representations and Warranties.

9.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as follows, as of the Effective Date:

9.1.1 Corporate Existence and Power. It is a company or corporation duly organized, validly existing, and in good standing (only in the case of Company) under the laws of the jurisdiction in which it is incorporated and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including the right to grant the licenses granted by it hereunder.

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9.1.2 Authority and Binding Agreement. (a) It has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder, (b) it has taken all necessary corporate action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder, and (c) this Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms, except as enforcement may be affected by bankruptcy, insolvency or other similar laws and by general principles of equity.

9.1.3 No Conflicts. The execution, delivery and performance of this Agreement in accordance with its terms by it does not (a) conflict with any agreement, instrument or understanding, oral or written, to which it is a party and by which it may be bound or (b) violate any Applicable Law.

9.1.4 All Consents and Approvals Obtained. Except with respect to the Regulatory Approvals and Distributor Approvals, (a) all necessary consents, approvals and authorizations of, and (b) all notices to, and filings with all Governmental Authorities and third parties required to be obtained or provided by such Party in connection with the execution, delivery and performance of this Agreement have been obtained.

9.2 Additional Representations, Warranties and Covenants of Company. Company hereby represents, warrants and covenants to Distributor that:

9.2.1 To the knowledge of Company, the design, manufacture, marketing, sale, offer for sale, importation and use of the Products, Software and the System as of the Effective Date for treatment of Major Depressive Disorder do not infringe or misappropriate the intellectual property rights of any third party.

9.2.2 No claim has been made to Company in writing which alleges that the design, manufacture, marketing, sale, offer for sale, importation or use of the Products, Software or the System for treatment of Major Depressive Disorder infringes or misappropriates the intellectual property rights of a third party.

9.2.3 Except with respect to the Redistributable Code, Company is the sole legal and beneficial owner of all Software and intellectual property rights related thereto, free and clear of any liens or other encumbrances.

9.2.4 Company's agreements with all third parties for the Redistributable Code are in full force and effect, are enforceable in accordance with their terms by Company and, to Company's knowledge, the third parties thereto and such agreements will not cease to be so valid and binding and in full force and effect as a result of the transactions contemplated by this Agreement.

9.2.5 Company is the sole legal and beneficial owner of the Company Trademarks, free and clear of any liens or other encumbrances. To Company's knowledge (a) there is no reason that would prevent Company from registering the katakana Company Trademarks in the Territory in the IC classes indicated in Schedule D and (b) no third party is using (other than [*]) or infringing the Company Trademarks in the Territory. Company has not entered (other than a non-exclusive license agreement with [*]) nor during the Term will enter

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into any agreement granting any right, interest or claim in or to, any Company Trademarks for use in connection with the promotion, import into the Territory, distribution or sale of Products in the Pre-Reimbursement Approval Channel or Post-Reimbursement Approval Channel to any third party other than non-exclusive license agreements with Eye-Lens and/or [*] that would not interfere with or impair rights granted to Distributor pursuant to this Agreement.

9.2.6 There is no pending or, to Company's knowledge, threatened legal, administrative, arbitral or other proceeding, claim, suit or action against or, to the knowledge of the Company, any governmental or regulatory investigation of Company, nor any injunction, order, judgment, ruling or decree imposed upon or, to Company's knowledge, threatened to be imposed upon Company involving the Products, System, Software, Trademarks or Company's failure to comply with Applicable Law with respect to the Products or that would potentially prevent Company from fulfilling its obligations set forth in this Agreement.

9.2.7 Neither Company, its Affiliates nor, to Company's knowledge, its shareholders have entered into any agreement for, or are currently in any negotiations for, a Change of Control of Company.

9.2.8 Company's agreements with all contract manufacturers for the Products are in full force and effect, are enforceable in accordance with their terms by Company and, to Company's knowledge, the third parties thereto and such agreements will not cease to be so valid and binding and in full force and effect as a result of the transactions contemplated by this Agreement.

9.2.9 Company has obtained the written agreement of Company's contract manufacturers to accept and honor all orders placed by Distributor pursuant to Section 6.3.

9.2.10 To Company's knowledge, all work related to obtaining the Regulatory Approvals has been performed in accordance with all Applicable Law.

9.2.11 Company has a valid Foreign Manufacturer Accreditation in respect of the Products and will maintain the Foreign Manufacturer Accreditation during the Term of this Agreement.

9.3 Limited Product Warranty.

9.3.1 Company warrants to Distributor that each unit of Product sold to Distributor under this Agreement and the Software distributed in connection therewith shall: (a) at the time of delivery be free of liens, claims and encumbrances; (b) at the time of delivery comply with the Specifications; and (c) be free from Defects until the earlier of [*] after the date of installation of such unit of the Product at the end-user customer and [*] after delivery of such unit of the Product to Distributor pursuant to Section 3.7.1 (for the applicable unit of the Product, the "***Warranty Period***"). The foregoing warranties set forth in clause (c) of this Section 9.3.1 apply only if Products have not been mishandled, damaged or altered after delivery of the Products to Distributor pursuant to Section 3.7.1. All claims in respect of the warranty set forth in the foregoing sentence must be made no later than the Warranty Period, and Company shall have no responsibility for claims for breach of the warranty set forth in this Section 9.3.1 made

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after expiration of the applicable Warranty Period. Notwithstanding anything to the contrary in this Agreement: (i) the warranties set forth in this Section 9.3.1 shall not apply to any Defect caused by improper installation or Distributor's or its customer's failure to maintain such Products in accordance with documentation provided by Company to Distributor sufficiently prior to such failure so as to have allowed Distributor or Distributor's customer a reasonably opportunity to have avoided such failure, provided that such documentation complies with Applicable Law and the provisions of this Agreement; and (ii) Company shall not be obligated to furnish service under such warranty: (1) to repair damage resulting from attempts by personnel other than Company representatives to repair Products, except for personnel of Distributor or the Technical Service Company who have attempted to repair damage in accordance with documentation provided by Company to Distributor or the Technical Service Company and caused no additional damage or (2) to repair damage resulting from connection to incompatible equipment or use other than as set forth in documentation provided by Company to Distributor prior to the occurrence of the Defect.

9.3.2 If during the Warranty Period for a particular unit of Product (other than the Software), Distributor claims that a Product or component thereof does not comply with the warranties set forth in Section 9.3.1, Distributor shall return the allegedly defective Product(s) or component to Company in accordance with Section 3.10; provided that (a) units of NeuroStar Product that experience an Out of Box Failure may not be returned to Company except in accordance with Section 9.3.5 and (b) for the avoidance of doubt, in the case of alleged defects that can be addressed by replacement of a part or a field replacement unit, only the alleged defective part or field replacement unit may be returned to Company. Upon confirmation by Company that the Product(s) do not comply with the foregoing warranties and that the Warranty Period for Product(s) did not expire prior to Distributor making the warranty claim, Company shall at its option and expense and, as Distributor's sole and exclusive remedy for Company's breach of the warranty set forth in Section 9.3.1, repair or replace the defective Product(s) and ship the repaired or replaced Product(s) to Distributor at Company's expense, or credit Distributor's account for such Product(s), provided, however that notwithstanding any other provision of this Agreement, Company itself shall have no obligation to provide repair or other labor services with personnel located in the Territory (including any labor to uninstall or install any parts). As to alleged Defective Software, upon confirmation by the Company that the Software does not comply with the warranties set forth in Section 9.3.1, Company shall as Distributor's sole and exclusive remedy for Company's breach of the warranties set forth in Section 9.3.1 promptly provide Distributor with a work around, bug fix, patch or other support services that restores operation of the Software to be in substantial compliance with the Software Documentation. If Company determines that the Product(s) or Software comply with the warranties set forth in Section 9.3.1 or that the Warranty Period for the Product(s) expired prior to Distributor making the warranty claim, Company shall notify Distributor of such fact and provide to Distributor a report setting forth the analysis and reasoning supporting such determination by the Company ("***Warranty Report***"). In such a case Company shall have no obligation to provide warranty service and shall instead comply with Distributor's direction regarding the disposition of such Product at Distributor's expense. For the avoidance of doubt, the provisions of this Section 9.3.2 shall in no way limit Company's indemnification obligations set forth in Section 10.

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9.3.3 If Distributor disagrees with the conclusions set forth in Company's Warranty Report, then each Party shall appoint a senior manager to meet and discuss in good faith whether the returned Products contain any Defects. If such senior managers are unable to reach agreement on whether the returned Products contain any Defects within a period of [*], then either Party may request that an independent third party expert reasonably acceptable to the other Party review the Warranty Report and the returned Products, determine whether the Products contain any Defects and issue a written report to both Parties describing the review conducted by the third party expert, the determination of whether the returned Products contain any Defects and the reasons for the third party experts determination. The costs of the third party expert shall be equally borne by each Party. If Company agrees with Distributor as to the existence of Defects in the returned Products, the results of Company's analysis of the returned Products confirms the existence of a Defect in the Products or the third party expert concludes that there is a Defect in the returned Products and in all cases that the Warranty Period for the Product(s) did not expire prior to Distributor making the warranty claim, then Company will comply with the remedies set forth in Section 9.3.1.

9.3.4 The cost of out-of-warranty repairs is subject to Company's then-current charges. Distributor must authorize such charges prior to Company performing any such repairs. All charges shall be authorized by Distributor issuing a purchase order therefor.

9.3.5 In the case of an Out of Box Failure, Distributor or its Technical Support Company will, in accordance with the procedures in Schedule K, contact Company's technical support department and follow all steps recommended by Company to address the Out of Box Failure such that all non-conformances and failures are corrected and the NeuroStar OUS Installation Record ([*]) can be completed showing all items and criteria thereon as complete and satisfied. [*] If after following all steps recommended by Company to address the Out of Box Failure, a non-conformance or failure continues to prevent Distributor or its Technical Support Company from completing the NeuroStar OUS Installation Record ([*]) showing all items and criteria thereon as complete and satisfied, then Distributor shall return the allegedly defective NeuroStar Starter Package to Company in accordance with Section 3.10.

9.3.6 Following Distributor's [*] of NeuroStar Starter Packages at customer locations, Distributor and Company will discuss in good faith the visual inspection procedure set forth on Schedule E and whether and what adjustments to such procedures should be made to assure high customer satisfaction at time of installation.

10. Indemnification.

10.1 Indemnification.

10.1.1 Notwithstanding anything to the contrary contained herein, Distributor shall indemnify, defend and hold Company and its directors, officers, employees and agents harmless from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "***Losses***") arising in connection with any and all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, demands, judgments, orders, decrees, stipulations or injunctions by a third party (each a "***Third***

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Party Claim") that: (a) seeks recovery of Losses claimed by the employees or agents of Distributor or its Affiliates; (b) asserts breach of warranties made by Distributor or its Affiliates to purchasers of the Products in the Territory different from or in addition to those made in by Company in this Agreement with respect to the Products; and/or (c) seeks recovery of damages for injury to persons or damage to property or any other liabilities caused by the willful act, recklessness or negligence of Distributor or its Affiliates, in each case except to the extent that such Losses are subject to indemnification by the Company pursuant to Section 10.1.2.

10.1.2 Notwithstanding anything to the contrary contained herein, Company shall indemnify, defend and hold Distributor and its directors, officers, employees and agents harmless from and against any and all Losses and arising in connection with any and all Third Party Claims resulting or otherwise arising from: (a) any personal injuries, illness, death and/or property damages resulting from any Defective Product, which for purposes of this Section

10.1.3 shall include design defects in the Products; (b) any infringement of third party intellectual property rights by the import, marketing, promotion, sale or use of the Products, System, Software or Company Trademarks in the Territory in accordance with this Agreement; and (c) the negligence, recklessness or willful misconduct of Company and/or the DMAH, in each case except to the extent that such Losses are subject to indemnification by Distributor pursuant to Section 10.1.1.

10.1.4 In no event shall Company have any obligation or liability to Distributor under this Section 10.1 for any Losses suffered by a third party as a result of:

(a) Distributor or its Affiliates making any warranty, express or implied, to customers that is different from Company's warranty set forth in Section 9.3.1;

(b) Any design, cosmetic or functional change in Product made intentionally by Distributor or its Affiliates, except as Distributor may do so in accordance with the Documentation or pursuant to operation of the Software;

(c) Distributor or its Affiliates not storing, handling, or transporting the Products in accordance with the Documentation provided by Company to Distributor or service performed by or on behalf of Distributor or any of its Affiliates not in accordance with Documentation provided to Distributor by Company; or

(d) Distributor or its Affiliates labeling or relabeling Products as any other product or a component of any other product, except that Distributor or its Affiliates may attach labels to Products in compliance with Applicable Law in the Territory.

10.2 Indemnification Procedures.

10.2.1 Notice of Claim. All indemnification claims in respect of any indemnitee seeking indemnity under Section 10.1.1 or 10.1.2, as applicable (collectively, the "***Indemnitees***" and each an "***Indemnitee***") will be made solely by the corresponding Party (the "***Indemnified Party***"). The Indemnified Party will give the indemnifying Party (the "***Indemnifying Party***") prompt written notice (an "***Indemnification Claim Notice***") of any Losses and any legal

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proceeding initiated by a Third Party against the Indemnified Party as to which the Indemnified Party intends to make a request for indemnification under 10.1.1 or 10.1.2, as applicable, but in no event will the Indemnifying Party be liable for any Losses that result from any delay in providing such notice which materially prejudices the defense of such proceeding. Each Indemnification Claim Notice shall contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss are known at such time). Together with the Indemnification Claim Notice, the Indemnified Party will furnish promptly to the Indemnifying Party copies of all notices and documents (including court papers) received by any Indemnitee in connection with the Third Party Claim.

10.2.2 Control of Defense. At its option, the Indemnifying Party may assume the defense of any Third Party Claim subject to indemnification as provided for in 10.1.1 or 10.1.2, as applicable, by giving written notice to the Indemnified Party within thirty (30) days after the Indemnifying Party's receipt of an Indemnification Claim Notice. Upon assuming the defense of a Third Party Claim, the Indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel it selects, and such Indemnifying Party shall thereafter continue to defend such Third Party Claim in good faith. Should the Indemnifying Party assume the defense of a Third Party Claim (and continue to defend such Third Party Claim in good faith), the Indemnifying Party will not be liable to the Indemnified Party or any other Indemnitee for any legal expenses subsequently incurred by such Indemnified Party or other Indemnitee in connection with the analysis, defense or settlement of the Third Party Claim, unless the Indemnifying Party has failed to assume the defense and employ counsel in accordance with this Section 10.2.2.

10.2.3 Right to Participate in Defense. Without limiting Section 10.2.2, any Indemnitee will be entitled to participate in the defense of a Third Party Claim for which it has sought indemnification hereunder and to employ counsel of its choice for such purpose; provided, however, that such employment will be at the Indemnitee's own expense unless (a) the employment thereof has been specifically authorized by the Indemnifying Party in writing, or (b) the Indemnifying Party has failed to assume the defense (or continue to defend such Third Party Claim in good faith) and employ counsel in accordance with Section 10.2.2, in which case the Indemnified Party will be allowed to control the defense.

10.2.4 Settlement. With respect to any Losses relating solely to the payment of money damages in connection with a Third Party Claim and that will not result in the Indemnitee becoming subject to injunctive relief and as to which the Indemnifying Party will have acknowledged in writing the obligation to indemnify the Indemnitee hereunder, the Indemnifying Party will have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the Indemnifying Party, in its reasonable discretion, will deem appropriate (provided, however, that such terms shall include a complete and unconditional release of the Indemnified Party from all liability with respect thereto), and will transfer to the Indemnified Party all amounts which said Indemnified Party will be liable to pay prior to the time of the entry of judgment. With respect to all other Losses in connection with Third Party Claims, where the Indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 10.2.2, the Indemnifying Party will have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss,

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provided it obtains the prior written consent of the Indemnified Party (which consent will be at the Indemnified Party's reasonable discretion). The Indemnifying Party that has assumed the defense of (and continues to defend) the Third Party Claim in accordance with Section 10.2.2 will not be liable for any settlement or other disposition of a Loss by an Indemnitee that is reached without the written consent of such Indemnifying Party. Regardless of whether the Indemnifying Party chooses to defend or prosecute any Third Party Claim, no Indemnitee will admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim without first offering to the Indemnifying Party the opportunity to assume the defense of the Third Party Claim in accordance with Section 10.2.2.

10.2.5 Cooperation. If the Indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party will, and will cause each other Indemnitee to, cooperate in the defense or prosecution thereof and will furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection with such Third Party Claim. Such cooperation will include access during normal business hours afforded to the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim, and making Indemnitees and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the Indemnifying Party will reimburse the Indemnified Party for all its reasonable out-of-pocket expenses incurred in connection with such cooperation.

10.2.6 Expenses of the Indemnified Party. Except as provided above, the reasonable and verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any Third Party Claim will be reimbursed on a calendar quarter basis by the Indemnifying Party, without prejudice to the Indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the Indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party.

11. Risk Allocation.

11.1 Disclaimer. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTIONS 9.1, 9.2 AND 9.3, COMPANY MAKES NO OTHER WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AND COMPANY AND ITS THIRD PARTY SUPPLIERS (IF ANY) HEREBY DISCLAIM ALL OTHER WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY, AND NON-INFRINGEMENT.

11.2 Limitation of Liability.

11.2.1 WITH THE EXCEPTION OF LIABILITY FOR INDEMNIFICATION UNDER SECTION 10 OR LIABILITY RESULTING FROM INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS, GROSS NEGLIGENCE, WILLFUL MISCONDUCT

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OR BREACH OF SECTION 8, NEITHER PARTY (THE FIRST PARTY) SHALL BE LIABLE TO THE OTHER PARTY OR ANY THIRD PARTY FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, INDIRECT, PUNITIVE OR OTHER SIMILAR DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY LOST PROFITS OR LOST REVENUES) UNDER ANY THEORY OF LIABILITY. THIS LIMITATION SHALL APPLY EVEN WHERE THE FIRST PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

11.2.2 WITH THE EXCEPTION OF LIABILITY FOR INDEMNIFICATION UNDER SECTION 10 OR LIABILITY RESULTING FROM INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS, GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR BREACH OF SECTION 8, IN NO EVENT SHALL COMPANY'S LIABILITY TO DISTRIBUTOR, REGARDLESS OF THE THEORY OF LIABILITY, EXCEED THE GREATER OF (A) US$5 MILLION OR (B) THE AMOUNTS RECEIVED BY COMPANY FROM DISTRIBUTOR UNDER THIS AGREEMENT (EXCLUSIVE OF REIMBURSEMENT OF PASS THROUGH EXPENSES SUCH AS SHIPPING COSTS AND DUTIES) IN THE TWELVE (12) MONTHS PRIOR TO THE ACCRUAL OF THE CLAIM.

11.3 Insurance. Each Party shall procure and maintain insurance, including comprehensive general public liability insurance and product liability insurance, and, in the case of Company clinical trial insurance, adequate and appropriate to cover its obligations hereunder. Certificates of insurance evidencing such coverage will be made available to the other Party upon written request.

12. Term and Termination.

12.1 Term. The term of this Agreement shall commence on the Effective Date and extend up to and until the end of the seventh (7^{th}) Fiscal Year after Company receives the Product Approval, subject to earlier termination as provided below in this Section 12 (the "***Initial Term***"). The term of this Agreement shall be automatically extended for additional periods of two (2) Fiscal Years each such that the remaining term of the Agreement is four (4) years (the Initial Term, as so extended from time to time, the "***Term***") unless either Party provides the other Party with written notice of non-extension not later than two (2) years prior to the end of the Term; provided, however, that if during the Initial Term Distributor purchases Products from Company totaling at least one hundred percent (100%) of the Dollar value set forth in the Initial Sales Forecast plus one hundred percent (100%) of the Dollar value set forth in each of the New Sales Forecasts for each subsequent Fiscal Year of the Initial Term, or during the first two (2) Fiscal Years of each extension of the Term, Distributor purchases Products from the Company totaling one hundred percent (100%) of the Dollar value set forth in each New Sales Forecast for such two (2) Fiscal Years, then (a) any previous notice of non-extension provided by Company shall be null and void and (b) the Term will be automatically extended for an additional two (2) Fiscal Years.

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12.2 Termination for Cost-Sharing, Safety or Use Survey.

12.2.1 Notwithstanding any other provision of this Agreement, Distributor may terminate this Agreement at any time if Distributor reasonably believes that it is not commercially reasonable for Distributor to continue to distribute the Products in the Territory for reasons including, but not limited to, safety, efficacy, an unfavorable Reimbursement Rate (which must be below [*] to be considered unfavorable), introduction of competitive product(s), by providing prior written notice to Company and a reasonable explanation and documentation to Company that supports Distributor's belief. Upon receipt of such written notice and explanation with documentation, Company and Distributor shall discuss the matter in good faith for a period of ninety (90) days. If at the end of such ninety (90) day period Distributor and Company cannot agree on whether it is commercially reasonable for Distributor to continue to distribute the Products in the Territory, or cannot agree on modifications to this Agreement that would make it commercially reasonable for Distributor to continue to distribute the Products, including revisions to the Minimum Purchase Requirement, True-Up Payment and/or transfer prices, then Distributor may terminate this Agreement by providing one (1) year prior written notice to Company, and no Minimum Purchase Requirement or True-Up Payment shall apply during such one (1) year period but the Minimum Purchase Requirement for the period prior to notice of termination shall be satisfied or True-Up Payment made and Initial Milestone Payment 2 and Milestone Payment 2 shall not be adjusted or refunded.

12.2.2 Notwithstanding any other provision of this Agreement, Distributor may immediately terminate this Agreement if notwithstanding the exercise of its commercially reasonable efforts Company does not obtain a use results survey period (exclusivity) of at least forty eight (48) months in connection with the first Regulatory Approvals; provided that Distributor sends notice of termination to Company within thirty (30) days after Distributor receives written notice from Company that the use results survey period (exclusivity) is less than forty eight (48) months. If Distributor terminates this Agreement under this Section 12.2.2, then the Agreement will remain in effect for one year after Distributor sends notice to Company, and no Minimum Purchase Requirement or True-Up Payment shall apply during such one year period, provided, however, that notwithstanding Section 2.1.1 Distributor will become a non-exclusive distributor during such one year period, and the restrictions on Company promoting or selling Products in the Territory in the Pre-Reimbursement Approval Channel and the Post-Reimbursement Approval Channel set forth in Sections 2.1.1, 2.1.3 and 2.1.5 shall not apply during such one year period.

12.3 Termination for Breach. Subject to the other rights of termination set forth in this Agreement, either Party may terminate this Agreement at any time in the event the other Party breaches this Agreement upon prior written notice to the breaching Party describing the breach in detail and giving the breaching Party thirty (30) days to cure the breach. If the breach has not been cured within thirty (30) days of receipt of such notice, the Party giving such notice may immediately terminate this Agreement upon notice to the breaching Party. If a breaching Party who has been given written notice and cured a breach subsequently commits the same breach within six (6) months of such earlier breach, then the other non-breaching Party shall have the right to immediately terminate this Agreement by providing notice to the breaching Party and the breaching Party shall have no further opportunity to cure.

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12.4 Termination for Failure to Achieve the Product Approval. Either Party may terminate this Agreement immediately by providing prior notice to the other Party in the event that, notwithstanding the exercise of its commercially reasonable efforts, Company does not obtain the first Product Approval and the DMAH within one (1) year after the Effective Date.

12.5 Termination for Failure to Achieve the Distributor Approvals. Company may terminate this Agreement at time by providing sixty (60) days prior written notice to Distributor in the event Distributor does not obtain the Distributor Approvals within ninety (90) days after the Effective Date or at any time fails to maintain the Distributor Approvals. If Company terminates this Agreement under this Section 12.5 due to Distributor's failure to maintain the Distributor Approvals, then Initial Milestone Payment 2 and Milestone Payment 2 shall not be adjusted or refunded and no Minimum Purchase Requirement or True-Up Payment obligations shall apply to such sixty (60) day period (but shall apply with respect to prior periods on a pro rata basis).

12.6 Termination for Failure to Achieve the 1st Reimbursement Approval.

12.6.1 Distributor may terminate this Agreement by providing written notice to Company if, notwithstanding the exercise of its commercially reasonable efforts, Company does not obtain the 1st Reimbursement Approval by the Reimbursement Approval Deadline. Distributor must provide such written notice to Company no later than ninety (90) days after the Reimbursement Approval Deadline for such termination to be effective and if Distributor does not provide such written notice with such ninety (90) day period, then Company may terminate this Agreement on written notice to Distributor. Upon a Party giving notice of termination under this Section 12.6.1, this Agreement shall terminate one (1) year from the date of the notice of termination and, for the avoidance of doubt, Initial Milestone Payment 2 and Milestone Payment 2 shall not be made and no Minimum Purchase Requirement shall apply during such one (1) year period.

12.6.2 If Distributor does not obtain the 1st Reimbursement Approval by the end of the Distributor 1st MHLW Lead Period or if during the Distributor 1st MHLW Lead Period Distributor decides to cease its commercially reasonable efforts to obtain the 1st Reimbursement Approval, then either Party may terminate this Agreement by providing written notice to the other Party. If a Party terminates this Agreement under this Section 12.6.2, then this Agreement shall terminate one (1) year from the date of the Party's written notice of termination and, for the avoidance of doubt, no Minimum Purchase Requirement shall apply during the Distributor 1st MHLW Lead Period or such one (1) year period and no adjustment or refund shall be made to Milestone Payment 2 already paid.

12.7 Termination for Failure to Achieve [*] Reimbursement Price.

12.7.1 Either Party may terminate this Agreement by providing written notice to other Party if Company obtains the 1st Reimbursement Approval by the Reimbursement Approval Deadline and the Reimbursement Rate in the 1st Reimbursement Approval is [*]. A Party must provide such written notice to other Party no later than ninety (90) days after the date of the 1st Reimbursement Approval and if neither Party provides such written notice within such

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ninety (90) day period, then both Parties' rights under this Section 12.7.1 are rendered null and void. If a Party timely provides its notice of termination under this Section 12.7.1, then this Agreement shall terminate one (1) year from the date of the Party's written notice of termination and, for the avoidance of doubt, Initial Milestone Payment 2 and Milestone Payment 2 shall not be made and no Minimum Purchase Requirement shall apply during such one (1) year period.

12.7.2 Either Party may terminate this Agreement by providing written notice to other Party if the Reimbursement Rate in the 1st Reimbursement Revision Approval is [*]. A Party must provide such written notice to other Party no later than ninety (90) days after the date of the 1st Reimbursement Revision Approval and if neither Party provides such written notice within such ninety (90) day period, then both Parties' rights under this Section 12.7.2 are rendered null and void. If a Party timely provides its notice of termination under this Section 12.7.2, then this Agreement shall terminate one (1) year from the date of the Party's written notice of termination and, for the avoidance of doubt, Milestone Payment 2 shall be calculated and paid as set forth in Sections 3.1.6(a) and 3.1.7, and no Minimum Purchase Requirement or True-Up Payment obligations shall apply during such one (1) year period (but shall apply with respect to prior periods).

12.8 Termination for Failure to Achieve [*] Reimbursement Price.

12.8.1 Distributor may terminate this Agreement by providing written notice to Company if, notwithstanding the exercise of its commercially reasonable efforts, Company is not able to increase or maintain the Reimbursement Rate in the 1st Reimbursement Revision Approval to an amount [*]. Distributor must provide such written notice to Company no later than ninety (90) days after the date of the 1st Reimbursement Revision Approval for such termination to be effective. If Distributor does not provide such written notice within such ninety (90) day period and also does not make the Distributor 2nd MHLW Lead Election under Section 4.1.4 within such ninety (90) day period, then Company may terminate this Agreement on written notice to Distributor. Upon a Party giving notice of termination under this Section 12.8.1, then this Agreement shall terminate one (1) year from the date of the notice of termination, Milestone Payment 2 shall be paid in accordance with Sections 3.1.5(b), 3.1.6(d) and 3.1.7, as applicable, and no Minimum Purchase Requirement or True-Up Payment obligations shall apply during such one (1) year period (but shall apply with respect to prior periods).

12.8.2 If following completion of the Distributor 2nd MHLW Lead Period, Distributor does not obtain a Reimbursement Approval with a Reimbursement Rate [*] or if during the Distributor 2nd MHLW Lead Period Distributor decides to cease its efforts to attempt to obtain an increased Reimbursement Rate, then either Party may terminate this Agreement by providing written notice to the other Party. If a Party provides its notice of termination under this Section 12.8.2, then this Agreement shall terminate one (1) year from the date of the Party's written notice of termination and, for the avoidance of doubt, Initial Milestone Payment 2 and Milestone Payment 2 shall not be adjusted or refunded and no Minimum Purchase Requirement or True-Up Payment obligations shall apply during such one (1) year period (but shall apply with respect to prior periods).

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12.9 Termination for Failure to Achieve [*] of Initial Sales Forecast. For a period of thirty (30) days after the end of the Initial Period, Company may terminate this Agreement by providing one (1) year prior written notice to Distributor if, during the Initial Period, Distributor fails to purchase Products from Company totaling at least [*] of the Dollar value set forth in the Initial Sales Forecast. If Company exercises its right to terminate this Agreement pursuant to this Section 12.9, then Distributor shall be required to pay Company the True-Up Payment for the Initial Period, however, Distributor shall, following such notice, have no Minimum Purchase Requirement or True-Up Payment obligations for the one (1) year termination period.

12.10 Termination for Failure to Achieve [*] of Fiscal Year Forecast. For a period of thirty (30) days following the completion of each Fiscal Year, Company may terminate this Agreement by providing one (1) year prior written notice to Distributor if, during such Fiscal Year, Distributor fails to purchase Products from Company totaling [*] of the Dollar value set forth in the New Sales Forecast for such Fiscal Year. If Company exercises its right to terminate this Agreement pursuant to this Section 12.10, then Distributor shall be required to pay Company the True-Up Payment for the just completed Fiscal Year; however, Distributor shall, following such notice, have no Minimum Purchase Requirement or True-Up Payment obligations for the one (1) year termination period.

12.11 Rolling Termination Right. Company may terminate this Agreement by providing one (1) year prior written notice to Distributor in the event that if in any two (2) consecutive Fiscal Years after the Initial Period, Distributor fails to purchase Products from Company totaling [*] of the combined Dollar value set forth in the New Sales Forecasts for such two (2) consecutive Fiscal Years, provided that such notice is given within thirty (30) days after the end of the second Fiscal Year (the "***Rolling Termination Right***"). [However, if in either of the two (2) consecutive Fiscal Years used in determining whether the Rolling Termination Right applies, Distributor purchases Products from Company totaling [*] of the Dollar value set forth in the New Sales Forecasts for such Fiscal Year, then the Rolling Termination Right shall not apply in respect of such two (2) consecutive Fiscal Years. If Company exercises its right to terminate this Agreement pursuant to this Section 12.11, Distributor shall have no Minimum Purchase Requirement or True-Up Payment obligations for the one (1) year termination period.

12.12 Termination for Insolvency. Upon the filing of a petition in bankruptcy, insolvency, or reorganization against or by either Party, or either Party becoming subject to a composition for creditors, whether by law or agreement, or either Party going into receivership or otherwise becoming insolvent (the "***Insolvent Party***"), this Agreement may be terminated by the other Party by giving written notice of termination to the Insolvent Party, such termination being effective immediately upon giving of such notice. If, during the Term, in Distributor's reasonable opinion the Company experiences financial difficulties including, without limitation, material breach of a loan agreement or default under any debt instrument or security, then upon written notice by Distributor, the Company and Distributor shall enter into good faith discussions regarding an amendment to the Agreement that would allow Distributor to exclusively continue the distribution and sale of Products in the Territory notwithstanding the financial difficulties of the Company.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

12.13 Effects of Termination. Termination or expiration of this Agreement for any reason will be without prejudice to any rights that will have accrued to the benefit of a Party prior to the effective date of termination or expiration. Distributor hereby expressly and irrevocably waives any rights and claims to any compensation (for goodwill, recoupment of investment or otherwise) or indemnity, in each case resulting from the termination or non-renewal of this Agreement in accordance with its terms.

12.14 Survival. The following provisions shall survive expiration or termination of this Agreement: Sections 5.10 (to the extent set forth therein), 7.2, 7.3, 7.5, 8 (to the extent set forth in Section 8.8), 9.3, and Sections 10 through 14. If any period for such survival is set forth in the foregoing referenced sections, such section shall survive for the specified period.

13. Transition In Connection with Termination of this Agreement.

13.1 Transition. Except in the event Distributor terminates this Agreement pursuant to Sections 12.3, 12.4 or 12.12 promptly upon notice of termination or, if no notice of termination has by then been sent, beginning [*] prior to the expiration of this Agreement, Distributor and Company shall use reasonably cooperate with each other to smoothly transition maintenance, repair and other customer support functions to Company and in connection therewith, the Parties shall prepare a joint communication acceptable to both Parties to be sent to such customers regarding the transition. Upon the effective date of expiration or termination of this Agreement, Company (or its agent(s), assignee(s) or designee(s)) shall accept the regulatory, marketing, sales and service responsibilities for the Products in the Territory and Distributor shall have no such responsibilities. Such responsibilities shall include, but are not limited to, distributing, marketing, selling, shipping, billing and collecting.

13.2 Inventory. During the transition period described in Section 13.1, Distributor shall have the right to continue to purchase and sell the Product for use in the Pre-Reimbursement Approval Channel and Post-Reimbursement Approval Channel in the Territory. Company will apply all unused [*] Credits and credits provided by Company pursuant to Sections 3.1.8, 3.3.5, and 9.3.2 first against Company's invoices for purchases made during this period. Within sixty (60) days after the effective date of expiration or termination of this Agreement, Company will repurchase from Distributor any marketable remaining Product inventory as of the effective date of expiration or termination of this Agreement at Distributor's acquisition transfer price; provided, however, that Products are in good and saleable condition and in their original packaging. Shipment of repurchased Products will be effected by Distributor for Company's account in accordance with Company's instructions. No later than forty-five (45) days after receipt of the repurchased Products by Company, Company will pay Distributor in cash by wire transfer to such bank account as designated by Distributor (a) the purchase price for the repurchased Products and (b) the remaining balance of any unused [*] Credits and credits provided by Company pursuant to Sections 3.1.8, 3.3.5, or 9.3.2 as of the effective date of expiration or termination of this Agreement.

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14. General Provisions.

14.1 Dispute Resolution. Except as provided in Section 14.2, each Party shall use its best efforts to resolve any dispute between them promptly and amicably and without resort to any legal process if feasible within [*] of receipt of a written notice by one Party to the other Party of the existence of such dispute. Except as provided in Section 14.2, no further action may be taken under this Section 14.1 unless and until executive officers of each of the Parties have met in good faith to discuss and settle such dispute. The foregoing requirement in this Section 14.1 shall be without prejudice to either Party's rights, if applicable, to terminate this Agreement under Section 12.

14.2 Litigation Rights Reserved. If any dispute arises with regard to the alleged breach of Sections 5.10, 7, or 8, a Party may seek any available remedy at law or in equity from a court of competent jurisdiction.

14.3 Governing Law. This Agreement, and its formation, operation and performance shall be governed, construed, performed and enforced in accordance with the substantive laws of the State of New York, U.S.A., excluding: (a) its choice of law rules; and (b) the United Nations Convention on Contracts for the International Sale of Goods.

14.4 Arbitration. Except as set forth in Section 14.2 and this Section 14.4, all disputes, controversies or claims which may arise between the Parties hereto out of or in relation to or in connection with this Agreement, any breach hereof, including, any claim that this Agreement, or any part hereof, is invalid, illegal or otherwise voidable or void, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (the "***Rules***") by three arbitrators. Each Party shall nominate one arbitrator and the two arbitrators so selected shall nominate the third arbitrator. If the Parties' two arbitrators cannot agree on a third arbitrator, the third arbitrator shall be appointed by the International Court of Arbitration of the International Chamber of Commerce in accordance with the Rules. The place of arbitration shall be San Francisco, California, U.S.A. The language of the arbitration shall be English. Unless the Parties otherwise agree, the arbitrators shall apply the International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration. Unless the Parties otherwise agree, the arbitrators shall not have the power to appoint experts. The arbitrators shall not issue any award, grant any relief or take any action that is prohibited by or inconsistent with the provisions of this Agreement and may not, under any circumstances, award punitive or exemplary damages except to the extent permitted by Section 11.2. The award rendered by the panel of arbitrators shall be binding upon the Parties hereto and judgment on the award may be entered in any court having jurisdiction thereof. Each Party shall bear its own attorneys' fees in connection with any arbitral proceedings and the arbitrators shall not include attorneys' fees in any award. Notwithstanding anything to the contrary in this Section 14.4, a Party may seek injunctive relief in any court of competent jurisdiction to prevent or stop a breach of this Agreement, prevent or stop infringement or intellectual property rights or to compel arbitration under this Section 14.4.

14.5 Currency. All amounts payable under this Agreement shall be paid in U.S. Dollars, unless otherwise specifically indicated and agreed in writing by the Parties.

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14.6 Accounting Matters. The Parties do not intend for the activities of the Steering Committee to be considered deliverables for financial statement purposes such as revenue recognition. Without limiting the generality of the foregoing, the Parties agree that the amounts payable by Distributor pursuant to Section 3.1.1 are fully earned as of the Effective Date and the payments payable pursuant to Sections 3.1.2 are fully earned upon the date upon which the applicable milestone is achieved.

14.7 Language. This Agreement may be translated into languages other than English. The English language version shall govern the meaning and interpretation of this Agreement.

14.8 Notices. Any notice, request, or other document to be given to a Party under this Agreement shall: (i) be in writing; (ii) hand delivered; (iii) sent by internationally-recognized express mail or courier service which provides documentation of receipt; or (iv) sent by facsimile as follows:

If to Company:	Neuronetics, Inc. 3222 Phoenixville Pike Malvern, PA 19355 USA Attention: Chris Thatcher, President and CEO
If to Distributor:	Teijin Pharma Limited 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Attention:
With a copy to:	Squire Gaikokuho Kyodo Jigyo Horitsu Jimusho Ebisu Prime Square Tower, 16th Floor 1-1-39 Hiroo, Shibuya-ku, Tokyo 150-0012, Japan Attn: Stephen E. Chelberg

A Party may change its address for receiving notices, requests or other documents by giving written notice of the change to the other Party.

14.9 No Oral Modifications. This Agreement may not be modified except in writing signed by both Parties.

14.10 No Implied Waiver. The failure of one Party to require performance by the other of any provision of this Agreement will not affect the right to require performance at a later time. The waiver by one Party of a breach by the other of any provision of this Agreement shall not be a waiver of any later breach of that or any other provision hereof.

14.11 Assignment.

14.11.1 Distributor may not assign this Agreement or any rights or obligations under this Agreement, in whole or in part, to any third party without the prior written consent of Company, which consent shall not be unreasonably withheld or conditioned, and any assignment by Distributor without such consent will be null and void and of no force or legal effect. Notwithstanding the foregoing sentence, Distributor may assign this Agreement without Company's consent to an Affiliate in the event of a merger or consolidation of Distributor with an Affiliate. No assignment shall relieve Distributor of its obligations under this Agreement.

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14.11.2 Company may assign this Agreement or any right or obligation under this Agreement, in whole or in part, to an Affiliate or third party, whether by Change of Control or otherwise, so long as such Affiliate or third party is bound by operation of law to all of Company's obligations as set forth in the Agreement and Distributor's rights hereunder will continue as set forth herein or Company obtains the written agreement of such third party to undertake all of Company's obligations as set forth in the Agreement and that Distributor's rights hereunder will continue as set forth herein, and any assignment by Company without such operation of law or agreement will be null and void and of no force or legal effect. No assignment shall relieve Company of its obligations under this Agreement.

14.11.3 In the event of an assignment or transfer to an Affiliate, the assigning or transferring Party shall remain responsible (jointly and severally) with such Affiliate for the performance of such assigned or transferred obligations.

14.11.4 To the extent permitted by this Agreement, this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of Company and Distributor. Any assignment or transfer, or attempted assignment or transfer, by either Party in violation of this Section 14.11 will be null and void and of no legal effect.

14.12 Taxes. Any taxes, levies or other duties ("***Taxes***") paid or required to be withheld under the appropriate tax laws by one Party ("***Withholding Party***") on account of monies payable to the other Party under this Agreement shall be deducted from the amount of monies otherwise payable to the other Party under this Agreement. The Withholding Party shall secure and send to the other Party within a reasonable period of time proof of any such Taxes paid or required to be withheld by the Withholding Party for the benefit of the other Party. The Parties shall cooperate reasonably with each other to ensure that any amounts required to be withheld by either Party are reduced in amount to the fullest extent permitted by Applicable Law. No deduction shall be made, or a reduced amount shall be deducted, if the other Party furnishes a document from the appropriate tax Governmental Authorities to the Withholding Party certifying that the payments are exempt from Taxes or subject to reduced tax rates, according to the applicable convention for the avoidance of double taxation.

14.13 Force Majeure. Neither Company nor Distributor shall be liable in damages, nor shall either of them be subject to termination of this Agreement by the other Party for any delay or default in performing any obligation under this Agreement (except payment obligations) if that delay or default is due to any cause beyond the reasonable control and without fault or negligence of that Party ("***Force Majeure***"); provided, however, that in order to excuse its delay or default under this Agreement, a Party shall notify the other of the occurrence or the cause, specifying the nature and particulars thereof and the expected duration thereof as soon as reasonably practical under the circumstances; and provided further that within [*] after the termination of such occurrence or cause, such Party shall give notice to the other Party specifying the date of termination thereof. All obligations of the Parties shall return to being in full force and effect upon the termination of such occurrence or cause (including, without

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limitation, any payments which became due and payable under this Agreement prior to the termination of such occurrence or cause). If an event of Force Majeure prevents either Party's performance hereunder and continues for more than [*], the other Party may terminate this Agreement by giving written notice, however, that any amounts due shall remain payable. For the purposes of this Section 14.13, a "***cause beyond the reasonable control***" of a Party shall include, without limiting the generality of the phrase, any act of God, act of any government or other authority or statutory undertaking, industrial dispute, fire, explosion, accident, power failure, flood, riot or war (whether declared or undeclared), earthquake, tsunami, pandemic or outbreak of communicable disease, such as SARS.

14.14 Severability. If any provision of this Agreement is declared invalid or unenforceable by an arbitrator or court having competent jurisdiction, it is mutually agreed that this Agreement shall endure except for such provision declared invalid or unenforceable. In such event, the Parties shall consult and use their best efforts to agree upon a valid and enforceable provision which shall be a reasonable substitute for such invalid or unenforceable provision in light of the Parties' original intent upon entry into this Agreement.

14.15 Headings and References. Section and other headings are for reference only and shall not affect the interpretation or meaning of any provision of this Agreement. Unless otherwise provided, references to Articles, Exhibits, Sections and Schedules shall be deemed references to Articles, Exhibits, Sections and Schedules of this Agreement. References to this Agreement include this Agreement as it may be modified, amended, restated or supplemented from time to time pursuant to the provisions hereof.

14.16 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 instrument.

14.17 Entire Agreement. This Agreement, including all Schedules reference in this Agreement, contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, whether written or oral, between the Parties regarding the subject matter hereof.

14.18 Terms Generally. Unless the context of this Agreement requires otherwise, words importing the singular number shall include the plural and vice versa. Words importing the masculine gender shall include the feminine. In this Agreement, references to: (a) any statutory or regulatory provisions shall include such provisions as from time to time amended, whether before or after the date hereof, and shall further include all statutory or regulatory instruments or orders from time to time made pursuant thereto; and (b) any document or agreement shall include such document or agreement as from time to time amended, supplemented or replaced, whether before or after the date hereof. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." Unless otherwise specified, all of the terms in this Agreement that relate to accounting matters shall be interpreted in accordance with generally accepted accounting principles in effect in the United States of America at the time of such interpretation.

(signature page follows)

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IN WITNESS WHEREOF, the Parties have signed this Agreement as of the date first set forth above.

COMPANY:

NEURONETICS, INC.

By: /s/ Chris Thatcher
Name: Chris Thatcher
Title: President and CEO

DISTRIBUTOR:

TEIJIN PHARMA LIMITED

By: /s/ Akihisa Nabeshima
Name: Akihisa Nabeshima
Title: President

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SCHEDULE A

NEUROSTAR STARTER PACKAGE

NeuroStar Starter Package				
Catalog Number	Item Number	Starter Kit Items	Description	US$ transfer Price
[*]	[*]		[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]
		[*]	[*]	[*]

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SCHEDULE B

Distributor Initial Sales Forecast

Time Period	NeuroStar TMS Therapy Systems	Sen Star Treatment Links / Treatment Sessions
From [*] assuming each period is a full calendar year. If the period from [*] is less than a full calendar year, then amounts set forth I the two adjacent columns shall be prorated for such period.	[*]	[*]
First full Fiscal Year after the end of the Fiscal Year [*]	[*]	[*]
Second full Fiscal Year after the end of the Fiscal Year [*]		

Total Dollar value of sales forecast for the Initial Period=

Subtotal of Dollar value of NeuroStar TMS Therapy Systems purchased from Company during the Initial Period (calculated using transfer price determined in accordance with Section 3.5 of the Agreement):

+

Subtotal of Dollar value of SenStar Treatment Links and Treatment Sessions purchased from Company during the Initial Period: (Subtotal of treatment sessions from above chart) x transfer prices determined in accordance with Section 3.5 of the Agreement.

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SCHEDULE C

Training and Support Programs

Sales Training Program

Appropriate Company staff shall travel at the expense of Distributor to a location of Distributor's choice and provide sales training sufficient to make Distributor's staff skilled in the sales of Products.

Clinical Training Program

Distributor staff to travel at their sole expense to a United States location determined by Company to receive both didactic and hands on training. Expected duration of training is two (2) weeks.

Technical Training Program

Distributor staff to travel at their sole expense to a United States location determined by Company to receive both didactic and hands on training. Expected duration of training is one (1) week. Advanced "train the trainer" training can be provided at Distributor's expense to train Distributor personnel to conduct future distributor trainings.

Additional Company Required Training

Additional sales, clinical, regulatory, compliance and quality or technical training may be required by Company from time to time. Attendance is mandatory for appropriate Distributor staff and is at Distributor's expense. Most trainings of this type can be conducted via webinar.

Distributor Requested Training and Support

Company shall make additional training and support available at Distributor's request.

Item Number	Training and Support Type	Cost/Day
	Sales/Marketing	[*]
XXX	Clinical Training and Support (3 day minimum)	[*]
XXX	Technical Service Training and Support: This may include installation, repair and/or training.** (3 day minimum)	[*]

* Expenses include economy class airfare and the costs for hotel, meals, and local transportation but not to exceed [*]

** Parts are not included.

Pricing after the Fixed Transfer Price Period is subject to mutual agreement of the Parties.

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SCHEDULE D

Company Trademarks

English Language Trademarks Registered in Japan

Mark	Registration NO./Date	App. No. /Date	Goods/Classes	Status
NEURONETICS	5535065 11/9/2012	042942 5/29/2012	Medical, magnetic neuromodulators for the treatment of central nervous system disorders, psychiatric and neurological disorders in International Class 10	Registered; Renewal due: 11/9/2022
NEUROSTAR	5572813 04/05/2013	042943 5/29/2012	Transcranial magnetic stimulation devices consisting of a stimulator and a patient positioning system, namely, a chair and headset in International Class 10	Registered; Renewal due: 4/05/2023
NEUROSTAR & Design	5572814 4/05/2013	042944 05/29/2012	Transcranial magnetic stimulation devices consisting of a stimulator and a patient positioning system, namely, a chair and headset in International Class 10.	Registered; Renewal due: 04/05/2023
NEUROSTAR TMS THERAPY	5572815 04/05/2013	042945 05/29/2012	Transcranial magnetic stimulation devices consisting of a stimulator and a patient positioning system, namely, a chair and headset in International Class 10	Registered; Renewal due: 04/05/2023
SENSTAR	5572816 04/05/2013	042946 05/29/2012	Medical devices, namely, a disposable patient interface for use with transcranial magnetic stimulation devices in International Class 10	Registered; Renewal 04/05/2023
TMS TRAKSTAR	5572817	042947	Computer application software for use with transcranial magnetic stimulation devices, namely, software for use in database management in International Class 9	Registered; Renewal 04/05/2023
NEUROSTAR XPLOR	5631472	2012 97829	Computer software for use with transcranial magnetic stimulation devices in International Class 9	Registered; Renewal due: 11/22/2013

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Trademarks To Be Registered in English and Katakana in Japan

NEURONETICS (IN KATAKANA CHARACTERS)	Medical, magnetic neuromodulators for the treatment of central nervous system disorders, psychiatric, and neurological disorders in Class 10.; • Medical research pertaining to the treatment and diagnosis of central nervous system disorders in Class 42.• Medical evaluation services pertaining to the treatment and diagnosis of central nervous system disorders Class 44.
NEUROSTAR (IN KATAKANA CHARACTERS)	Transcranial magnetic stimulation devices consisting of a stimulator and a patient positioning system, namely, a chair and headset in Class 10.
TMS THERAPY	Transcranial magnetic stimulation devices consisting of a stimulator and a patient positioning system, namely, a chair and headset in International Class 10.
NEUROSTAR XPLOR (IN KATAKANA CHARACTERS)	Computer software for use with transcranial magnetic stimulation devices, namely, software for use in database management in Class 9; • Transcranial magnetic stimulation devices consisting of a stimulator and a patient positioning system, namely, a chair and headset in Class 10.
TMS TRAKSTAR (IN KATAKANA CHARACTERS)	Computer application software for use with transcranial magnetic stimulation devices, namely, software for use in database management in Class 9.
SENSTAR (IN KATAKANA CHARACTERS)	Medical devices, namely, a disposable patient interface for use with transcranial magnetic stimulation devices in International Class 10.

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MT ASSIST (IN KATAKANA CHARACTERS)	Computer software for aiding in the computation of the optimal stimulation level for the treatment of central nervous system disorders, including psychiatric and neurologic disorders computer software for aiding in the computation of the optimal stimulation level for the treatment of central nervous system disorders, including psychiatric and neurologic disorders in Class 10.
PRECISION PULSE TMS (IN KATAKANA CHARACTERS)	Electric coils, electric circuits and electric control consoles for use with transcranial magnetic stimulation devices in Class 9.

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SCHEDULE E

Visual Inspection Procedure

1) At the time of installation, a visual inspection under normal room lighting and areas where parts and products are viewed under normal use is conducted to ensure that no damage occurred to the NeuroStar Starter Package during shipment and transportation.

2) Crates must be inspected when they are received and any damage identified must be noted at that time in accordance with the carrier's damage reporting procedure. Crate damage at time of receipt by Distributor is considered in-transit damage and is not covered by these instructions. Distributor may make a warranty claim for NeuroStar Product damaged in-transit.

3) The person witnessing or performing the visual inspection at the time of installation must be a trained NeuroStar Field Service Engineer.

4) The treatment chair should be inspected for the following:

   a) Cushion for any rips, tears or holes.

   b) Covers for scratches, cracks, or breakage.

   c) Frame for bends or breakage.

   d) Adjustable feet to ensure they are not bent or crooked.

   e) Missing or loose hardware.

5) The console should be inspected for the following:

   a) Covers for scratches, cracks, or breakage.

   b) Wheels to ensure they are not bent or crooked.

   c) Missing or loose hardware.

   d) Display screen to ensure no damage.

6) Head support

   a) Cushion for any rips, tears, or holes.

   b) Covers for scratches, cracks, or breakage.

   c) Missing or loose hardware.

7) A NeuroStar Starter Package which fails a prescribed visual inspection must not be put into service until the issue is resolved.

8) If an issue is identified as part of the visual inspection conducted at time of installation, the NeuroStar Field Service Engineer witnessing or performing inspection should attempt to resolve the issue according to the Distributor Service Manual and in accordance with the individual's FSE Training.

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SCHEDULE F

Return of Products

Any product for which Distributor receives a technical complaint and for which a repair 1s determined to be required, Distributor will replace the part using a product Field Replacement Unit.

Return of Products requires that Distributor complete and print a Technical Event Report in such format as Company shall notify to Distributor from time to time and attach it to the Field Replacement Unit. Distributor must also email the completed Technical Event Report to Company at such email address as notified by Company to Distributor, such email being as of the Effective Date: oustechservices@neuronetics.com. Distributor ships Field Replacement Units to be returned to Company at Distributor's expense. Distributor will ship Products as soon as practicable where a potential safety issue is asserted. Otherwise, Distributor will ship items for return so they are received by the Company within 30 days after Distributor receives the items from their customer. Timely shipment is required for Company to investigate and address complaints within required timeframes.

Company Technical Support logs emailed information from the Technical Event Form into Company's complaint database and processes the complaint according to Company's complaints procedure. Returned items are processed by Company according to Company's non-conforming material (NMR) procedure.

Replacement parts are sent at Company's expense to Distributor for parts which are under warranty. The cost of repairs and shipping to Distributor for Product not under warranty is the responsibility of Distributor.

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SCHEDULE G

Quarterly Update

Strategic Growth Drivers Full Year 2017

	Initiative / Program	Implementation date
1		
2		
3		
4		
5		

[*]

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SCHEDULE H

Anti-Bribery Due Diligence Documentation

(see attached)

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NEURONETICS

Anti-Bribery Compliance Certification

Pursuant to the Distribution Agreement between Neuronetics, Inc., and Teijin Pharma Limited, dated 10 October I hereby certify:

[*]

[*]

[*]

COMPANY NAME: Teijin Pharma Limited

PRINT NAME: Yasuhiko Kuriyama

TITLE: General Manager, Home Healthcare New Business Development Division

SIGNATURE: /s/ Yasuhiko Kuriyama

DATE: October 10, 2017

25-80057-000 Rev A

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NEURONETICS

Distributor Qualification Form

You are requested to complete this form and return it to your Neuronetics' Business Development representative. To ensure accurate information is provided, each section should be complete by or reviewed with your companies' department representatives.

[*]

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SCHEDULE I

Minimum Terms and Conditions of Sale

1. The System [this term will be defined in Distributor's agreement with its customer] is sold to the customer with the understanding that the operation of the System must be undertaken only in a manner that is compliant with the NeuroStar TMS Therapy System User Manual. The System can only be used in accordance with the laws of Japan.

2. Use of the System by a customer is permitted only by users authorized in accordance with the laws of Japan. Such operators are referred to as "Authorized Users."

3. The customer shall be responsible to ensure that all Authorized Users have the requisite training and skill required to use the System as defined by all applicable regulatory and medical authorities in Japan. Customer will, at all times, ensure that it and its employees and agents and all Authorized Users

4. Distributor grants the customer and its Affiliates that will use the Products a limited, nonexclusive, non-transferable (except as set forth in Item IO below) and non-sublicensable (except as expressly provided in Item 6 below) right and license to operate and use the Software (along with any written or electronic documentation provided with the Software or System) solely in conjunction with the operation and use of the System. The customer obtains no right, title or interest in or to the Software, except for the limited license so granted, and Distributor and its licensors reserve all rights not expressly granted.

5. The customer and its Affiliates may use the Software only in connection with the use and operation of the System in accordance with Neuronetics, Inc.'s instructions as conveyed by Distributor to customer or the documentation. Except as expressly provided in Item 6 below, customer may not loan, rent, lease, license or otherwise transfer to any other person, or host on behalf of any other person, the Software, and may not copy, modify, remove, disassemble, create derivative works from or tamper with the Software except to an Affiliate that will use the Products. Any attempted transfer or use of the Software without the prior consent of Distributor, except as expressly provided in Item 6 or 10 below, will void the license.

6. A customer that is a leasing or finance company that has acquired a System or Systems for the purpose of leasing such System(s) to a third party shall be permitted to sublicense the Software licenses granted hereunder to the lessee(s) of such System(s) provided that all such lessees agree in writing to be bound by these minimum end-user license agreement terms. Any such sublicense shall terminate upon the expiration or termination of the underlying lease agreement.

7. Customer may use the TrakStar Software and the associated documentation only for its or its Affiliates own internal use on the computer system provided with the NeuroStar TMS Therapy System or a replacement computer as authorized and installed by Distributor.

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8. Customer may not copy or otherwise reproduce the Software or documentation. Except as expressly permitted under applicable law, customer may not decompile, reverse engineer or disassemble the Software in an attempt to derive or use the source code therefrom.

9. Software may include Redistributable Code, which is the property of Neuronetics, Inc.'s licensors, and protected under United States and international copyright, trade secret or other proprietary rights laws, as well as international treaties. Distributor grants to customer and its Affiliates a limited, non-exclusive, non-sublicensable and nontransferable right and sub-license to use and display the Redistributable Code solely in connection with the authorized use of the Software in connection with the operation of the System and in conformance with the other minimum end-user license agreement terms. Except as expressly permitted under applicable law, customer and its Affiliates may not reproduce, redistribute, decompile, reverse engineer or disassemble the Redistributable Code and may not dis-integrate the Redistributable Code from the Software.

10. Customer may only transfer the Software and the Redistributable Code as part of a sale or transfer of the System to a third party and the third party must agree to the minimum end-user license terms as a condition to such transfer, provided however that customer may transfer the Software and the Redistributable Code to an Affiliate along with the System.

11. DISTRIBUTOR AND NEURONETJCS SHALL NOT BE LIABLE FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT OR SPECIAL DAMAGES OF ANY KIND, INCLUDING BUT NOT LIMITED TO DAMAGES FOR LOST REVENUE OR LOST PROFITS, LOSS OF DATA, LITJGATJON EXPENSE, DAMAGE TO REPUTATION, LOSS OF BUSINESS OR ANY OTHER FINANCIAL LOSS ARISING OUT OF OR IN CONNECTION WITH THE SOFTWARE.

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SCHEDULE J

NeuroStar Treatment Session Transfer Price Table

Reimbursement Rate/Treatment Session in JPY	NeuroStar Treatment Sessions in USD
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

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1. If the reimbursement price falls between two reimbursement prices set forth in above, then the transfer price will be determined in accordance with the following formular:

[*]

2. If the reimbursement price determined by MHLW is lower than the lowest reimbursement price set forth in the above table, then [*] reimbursement price determined by MHLW is higher than the highest reimbursement price set forth in the above table, then [*]

3. If the reimbursement rate determined by MHL W is paid as a single payment for a complete course of treatment, this reimbursed amount will be divided by the number of treatments foreseen as a course of treatment by MHLW or 30, whichever is smaller, to determine the Reimbursement Rate/Treatment Session used in the table above in determining the transfer price. If the reimbursement varies by treatment session, the average reimbursement over a treatment course of 30 treatment sessions will be used for the Reimbursement Rate/Treatment Session in the table above in determining the transfer price. If any other reimbursement scenario is set by MHLW, the average reimbursement over a 30 treatment course will be used for the Reimbursement Rate/Treatment Session in the table above in determining the transfer price.

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SCHEDULE K

NNI Technical Support

See Attached

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1. PURPOSE

1.1 This Distributor Quality Plan (this "Plan") specifies processes, procedures and resources for distribution, service and defect management of Products (as defined in Section 4) that are clinically available in the Territory (as defined in Section 4).

1.2 This Plan is intended to ensure compliance with Applicable Laws (as defined in Section 4) including those cited in Section 3.0 Reference Documents.

2. SCOPE

2.1 This procedure applies to processes and procedures conducted for Products distributed in the Territory by Distributor (as defined in Section 4).

2.2 This procedure applies to employees of Company (as defined in Section 4) and Distributor in the Territory.

3. REFERENCE DOCUMENTS

3.1. 21 CFR Part 820, Quality System Regulations

3.2. ISO 13485:2003, Medical Devices - Quality Management Systems

3.3. MHLW Pharmaceuticals and Medical Device Act (Japan)

3.4. MHLW Ministerial Ordinance No. 169, 2004, Good Manufacturing Practices (Japan)

3.5. 20-40000-000, Quality Manual

3.6. 26-20013-000, Work Instruction- Medical Event Reporting to Neuronetics

3.7. 25-80031-000, Medical Event Form

3.8. 15-50038-000, OUS Technical Event Recording procedure

3.9. 20-30036-000, Distributor Training

3.10. 25-11512-000, NeuroStar OUS Installation Record

4. DEFINITIONS

4.1. ***"Agreement"*** means the Distribution Agreement between Company and Distributor as amended from time to time.

4.2. ***"Applicable Laws"*** means all Laws, including cGMP, including, without limitation, any rules, regulations, guidelines or other requirements of the FDA and any other Governmental Authority with respect to the manufacture of the Products and rules, regulations, guidelines or other requirements of MHLW applicable to the promotion, marketing, distribution and sale of the Products in the Territory.

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4.3. ***"Business Day"*** means a day (other than Saturday or Sunday) on which banks are open for business in Tokyo, Japan, and in New York, New York.

4.4. ***"cGMP"*** means the current good manufacturing practices applicable to the manufacture of the Products as defined in the U.S. Current Good Manufacturing Practices, 21 C.F.R. Part 820, and the equivalent Laws in the Territory, each as may be amended and applicable from time to time.

4.5. ***"Company"*** means Neuronetics, Inc., a Delaware corporation having its principal offices at 3222 Phoenixville Pike, Malvern, Pennsylvania, 19355, USA.

4.6. ***"Distributor"*** means Teijin Pharma Limited, a Japanese company having its principal offices at 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan.

4.7. ***"DMAH"*** means the agent approved by the MHLW to act as the marketing authorization holder in accordance with and as defined in the Law on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics.

4.8. ***"Event of Special Interest"*** means any of the following events regardless of its causal relationship to use of the Products: (a) seizure: patient experiences a seizure; (b) pregnancy: a patient receiving therapy with the Products is pregnant or becomes pregnant; (c) worsening illness or suicide attempt/suicidal ideation: a patient is hospitalized due to worsening illness, makes a suicide attempt or the occurrence of a completed suicide; or (d) Device-Device Co-Administration: lf TMS Therapy is administered in a patient with an implanted medical device and a device-device interaction is suspected or occurs.

4.9. ***"FDA"*** means the United States Food and Drug Administration and any successor thereto.

4.10. ***"Governmental Authority"*** means any multinational, national, federal, prefectural, state, local, municipal or other governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal), in each case, having jurisdiction over the applicable subject matter.

4.11. ***"Laws"*** means all laws, statutes, rules, regulations, directives, decisions and ordinances of any Governmental Authority.

4.12. ***"Medical Event"*** means any event that requires clinical attention or intervention and is determined by the evaluating clinician to be possibly related, probably related, or definitely related to the use of the Products or for which exact causal relationship cannot be determined at time of event or report.

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4.13. "***MHLW***" means the Japanese Ministry of Health, Labour and Welfare and any successor thereto.

4.14. "***PMDA***" means the Japanese Pharmaceuticals and Medical Devices Agency and any successor thereto.

4.15. "***Products***" means the products the Distributor distributes in the Territory pursuant to the Agreement.

4.16. "***Territory***" means Japan.

5. RESPONSIBILITIES

5.1. Company shall:

- Be responsible for the manufacture, shipping, exportation and importation of the Products for use in the Territory in compliance with all Applicable Laws including the standards and regulations as cited in Section 3.0.
- Be responsible for ensuring that export and import documentation are obtained for the Products leaving the US and entering the Territory.
- Obtain a quality agreement with the DMAH and operate according to the requirements of said agreement.
- Provide and/or review quality and regulatory information relative to the Products distributed in the Territory in a timeframe sufficient for timely action in accordance with Company's quality management system and Applicable Laws.
- Provide advance notification to DMAH of changes to the Product in sufficient time to allow for review and approval by PDMA, if required. Periodically provide relevant post-market surveillance information to Distributor pertaining to device performance.
- Provide annual distributor training per procedure 20-30036-000, Distributor Training.
- Consult with DMAH for interactions with MHLW, PDMA and other relevant Governmental Authorities in the Territory related to use of the Products in the Territory.
- Perform its obligations set forth in the Agreement in compliance with Applicable Laws.
- Document and communicate to DMAH in a timely manner information relevant to the safe and effective operation of the Products in the Territory including product defects, technical event complaints, medical event complaints, and any quality complaints related to the Products.
- Communicate to Distributor in a timely manner updated instructions for the safe and effective operation of the Products in the Territory.

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5.2. Distributor shall:

- Ship, store, distribute, install and service the Products in the Territory in accordance with the Agreement.
- Perform its obligations set forth in the Agreement in compliance with Applicable Laws.
- Perform its activities in the Territory with respect to the Products in accordance with Applicable Laws.
- Track and document the Products at installation, servicing and repair and retain and maintain such documentation in accordance with Sections 5.3.2 and 5.10.2.
- Document and communicate to Company and DMAH in a timely manner information relevant to the safe and effective operation of the Products in the Territory including product defects, technical event complaints, medical event complaints, and any quality complaints received from Distributor's customers related to the Products.
- Respond promptly to all inquiries from Distributor's customers, including but not limited to, customer feedback and service requests.
- Collaborate with Company and the DMAH in the investigation of complaints, adverse event reports and technical events and determination of closure or corrective actions, including DMAH's notification of Governmental Authorities
- Obtain a quality agreement with the with the DMAH and operate according to the requirements of said agreement.

5.3. Control of Records

5.3.1. Company shall ensure that applicable data and documents are housed in a secured and access-controlled SharePoint site that is dedicated to information and records shared between Company and Distributor.

5.3.2. Distributor shall create records for identification and traceability of the Products distributed by Distributor in the Territory and maintain such records for the longer of the timeframe required by Applicable Laws or 15 years.

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5.4. Infrastructure and Work Environment

5.4.1. Distributor shall use a storage environment which prevents damage and maintains the shelf and operating life of the Products while the Products are stored at facilities under Distributor's control in the Territory prior to delivery to Distributor's customers.

5.4.2 Distributor shall or shall ensure that Distributor's subcontractors follow the installation procedures for the Products at customer sites as set forth in documentation provided by Company to ensure a safe operational environment for clinical use.

5.5. Service and Technical Events and Medical Events

5.5.1. Distributor and Company will follow the processes and procedures set forth in Appendices A and B, as applicable, in relation to service and technical events and medical events related to the Products reported by Distributor's customers in the Territory.

5.6. Recall and Advisory Notices

5.6.1. DMAH in collaboration with Company shall communicate with Governmental Authorities in the Territory regarding any recalls, advisory notices and other regulatory actions.

5.6.2. Distributor shall assist in any regulatory request or action or advisory notice or recall by providing directly to Company and DMAH all customer, traceability and inventory information in its possession or control that is needed to assess and respond to such request or action, provide such advisory notice or perform such recall.

5.6.3 Company and the DMAH have sole authority to issue a recall or require corrective action with respect to Products in the Territory including those required by Applicable Laws or a Governmental Authority in the Territory.

5.6.4 Company and DMAH are responsible to plan and lead the recall with input from Distributor, and Distributor shall be responsible for executing the plan in the Territory including distributing communications to customers, performing all field activities in the Territory creating and maintaining required records, including inventory records and, if necessary, the physical return of Products from the Territory.

5.6.5 Company and DMAH with the assistance of Distributor are responsible for preparing advisory notices and other communications to customers.

5.6.6 Company shall communicate to DMAH and Distributor reportable regulatory actions initiated outside of the Territory that are applicable to the Products distributed in the Territory including recalls and advisory notices and coordinating any required actions with DMAH and Distributor.

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5.7. Customer Feedback

5.7.l. Distributor shall collaborate with Company and DMAH directly in matters of vigilance and post-market surveillance.

5.7.2. Distributor shall report product complaints to Company and DMAH in writing within ten (10) Business Days from the date of receipt of the product complaint.

5.7.3. Distributor shall report urgent issues including Medical Events and Events of Special Interest within two (2) business days after Distributor receives a report of any such issue from its customer or a physician using a NeuroStar Product in the Territory sold by Distributor and, to the extent applicable, in accordance with Appendix A.

5.8. Design and Development

5.8.1. Company shall provide Distributor with six (6) months prior written notice of any changes (i) the form, fit or function of any of the Products or (ii) any part, process or manufacturer of the Products, which change will require the approval of any Governmental Authority in the Territory or would be expected to have a material impact on the quality control processes or the quality of the Products.

5.9. Product Inspection

5.9.1. Company shall ensure that appropriate inspection certification(s) for the Products are kept on file at Company or at DMAH, as applicable.

5.9.2. Company shall provide certificates of conformance that verify that all Products meet all device specifications.

5.9.3. Company shall ensure that DMAH receives and inspects the Products in accordance with the inspection procedure agreed between Company and DMAH.

5.9.4. Distributor shall receive delivery of Products from the carrier after DMAH releases the Products in the Territory.

5.9.5. Distributor is responsible for installing the Products at the customer site and performing all inspection and other procedures required by NeuroStar OUS Installation Record (25-11512-000) and providing the completed NeuroStar OUS Installation Record to Company.

5.10. Identification and Traceability

5.10.1. Control numbers or unique device identifiers are used by Company for tracking inventory location, distribution, installation, and, as necessary, shelf life of the Products. The control numbers are necessary in the investigation of complaints and/or recall activities.

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5.10.2. Distributor is responsible for maintaining ID and traceability for the NeuroStar TMS Therapy System, SenStar Treatment Link, SenStar Connect and serialized components (Field Replaceable Units) that are stored and used in service and distribution in the Territory.

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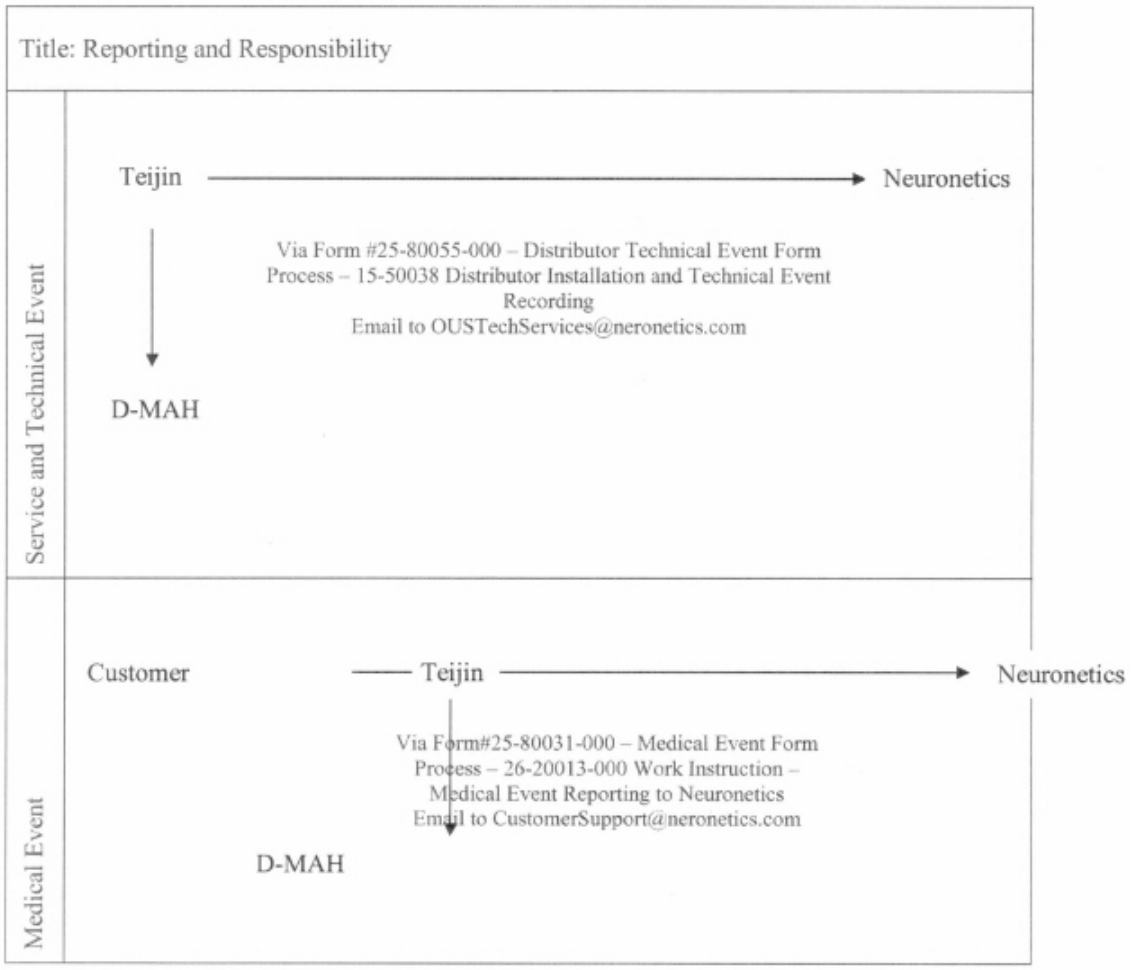

Appendix A

CONFIDENTIAL & PROPRIETARY INFORMATION OF NEURONETICS, INC.
NOT TO BE REPRODUCED OR USED IN ANY MANNER OTHER THAN WITH THE EXPRESS WRITTEN PERMISSION OF NEURONETICS INC.

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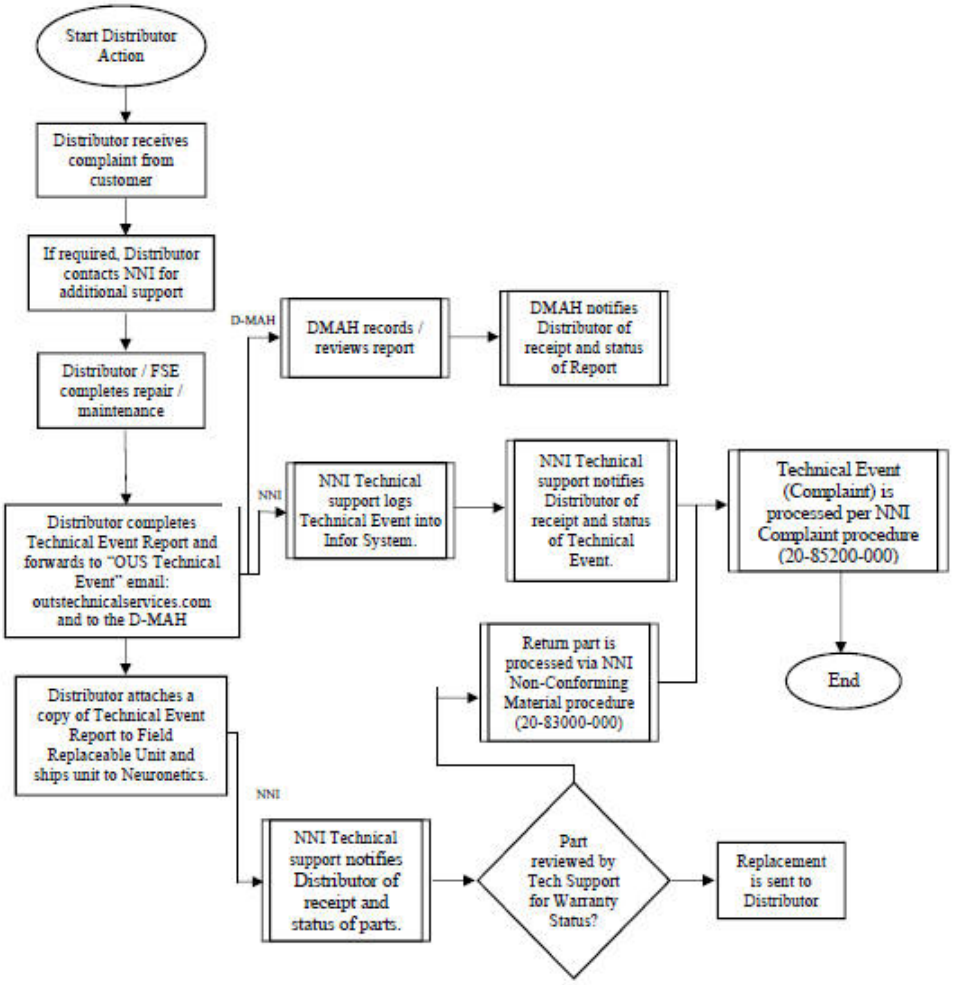
Appendix B



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REVISION INFORMATION

Rev	CN No	Written/Revised By	Date	Revision Description
A	4673	John Pellechia	08SEP2016	Initial Release
B	5193	Karen Heart	04OCT2017	Flowchart updated to include notification to distributor of receipt of technical event report and parts. Updated to include DMAH in reporting of medical events
C	5198	Karen Heart (Tim Atkins)	05OCT2017	Synchronization of language to reflect contract information.

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Document Name:	XX-XXXXX-XXX Japanese Distributor Installation and Technical Event Recording	Effective Date:	1-Aug-17
Revision Letter:	A	Last Review Date:	1-Aug-17

PURPOSE

The purpose of this document is to define the process by which Distributor completes installation activities and records and communicates technical events for the Products.

SCOPE

- This procedure is applicable as a part of Distributor's responsibilities for product quality assurance as described in the Distributor Quality Plan.
- This procedure also covers Distributor's responsibility to complete installation records for the equipment it installs.
- Neuronetics Technical Service provides support to Distributor including training, documentation and advanced trouble shooting.

3.0 REFERENCE DOCUMENTS

3.1 26-20057-000 Distributor Quality Plan

3.2 25-80055-000 Distributor Technical Event Form

3.3 25-11512-000 NeuroStar OUS Installation Record

3.4 20-85200-000 Customer Complaint

3.5 20-83000-000 Non-conforming material procedure

3.6 52-40027-000 NeuroStar Distributor Service Manual

4.0 DEFINITIONS

4.1 ***"Agreement"*** means the Distribution Agreement between Company and Distributor as amended from time to time.

4.2 ***"Company"*** means Neuronetics, Inc., a Delaware corporation having its principal offices at 3222 Phoenixville Pike, Malvern, Pennsylvania, 19355, USA.

4.3 ***"DMAH"*** means the agent approved by the MHLW to act as the marketing authorization holder in accordance with and as defined in the Law on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics.

4.4 ***"Distributor'*** means Teijin Pharma limited, a Japanese company having its principal offices at 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan.

4.5 ***"DSO"*** or ***"Distributor Service Organization"*** means the group within the Distributor that is responsible for installation and field service of the Products in the Territory. The DSO may be Distributor's Technical Support Company (as defined in the Agreement).

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Revision Letter:	A	Last Review Date:	1-Aug-17

4.6 “NTS” or “Neuronetics Technical Service” means a group within Neuronetics Field Service that provides third level support. Third level support is defined as advanced field service troubleshooting, Field Service Engineer training, service documentation creation and service system development.

4.7 “Out of Box Failure” is as defined in the Agreement.

4.8 “Products” means the products the Distributor distributes in the Territory pursuant to the Agreement.

4.9 “Territory” means Japan.

5.0 RESPONSIBILITIES

5.1 Director of Field Service - Ensures that Distributor’s field service/technical support organizations are trained on equipment install procedures and technical event reporting process.

5.2 DSO is responsible for completing technical event report(s) and installation record(s) and forwarding to Neuronetics technical support via “OUS Technical Support” email and to the DMAH.

6.0 PROCEDURE

6.1 Distributor Service Organization (Installation Activity- See Attachment B for Flow Chart)

6.1.1 DSO completes installation activity and fills out NeuroStar OUS Installation Record (25-11512-000).

6.1.2 Installation record is provided to Neuronetics technical support via email oustechservices@neuronetics.com or equivalent electronic transfer as well as to the DMAH.

6.1.3 An Out of Box Failure during the installation process is processed per Section 6.2 of this document and Sections 9.3.2 and 9.3.5 of the Agreement.

6.2 Distributor Service Organization (Technical Event Recording—see Attachment A for Flow Chart)

6.2.1 DSO receives technical complaint from NeuroStar customer. DSO may contact Neuronetics technical support if required.

6.2.2 DSO services product and completes the repair. DSO completes Technical Event Report (25-80055-000), and emails completed form to Neuronetics via “email (oustechservices@neuronetics.com) as well as to the DMAH. Neuronetics Technical Support logs information from Technical Event Report into the complaint database (lnfor system).

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6.2.3 DSO prints completed technical event report (25-80055-000) and attaches to the field replaceable unit.

6.2.4 DSO ships defective Field Replaceable Unit to Neuronetics.

6.2.5 Neuronetics receives Field Replaceable Unit which is processed via Neuronetics Complaints procedure and non-conforming material (NMR) process.

6.2.6 Replacement is sent by NNI for parts which are under warranty.

6.2.7 For parts that are not under warranty, the DSO places an order for a replacement part.

6.2.8 Neuronetics will report in writing appropriate information to Distributor concerning root cause analysis, likelihood of re-occurrence, impact on Product performance, workarounds and planned fixes, as applicable. Such reporting will generally be completed within two to four weeks after Neuronetics' receipt of the technical event report and defective Field Replaceable Unit.

7.0 AVAILABILITY OF NEURONETICS TECHNICAL SUPPORT

7.1 Neuronetics provides live technical support by phone and email from 8AM ET (USA) to 6PM ET (USA). An answering service answers the technical support phone number after hours. Neuronetics generally responds to technical support requests within 24 hours after receipt other excluding weekend and holidays.

8.0 QUALITY RECORDS

8.1 Neurostar OUS Installation Record (25-11512-000)

8.2 OUS Technical Event (25-80055-000)

9.0 ATTACHMENTS

9.1 Attachment A- Process flow chart

9.2 Attachment B- Install flow chart

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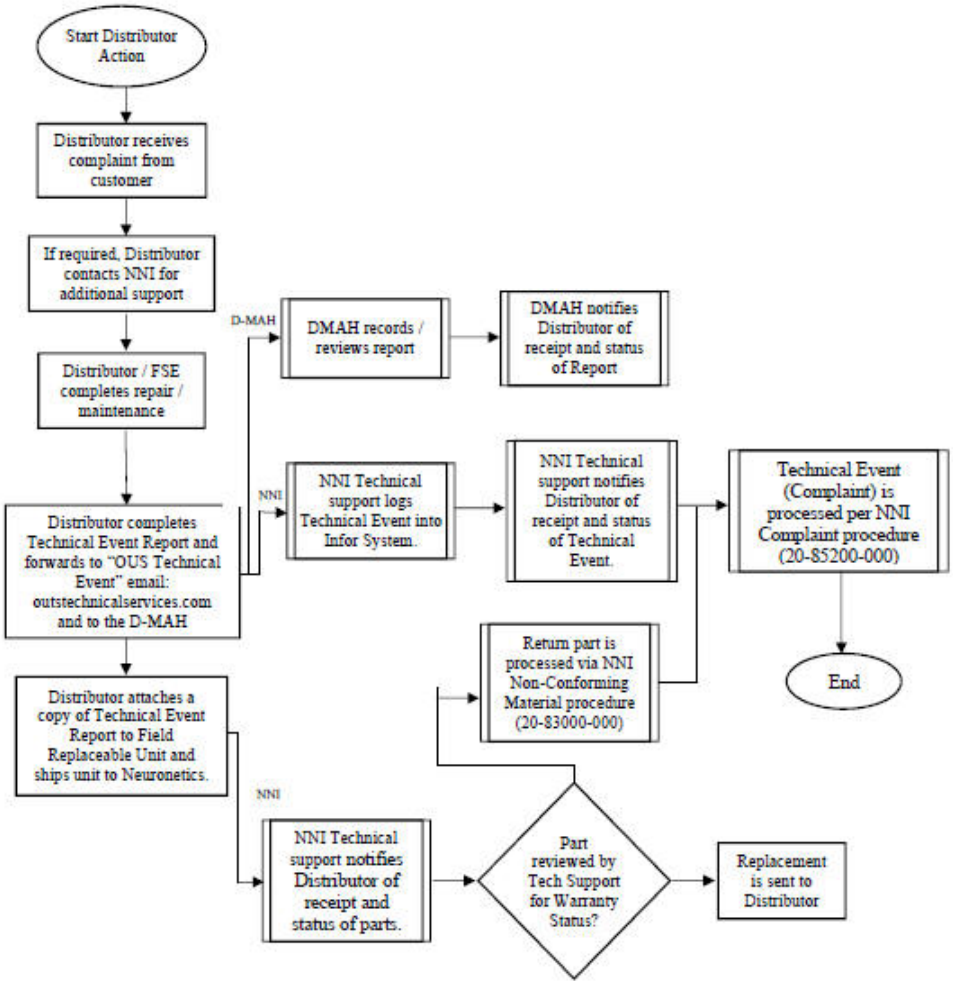
Document Name:	XX-XXXXX-XXX Japanese Distributor Installation and Technical Event Recording	Effective Date:	[*]
Revision Letter:	A	Last Review Date:	[*]

Attachment A – Technical Event Process



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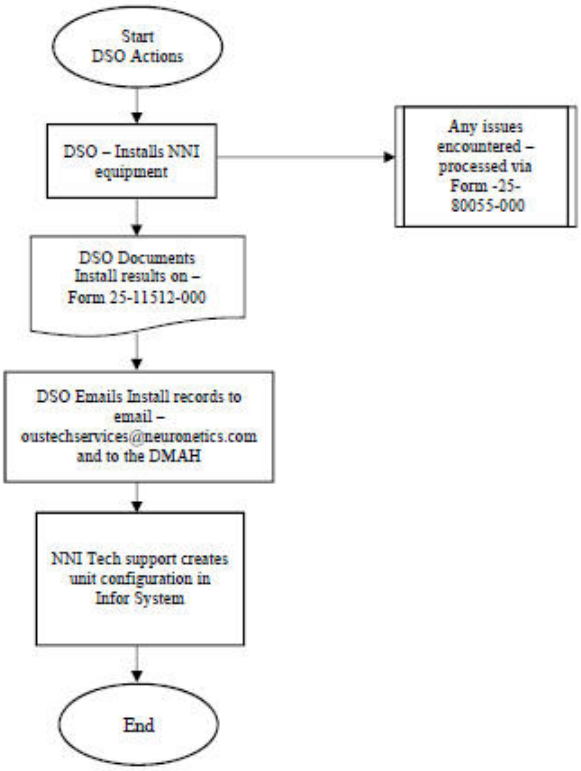
Document Name:	XX-XXXXX-XXX Japanese Distributor Installation and Technical Event Recording	Effective Date:	[*]
Revision Letter:	A	Last Review Date:	[*]

Attachment B – Technical Event Process



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NeuroStar TMS Therapy System

Installation / Operation Qualification

Note: Please refer to the NeuroStar Distributor Service Manual, 52-40027-000, for the detailed installation procedures. This form is to be used as a final verification to ensure that proper installation has been achieved after all procedures have been completed. This form must be completed by a NeuroStar-ce11ified Field Service Engineer. If any items in this form do not pass final inspection refer to the NeuroStar Distributor Service Manual, 52-40027-000, to correct the failure. The NeuroStar System is considered correctly installed when all items on this checklist are completed and all criteria are passed.

Mobile Console and Coil	Completed	Pass/Fail Criteria	Verification (Pass/Fail)	Comments	Initial & Date
Mobile Console System Self-Test	☐	All start-up tests display “pass”			
Coil Test Pulse passes left side	☐	Test-pulse test displays “Magnetic Field Strength Pass”			
LCD display is calibrated correctly	☐	LCD screen element accurately activates on touch			
Mobile Console Stop button (Emergency Stop Button)	☐	System stops when LCD stop button is touched			
Full range movement of Gantry	☐	Brakes energize to allow full range of movement of Gantry to mechanical stop			
Wheels lock properly on the Mobile Console	☐	Locking mechanism engages and wheels are unable to move			
Coil Output Test (WI 26-20024-000)	☐	Pulse Width is ³ 182µs Test Result µs			
Visual Inspection of Mobile Console and Coil conducted per Visual Inspection Procedure	☐	Completed procedure with no issues			

Treatment Chair	Completed	Pass/Fail Criteria	Verification (Pass/Fail)	Comments	Initial & Date
Memory Settings for M1 and M2	☐	Chair executes command correctly and passes angle check			
Visual Inspection of Chair conducted per Visual Inspection Procedure	☐	Completed procedure with no issues			

Head Support	Completed	Pass/Fail Criteria	Verification (Pass/Fail)	Comments	Initial & Date
A/P Bar Laser	☐	Laser remains energized for a period of 30-45 seconds			
Full range of motion	☐	SOA, LC, A/P Bar, and front/back support achieve motion to mechanical stop			
Visual Inspection of Head Support conducted per Visual Inspection Procedure	☐	Completed procedure with no issues			

Computer / Software	Completed	Pass/Fail Criteria	Verification (Pass/Fail)	Comments	Initial & Date
Customer computer with TrakStar software installed	☐	Verify version is correct			

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Form completion

Completed By: Title: Date:

Authorized Representative or DMAH Retains Form

Completed By: Title: Date:

Neuronetics Retains Form

Completed By: Title: Date:

Return form to Neuronetics Technical Support via email to oustechservices@neuronetics.com

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

SCHEDULE L

Certificate of Conformance

See Attached

[*Three Pages Redacted*]

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SCHEDULE M

Specifications

See Attached

[*Twenty-Four Pages Redacted*]

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SCHEDULE N

Track Computer Specifications

Processor	Pentium M or Pentium 4 at 1GHz or faster
Operation System	Windows 7 Professional or later
RAM	2GB (min)
Hard Drive	60GB HD @5400 rpm (min)
ROM Drive	48x CD ROM (min)
Graphics	1024 x 768 minimum resolution
	32 bit color
Display/Monitor	19” LCD Flat Panel (min)
Web Browser	Google Chrome
Internet	Internet access with separate network card and anti-virus software.
Network	Isolated, secure, wired networking with NeuroStar(s)
Accessories	Standard keyboard, mouse, printer

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SCHEDULE O

Accessories And Service Parts

Replacement NeuroStar Product Accessories

Catalog Number	Item Number	Description	US$ transfer Price
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]

Accessories

Catalog Number	Item Number	Description	US$ transfer Price
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]

Service Parts

Catalog Number	Item Number	Description	US$ transfer Price
[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]
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INCENTIVE STOCK OPTION AGREEMENT

FOR THE

NEURONETICS, INC.

AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

This Incentive Stock Option Agreement (this "Agreement") consists of the following: the Grant and Award Agreement (below), an Exercise Notice designated as Exhibit A and an Investment Representation Statement designated as Exhibit B, all of which are integral parts of one document that, together with the Neuronetics, Inc. Amended and Restated 2003 Stock Incentive Plan (the "Plan"), defines the rights and obligations of the parties.

GRANT AND AWARD AGREEMENT

1. Grant of Option and Exercise Price. Subject to the terms and conditions set forth herein and in the Plan, Neuronetics, Inc. (the "Company") hereby grants to [ ] ("Optionee"), effective [ ] (the "Grant Date"), a stock option (the "Option") to purchase up to [ ] shares of Common Stock of the Company at an exercise price of $[ ] per share (the "Exercise Price"). The Option is intended to be an incentive stock option as defined under section 422 of the Code and any regulations promulgated thereunder.

2. Vesting of Option. The Option shall vest as follows: (a) 25% of the shares of Common Stock subject to the Option on the first anniversary of the commencement of Optionee's employment with the Company or its Subsidiary and then (b) 1/36th of the shares of Common Stock subject to the Option each month thereafter.

3. Time of Exercise. Subject to the vesting schedule in Section 2, Optionee may exercise all or some portion of the Option for any whole number of shares from time to time up until the tenth anniversary of the Grant Date; provided, however, that any Optionee who holds Common Stock representing more than 10% of the total combined voting power of all classes of stock of the Company or its Affiliates or Subsidiaries at the time the Option is granted may exercise all or some portion of the Option for any whole number of shares from time to time only up until the fifth anniversary of the Grant Date. Upon the tenth anniversary, or the fifth anniversary, as the case may be, of the Grant Date, Optionee's right to exercise the Option shall terminate absolutely.

4. Payment for Shares of Common Stock. Within three (3) days of the exercise of an Option and before delivery of the shares of Common Stock, full payment for shares of Common Stock purchased upon the exercise of such Option shall be made in cash, or, subject to the approval of the Committee, by (a) surrendering shares of Common Stock that have an aggregate Fair Market Value equal to the aggregate Exercise Price and that have been held by Optionee for at least six months or (b) delivery of a properly executed exercise notice, together with irrevocable instructions to a Company-designated broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the aggregate Exercise Price.

5. Manner of Exercise.

(A) The Option shall be exercised by delivery of an exercise notice in the form attached hereto as Exhibit A (the "Exercise Notice") which shall state Optionee's election to exercise the Option, the whole number of shares with respect to which the Option is being exercised, and such other representations and agreements as may be required by the Company and contained in the Exercise Notice. The Exercise Notice shall be accompanied within three (3) days by payment of the aggregate Exercise Price in a form permitted under Section 4 hereof. The Option shall be deemed to be exercised upon receipt by the Company of such fully-executed Exercise Notice accompanied by payment of the aggregate Exercise Price within three (3) days of such exercise. The Exercise Notice shall be irrevocable once given.

(B) In the event the shares issuable upon the exercise of the Option have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), at the time the Option is exercised, Optionee shall, concurrently with the exercise of all or any portion of the Option, deliver to the Company an Investment Representation Statement in the form attached hereto as Exhibit B, or take such other action to comply with the securities laws of the United States or of any state, as the Company shall determine to be necessary.

6. Issuance of Certificates. As promptly as the Company determines is reasonably practicable after the exercise of the Option, a certificate for the shares of Common Stock issuable on the exercise of the Option shall be delivered to Optionee or to his or her personal representative, heir or legatee.

7. Transferability.

(A) The Option may not be transferred or assigned by Optionee except by will or the laws of descent and distribution or be exercised other than by Optionee or, in the case of his or her death, by his or her personal representative, heir or legatee.

(B) Prior to the Company becoming Publicly Traded, the shares acquired upon the exercise of the Option may not be transferred except in accordance with the terms of this Agreement or by will or the laws of descent and distribution. Each certificate evidencing the shares acquired upon exercise of the Option shall bear the legend set forth in the Investment Representation Statement.

8. Taxes. If any portion of this Option fails to qualify as an incentive stock option under section 422 of the Code, Optionee shall be responsible to make appropriate provision for all taxes required to be withheld in connection with such Option, the exercise thereof and the transfer of the shares of Common Stock. Such responsibility shall extend to all applicable federal, state, local or foreign withholding taxes. The Company shall have the right to retain the number of shares of Common Stock whose aggregate Fair Market Value equals the amount to be withheld in satisfaction of the applicable withholding taxes.

9. Termination of Employment . If Optionee's employment with the Company or its Subsidiary or Affiliate is terminated by reason of death or Disability, then all vested Options may be exercised for twelve (12) months from the date of such termination or

until the expiration of the term of the Option, as provided in Section 3 above, whichever period is shorter. If Optionee's employment with the Company or its Subsidiary or Affiliate is terminated for Cause, as determined by the Committee, then any Options which are unexercised shall terminate on the date of such termination, or notice of such termination, if earlier. If Optionee's employment with the Company or its Subsidiary or Affiliate is terminated for any reason other than death, Disability or Cause, all vested Options may be exercised for three months from the date of such termination or until the expiration of the term of the Option, whichever period is shorter. Any unvested Options shall be forfeited as of the date Optionee's employment with the Company or its Subsidiary or Affiliate is terminated for any reason. Additionally, any vested Option that is not exercised within the applicable period of time, as provided in this Section 9, after Optionee's termination of employment shall be irrevocably forfeited.

10. Repurchase by Company. If Optionee's employment with the Company or its Subsidiary or Affiliate is terminated prior to the Company's becoming Publicly Traded, the Company may repurchase any or all shares of Common Stock which have been issued to Optionee pursuant to this Agreement (i) at the Fair Market Value of such shares on the date of such termination if such termination is not for Cause, or (ii) if such termination is for Cause, at the lesser of: (A) the Fair Market Value of such shares on the date of such termination or (B) the price Optionee paid for the shares (subject to any adjustment as provided in Section 10 of the Plan). If the Company chooses to exercise its right to repurchase under this Section 10, it shall send Optionee written notice of its intent to do so no more than 30 days after such termination. If after Optionee's employment with the Company or its Subsidiary or Affiliate terminates, Optionee and/or his or her beneficiary acquires additional shares of Common Stock pursuant to an exercise under this Agreement prior to the Company's becoming Publicly Traded, the Company may repurchase any or all shares of Common Stock so acquired at the Fair Market Value of such shares on the date of exercise, by providing written notice of its intent to do so within 30 days of such exercise.

11. Right of First Refusal.

(A) Exercise of Right. If Optionee desires to transfer all or any part of the shares acquired pursuant to this Agreement to any person other than the Company (an "Offeror"), Optionee shall: (i) obtain in writing an irrevocable and unconditional bona fide offer (the "Offer") for the purchase thereof from the Offeror; and (ii) give written notice (the "Option Notice") to the Company setting forth Optionee's desire to transfer such shares, which Option Notice shall be accompanied by a photocopy of the Offer and shall set forth at least the name and address of the Offeror and the price and terms of the Offer. Upon receipt of the Option Notice, the Company shall have an assignable option to purchase any or all of such shares (the "Company Option Shares") specified in the Option Notice, such option to be exercisable by giving, within 30 days after receipt of the Option Notice, a written counter-notice to Optionee. If the Company elects to purchase any or all of such Company Option Shares, it shall be obligated to purchase, and Optionee shall be obligated to sell to the Company, such Company Option Shares at the price and terms indicated in the Offer within 30 days from the date of delivery by the Company of such counter-notice.

(B) Sale of Option Shares to Offeror. Optionee may, for 60 days after the expiration of the 30-day option period as set forth in Section 11(A), sell to the Offeror, pursuant to the terms of the Offer, any or all of such Company Option Shares not purchased or agreed to be purchased by the Company or its assignee; provided, however, that Optionee shall not sell such Company Option Shares to such Offeror if such Offeror is a competitor of the Company and the Company gives written notice to Optionee, within 30 days of its receipt of the Option Notice, stating that Optionee shall not sell his or her Company Option Shares to such Offeror; and provided, further, that prior to the sale of such Company Option Shares to an Offeror, such Offeror shall execute an agreement with the Company pursuant to which such Offeror agrees to be subject to the restrictions set forth in this Section 11. If any or all of such Company Option Shares are not sold pursuant to an Offer within the time permitted above, the unsold Company Option Shares shall remain subject to the terms of this Section 11.

(C) Failure to Deliver Option Shares. If Optionee fails or refuses to deliver on a timely basis duly endorsed certificates representing Company Option Shares to be sold to the Company or its assignee pursuant to this Section 11, the Company shall have the right to deposit the purchase price for such Company Option Shares in a special account with any bank or trust company, giving notice of such deposit to Optionee, whereupon such Company Option Shares shall be deemed to have been purchased by the Company. All such monies shall be held by the bank or trust company for the benefit of Optionee. All monies deposited with the bank or trust company but remaining unclaimed for two years after the date of deposit shall be repaid by the bank or trust company to the Company on demand, and Optionee shall thereafter look only to the Company for payment.

(D) Expiration of Company's Right of First Refusal. The first refusal rights of the Company set forth above shall remain in effect until such time, if ever, as the Company becomes Publicly Traded, at which time the refusal rights of the Company set forth herein will automatically expire.

12. Lock-up Agreement**.** Optionee agrees that in connection with the Company's first underwritten public offering of Common Stock, upon the request of the Company or the principal underwriter managing such public offering, the shares acquired pursuant to this Agreement may not be sold, offered for sale or otherwise disposed of, including any sale pursuant to Rule 144, without the prior written consent of the Company or such underwriter, as the case may be, for a period of up to 180 days after the effectiveness of the registration statement filed in connection with such offering.

13. Rights Prior to Exercise. Neither Optionee nor Optionee's personal representative, heir or legatee shall have any of the rights of a stockholder with respect to any Common Stock until the date of the issuance to him or her of a certificate for such Common Stock as provided herein.

14. Disqualifying Disposition. If Optionee disposes of any shares of Common Stock acquired upon the exercise of this Option within two years from the Grant Date or one year after such shares were acquired pursuant to the exercise of this Option, Optionee shall notify the Company in writing of such disposition. Any notice required under this Section 14 shall be given within thirty days of such disposition.

15. Amendments. The Committee may from time to time amend the terms of this Agreement to the extent it deems appropriate to carry out the terms and provisions of the Plan; provided that any amendment adverse to Optionee shall be effective only if consented to by Optionee in writing.

16. Interpretation of Agreement and Plan. The Committee shall have sole power to interpret and construe any provisions of this Agreement or the Plan. Any such interpretation or construction made by the Committee shall be final and conclusive and, insofar as possible, shall be consistent with the requirements of an incentive stock option under section 422 of the Code. In the event of any differences between the provisions of this Agreement and the terms of the Plan, the terms of the Plan will control.

17. Option Not to Affect Employment. The Option granted hereunder shall not confer upon Optionee any right to continue in the employment of the Company or its Subsidiary or Affiliate.

18. Miscellaneous. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. All capitalized terms not defined in this Agreement shall have the meaning set forth in the Plan unless the context clearly requires an alternative meaning. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

19. Securities Laws. The Committee may from time to time impose any conditions on the exercise of the Option as it deems necessary or advisable to ensure that all rights granted under the Plan satisfy the requirements of applicable securities laws. Such conditions may include, without limitation, the partial or complete suspension of the right to exercise the Option or trade the shares issued upon exercise.

20. Adjustments for Changes in Capital Structure. If there shall be any change in the Common Stock of the Company through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination or exchange of shares, or the like, the restrictions contained in this Agreement shall apply with equal force to additional and/or substitute securities, if any, received by Optionee in exchange for, or by virtue of his or her ownership of, shares acquired pursuant to this Agreement, except as otherwise determined by the Board.

21. Notices. All notices or other communications given hereunder shall be in writing, shall be sent by registered or certified mail, return receipt requested, postage prepaid, or by hand delivery or by expedited delivery service, delivery charges prepaid and with acknowledged receipt of delivery. A notice or other communication shall be deemed given on the date of acceptance or refusal of acceptance shown on such receipt, and shall be addressed, as the case may be to Optionee and to the Company at the following applicable address:

(A) If to Optionee, to the address specified by Optionee below.

(B) If to the Company, to:

Neuronetics, Inc.
31 General Warren Blvd
Malvern, PA 19355
Attention: Chief Executive Officer

Any party may, by notice given in compliance with this Section, change its address for all subsequent notices.

22. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement supersedes all prior discussions, negotiations, understandings, commitments and agreements with respect to such matters.

23. Governing Law. To the extent not preempted by federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to rules relating to conflict of laws.

NEURONETICS, INC.

Dated: _____ By: _____
Name:
Title:

Dated: _____ _____

Exhibit A

EXERCISE NOTICE

FOR

NEURONETICS, INC. AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

Neuronetics, Inc.
31 General Warren Blvd
Malvern, PA 19355

Attention: Chief Executive Officer

1. Exercise of Option. Effective as of today, _____, 20____ (the "Exercise Date") the undersigned ("Optionee") hereby elects to exercise Optionee's option (the "Option") to purchase _____ shares of the Common Stock (the "Shares") of Neuronetics, Inc. (the "Company"), under and pursuant to the Neuronetics, Inc. Amended and Restated 2003 Stock Incentive Plan (the "Plan") and the Incentive Stock Option Agreement dated _____, 20____ (the "Option Agreement").

2. Delivery of Payment. Optionee shall deliver to the Company the full exercise price of the Shares, as set forth in the Option Agreement within three (3) days of the Exercise Date.

3. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understands the Plan and the Option Agreement and agrees to abide by and be bound by the terms and conditions contained therein.

4. Rights as Stockholder. Until the issuance of the Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Shares shall be issued to Optionee as soon as practicable after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance.

5. Company's Right of First Refusal. Before any Shares held by Optionee or any transferee may be sold or otherwise transferred, the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in the Option Agreement.

6. Terms of the Plan and the Option Agreement Govern. Optionee specifically acknowledges that the Option and any Shares acquired upon exercise of the Option are subject to all of the terms and conditions of the Plan and the Option Agreement.

7. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with all tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company or the Committee for any tax advice.

8. Restrictive Legends and Stop-Transfer Orders.

(A) Legends. Optionee understands and agrees that the Company shall cause the legend set forth below or a legend substantially equivalent thereto to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER THE ACT. ADDITIONALLY, THESE SECURITIES ARE SUBJECT TO A REPURCHASE RIGHT AND RIGHT OF FIRST REFUSAL IN FAVOR OF NEURONETICS, INC. SPECIFIED IN THE INCENTIVE STOCK OPTION AGREEMENT (THE "OPTION AGREEMENT") ISSUED PURSUANT TO THE NEURONETICS, INC. AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN (THE "PLAN") BETWEEN NEURONETICS, INC. AND THE OTHER PARTY THERETO (AS EACH OF THE SAME MAY BE AMENDED AND/OR RESTATED FROM TIME TO TIME).

ANY ATTEMPT TO TRANSFER THESE SHARES, OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION, WITHOUT COMPLYING WITH THE TERMS OF THE PLAN OR THE OPTION AGREEMENT, OR ANY SUCCESSOR THERETO, SHALL BE NULL AND VOID."

(B) Stop-Transfer Orders. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(C) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred or as to which the Company has not received notice.

9. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. Unless otherwise defined herein, the terms contained in the Exercise Notice shall have the same meaning as defined in the Plan and/or the Option Agreement. This Exercise

Notice, the Plan and the Option Agreement (and the Exhibits thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to Optionee's interest except by means of a writing signed by the Company and Optionee. In the event of a conflict between the terms and conditions of this Exercise Notice and the Plan, the terms and conditions of the Plan shall prevail.

Submitted by:

Accepted by:

NEURONETICS, INC.

_____

By: _____

Exhibit B

INVESTMENT REPRESENTATION STATEMENT

FOR

NEURONETICS, INC.

AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

Optionee: _____

Shares: _____ shares of Common Stock of Neuronetics, Inc. (the "Shares")

Amount Paid: _____

Date: _____

In connection with the purchase of the above-listed Shares, the undersigned Optionee represents to the Company the following:

1. Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Optionee is acquiring these Shares for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

2. Optionee acknowledges and understands that the Shares constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee's investment intent as expressed herein. In this connection, Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee's representation was predicated solely upon a present intention to hold these Shares for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Shares or for a period of one year or any other fixed period in the future. Optionee further understands that the Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Shares. Optionee understands that the certificate evidencing the Shares will be imprinted with a legend which prohibits the transfer of the Shares unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company and with any other legend required under applicable state securities laws.

3. Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Shares exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (a) the resale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (b) the availability of certain public information about the Company; (c) the amount of Shares being sold during any three month period not exceeding the limitations specified in Rule 144(e); and (d) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Shares may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur after a specified holding period.

4. Optionee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any such other registration exemption will be available in such event.

Date: _____ Signature of Optionee: _____

Exhibit C

Neuronetics, Inc.
AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

NEURONETICS, INC.

STOCK OPTION GRANT NOTICE
(2018 EQUITY INCENTIVE PLAN)

Neuronetics, Inc. (the "***Company***"), pursuant to its 2018 Equity Incentive Plan (the "***Plan***"), hereby grants to Optionholder an option to purchase the number of shares of the Company's Common Stock set forth below. This option is subject to all of the terms and conditions as set forth in this Stock Option Grant Notice, in the Option Agreement, the Plan and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Option Agreement will have the same definitions as in the Plan or the Option Agreement. If there is any conflict between the terms in this Stock Option Grant Notice and the Plan, the terms of the Plan will control.

Optionholder:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Shares Subject to Option:	_____
Exercise Price (Per Share):	_____
Total Exercise Price:	_____
Expiration Date:	_____

Type of Grant: ☐ Incentive Stock Option[1] ☐ Nonstatutory Stock Option

Exercise Schedule: Same as Vesting Schedule

Vesting Schedule: [_____, subject to Optionholder's Continuous Service as of each such date**]**

Payment: By one or a combination of the following items (described in the Option Agreement):

☐ By cash, check, bank draft or money order payable to the Company
☐ Pursuant to a Regulation T Program if the shares are publicly traded
☐ By delivery of already-owned shares if the shares are publicly traded
☐ If and only to the extent this option is a Nonstatutory Stock Option, and subject to the Company's consent at the time of exercise, by a "net exercise" arrangement

1 If this is an Incentive Stock Option, it (plus other outstanding Incentive Stock Options) cannot be first *exercisable* for more than $100,000 in value (measured by exercise price) in any calendar year. Any excess over $100,000 is a Nonstatutory Stock Option.

Additional Terms/Acknowledgements: Optionholder acknowledges receipt of, and understands and agrees to, this Stock Option Grant Notice, the Option Agreement and the Plan. Optionholder acknowledges and agrees that this Stock Option Grant Notice and the Option Agreement may not be modified, amended or revised except as provided in the Plan. Optionholder further acknowledges that as of the Date of Grant, this Stock Option Grant Notice, the Option Agreement, and the Plan set forth the entire understanding between Optionholder and the Company regarding this option award and supersede all prior oral and written agreements, promises and/or representations on that subject with the exception of, if applicable, (i) equity awards previously granted and delivered to Optionholder, (ii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law and (iii) any written employment agreement, severance agreement, offer letter or other written agreement entered into between the Company and Participant specifying the terms that should govern this specific option. By accepting this option, Optionholder consents to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

NEURONETICS, INC.	**OPTIONHOLDER:**
By: _____	_____
Signature	Signature
Title: _____	Date: _____
Date: _____	

ATTACHMENTS: Option Agreement, 2018 Equity Incentive Plan and Notice of Exercise

ATTACHMENT I

NEURONETICS, INC.

OPTION AGREEMENT
(2018 EQUITY INCENTIVE PLAN)
(INCENTIVE STOCK OPTION OR NONSTATUTORY STOCK OPTION)

Pursuant to your Stock Option Grant Notice ("***Grant Notice***") and this Option Agreement, Neuronetics, Inc. (the "***Company***") has granted you an option under its 2018 Equity Incentive Plan (the "***Plan***") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. The option is granted to you effective as of the date of grant set forth in the Grant Notice (the "***Date of Grant***"). If there is any conflict between the terms in this Option Agreement and the Plan, the terms of the Plan will control. Capitalized terms not explicitly defined in this Option Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan.

The details of your option, in addition to those set forth in the Grant Notice and the Plan, are as follows:

1. VESTING. Subject to the provisions contained herein, your option will vest as provided in your Grant Notice. Vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share in your Grant Notice will be adjusted for Capitalization Adjustments.

3. EXERCISE RESTRICTION FOR NON-EXEMPT EMPLOYEES. If you are an Employee eligible for overtime compensation under the Fair Labor Standards Act of 1938, as amended (that is, a "***Non-Exempt Employee***"), and except as otherwise provided in the Plan, you may not exercise your option until you have completed at least six (6) months of Continuous Service measured from the Date of Grant, even if you have already been an employee for more than six (6) months. Consistent with the provisions of the Worker Economic Opportunity Act, you may exercise your option as to any vested portion prior to such six (6) month anniversary in the case of (i) your death or disability, (ii) a Corporate Transaction in which your option is not assumed, continued or substituted, (iii) a Change in Control or (iv) your termination of Continuous Service on your "retirement" (as defined in the Company's benefit plans).

4. METHOD OF PAYMENT. You must pay the full amount of the exercise price for the shares you wish to exercise. You may pay the exercise price in cash or by check, bank draft or money order payable to the Company or in any other manner ***permitted by your Grant Notice,*** which may include one or more of the following:

(a) Provided that at the time of exercise the Common Stock is publicly traded, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds. This manner of payment is also known as a "broker-assisted exercise", "same day sale", or "sell to cover".

(b) Provided that at the time of exercise the Common Stock is publicly traded, by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, will include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. You may not exercise your option by delivery to the Company of Common Stock if doing so would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

(c) If this option is a Nonstatutory Stock Option, subject to the consent of the Company at the time of exercise, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise of your option by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price. You must pay any remaining balance of the aggregate exercise price not satisfied by the "net exercise" in cash or other permitted form of payment. Shares of Common Stock will no longer be outstanding under your option and will not be exercisable thereafter if those shares (i) are used to pay the exercise price pursuant to the "net exercise," (ii) are delivered to you as a result of such exercise, and (iii) are withheld to satisfy your tax withholding obligations.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. SECURITIES LAW COMPLIANCE. In no event may you exercise your option unless the shares of Common Stock issuable upon exercise are then registered under the Securities Act or, if not registered, the Company has determined that your exercise and the issuance of the shares would be exempt from the registration requirements of the Securities Act. The exercise of your option also must comply with all other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations (including any restrictions on exercise required for compliance with Treas. Reg. 1.401(k)-1(d)(3), if applicable).

7. TERM. You may not exercise your option before the Date of Grant or after the expiration of the option's term. The term of your option expires, subject to the provisions of Section 5(h) of the Plan, upon the earliest of the following:

(a) immediately upon the termination of your Continuous Service for Cause;

(b) three (3) months after the termination of your Continuous Service for any reason other than Cause, your Disability or your death (except as otherwise provided in Section 8(d) below); *provided, however,* that if during any part of such three (3) month period your option is not exercisable solely because of the condition set forth in the section above regarding "Securities Law Compliance," your option will not expire until the earlier of the Expiration Date or until it has been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service; *provided further,* if during any part of such three (3) month period, the sale of any Common Stock received upon exercise of your option would violate the Company's insider trading policy, then your option will not expire until the earlier of the Expiration Date or until it has been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service during which the sale of the Common Stock received upon exercise of your option would not be in violation of the Company's insider trading policy. Notwithstanding the foregoing, if (i) you are a Non-Exempt Employee, (ii) your Continuous Service terminates within six (6) months after the Date of Grant, and (iii) you have vested in a portion of your option at the time of your termination of Continuous Service, your option will not expire until the earlier of (x) the later of (A) the date that is seven (7) months after the Date of Grant, and (B) the date that is three (3) months after the termination of your Continuous Service, and (y) the Expiration Date;

(c) twelve (12) months after the termination of your Continuous Service due to your Disability (except as otherwise provided in Section 7(d)) below;

(d) eighteen (18) months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates for any reason other than Cause;

(e) the Expiration Date indicated in your Grant Notice; or

(f) the day before the tenth (10th) anniversary of the Date of Grant.

If your option is an Incentive Stock Option, note that to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the Date of Grant and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or an Affiliate, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or an Affiliate as a Consultant or Director after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment with the Company or an Affiliate terminates.

8. EXERCISE.

(a) You may exercise the vested portion of your option (and the unvested portion of your option if your Grant Notice so permits) during its term by (i) delivering a Notice of Exercise (in a form designated by the Company) or completing such other documents and/or procedures designated by the Company for exercise and (ii) paying the exercise price and any applicable withholding taxes to the Company's Secretary, stock plan administrator, or such other person as the Company may designate, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (i) the exercise of your option, (ii) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (iii) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the Date of Grant or within one (1) year after such shares of Common Stock are transferred upon exercise of your option.

9. TRANSFERABILITY. Except as otherwise provided in this Section 9, your option is not transferable, except by will or by the laws of descent and distribution, and is exercisable during your life only by you.

(a) Certain Trusts. Upon receiving written permission from the Board or its duly authorized designee, you may transfer your option to a trust if you are considered to be the sole beneficial owner (determined under Section 671 of the Code and applicable state law) while the option is held in the trust. You and the trustee must enter into transfer and other agreements required by the Company.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your option pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulation 1.421-1(b)(2) that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this option with the Company prior to finalizing the domestic relations order or marital settlement agreement to help ensure the required information is contained within the domestic relations order or marital settlement agreement. If this option is an Incentive Stock Option, this option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(c) Beneficiary Designation. Upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form approved by the Company and any broker designated by the Company to handle option exercises, designate a third party who, on your death, will thereafter be entitled to exercise this option and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, your executor or administrator of your estate will be entitled to exercise this option and receive, on behalf of your estate, the Common Stock or other consideration resulting from such exercise.

10. OPTION NOT A SERVICE CONTRACT. Your option is not an employment or service contract, and nothing in your option will be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or an Affiliate, or of the Company or an Affiliate to continue your employment. In addition, nothing in your option will obligate the Company or an Affiliate, their respective stockholders, boards of directors, officers or employees to continue any relationship that you might have as a Director or Consultant for the Company or an Affiliate.

11. WITHHOLDING OBLIGATIONS.

(a) At the time you exercise your option, in whole or in part, and at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for (including by means of a "same day sale" pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with the exercise of your option.

(b) If this option is a Nonstatutory Stock Option, then upon your request and subject to approval by the Company, and compliance with any applicable legal conditions or restrictions, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the maximum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of your option as a liability for financial accounting purposes). Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Affiliate are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company will have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein, if applicable, unless such obligations are satisfied.

12. TAX CONSEQUENCES. You hereby agree that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes your tax liabilities. You will not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax liabilities arising from your option or your other compensation. In particular, you acknowledge that this option is exempt from Section 409A of the Code only if the exercise price per share specified in the Grant Notice is at least equal to the "fair market value" per share of the Common Stock on the Date of Grant and there is no other impermissible deferral of compensation associated with the option.

13. NOTICES. Any notices provided for in your option or the Plan will be given in writing (including electronically) and will be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this option by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this option, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

14. GOVERNING PLAN DOCUMENT. Your option is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your option, and is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. If there is any conflict between the provisions of your option and those of the Plan, the provisions of the Plan will control. In addition, your option (and any compensation paid or shares issued under your option) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law.

15. OTHER DOCUMENTS. You hereby acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

16. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of this option will not be included as compensation, earnings, salaries, or other similar terms used when calculating your benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

17. VOTING RIGHTS. You will not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this option until such shares are issued to you. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this option, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

18. SEVERABILITY. If all or any part of this Option Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Option Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Option Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

19. MISCELLANEOUS.

(a) The rights and obligations of the Company under your option will be transferable to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your option.

(c) You acknowledge and agree that you have reviewed your option in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your option, and fully understand all provisions of your option.

(d) This Option Agreement will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Option Agreement will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

* * *

This Option Agreement will be deemed to be signed by you upon the signing by you of the Stock Option Grant Notice to which it is attached.

ATTACHMENT II

2018 EQUITY INCENTIVE PLAN

ATTACHMENT III

NOTICE OF EXERCISE

NEURONETICS, INC.

Date of Exercise: _____

This constitutes notice to Neuronetics, Inc. (the "***Company***") under my stock option that I elect to purchase the below number of shares of Common Stock of the Company (the "***Shares***") for the price set forth below.

Type of option (check one):	Incentive ☐	Nonstatutory ☐
Stock option dated:	_____	_____
Number of Shares as to which option is exercised:	_____	_____
Certificates to be issued in name of:	_____	_____
Total exercise price:	$_____	$_____
Cash payment delivered herewith:	$_____	$_____
[Value of _____ Shares delivered herewith[1]:	$_____	$_____]
[Value of _____ Shares pursuant to net exercise[2]:	$_____	$_____]
[Regulation T Program (cashless exercise[3]):	$_____	$_____]

1 Shares must meet the public trading requirements set forth in the option. Shares must be valued in accordance with the terms of the option being exercised, and must be owned free and clear of any liens, claims, encumbrances or security interests. Certificates must be endorsed or accompanied by an executed assignment separate from certificate.

2 The option must be a Nonstatutory Stock Option, and the Company must have established net exercise procedures at the time of exercise, in order to utilize this payment method.

3 Shares must meet the public trading requirements set forth in the option.

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the Neuronetics, Inc. 2018 Equity Incentive Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this option, and (iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any of the Shares issued upon exercise of this option that occurs within two (2) years after the date of grant of this option or within one (1) year after such Shares are issued upon exercise of this option.

Very truly yours,

_____

Exhibit 10.16

NEURONETICS, INC.

RESTRICTED STOCK UNIT GRANT NOTICE
(2018 EQUITY INCENTIVE PLAN)

Neuronetics, Inc. (the "***Company***"), pursuant to its 2018 Equity Incentive Plan (the "***Plan***"), hereby awards to Participant a Restricted Stock Unit Award for the number of shares of the Company's Common Stock ("***Restricted Stock Units***") set forth below (the "***Award***"). The Award is subject to all of the terms and conditions as set forth in this notice of grant (this "***Restricted Stock Unit Grant Notice***"), and in the Plan and the Restricted Stock Unit Award Agreement (the "***Award Agreement***"), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in this Restricted Stock Unit Grant Notice or the Award Agreement and the Plan, the terms of the Plan shall control.

Participant:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Restricted Stock Units:	_____

Vesting Schedule: [_____, subject to Participant's Continuous Service through each such vesting date.]

Issuance Schedule: Subject to any Capitalization Adjustment, one share of Common Stock (or its cash equivalent, at the discretion of the Company) will be issued for each Restricted Stock Unit that vests at the time set forth in Section 6 of the Award Agreement.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Restricted Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Restricted Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the acquisition of the Common Stock pursuant to the Award specified above and supersede all prior oral and written agreements on the terms of this Award, with the exception, if applicable, of (i) restricted stock unit awards or options previously granted and delivered to Participant, (ii) the written employment agreement, offer letter or other written agreement entered into between the Company and Participant specifying the terms that should govern this specific Award, and (iii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law.

By accepting this Award, Participant acknowledges having received and read the Restricted Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of the terms and conditions set forth in these documents. Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

NEURONETICS, INC.	**PARTICIPANT**
By: _____	_____
Signature	Signature
Title: _____	Date: _____
Date: _____	

ATTACHMENTS: Award Agreement and 2018 Equity Incentive Plan

ATTACHMENT I

NEURONETICS, INC.

2018 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Restricted Stock Unit Grant Notice (the "***Grant Notice***") and this Restricted Stock Unit Award Agreement (the "***Agreement***"), Neuronetics, Inc. (the "***Company***") has awarded you ("***Participant***") a Restricted Stock Unit Award (the "***Award***") pursuant to the Company's 2018 Equity Incentive Plan (the "***Plan***") for the number of Restricted Stock Units/shares indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Award, in addition to those set forth in the Grant Notice, are as follows.

1. GRANT OF THE AWARD. This Award represents the right to be issued on a future date one (1) share of Common Stock for each Restricted Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 below) as indicated in the Grant Notice. As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit (the "***Account***") the number of Restricted Stock Units/shares of Common Stock subject to the Award. Notwithstanding the foregoing, the Company reserves the right to issue you the cash equivalent of Common Stock, in part or in full satisfaction of the delivery of Common Stock in connection with the vesting of the Restricted Stock Units, and, to the extent applicable, references in this Agreement and the Grant Notice to Common Stock issuable in connection with your Restricted Stock Units will include the potential issuance of its cash equivalent pursuant to such right. This Award was granted in consideration of your services to the Company.

2. VESTING. Subject to the limitations contained herein, your Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice. Vesting will cease upon the termination of your Continuous Service and the Restricted Stock Units credited to the Account that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such Award or the shares of Common Stock to be issued in respect of such portion of the Award.

3. NUMBER OF SHARES. The number of Restricted Stock Units subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan. Any additional Restricted Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units and shares covered by your Award. Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Any fraction of a share will be rounded down to the nearest whole share.

4. SECURITIES LAW COMPLIANCE. You may not be issued any Common Stock under your Award unless the shares of Common Stock underlying the Restricted Stock Units are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. TRANSFER RESTRICTIONS. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of this Award or the shares issuable in respect of your Award, except as expressly provided in this Section 5. For example, you may not use shares that may be issued in respect of your Restricted Stock Units as security for a loan. The restrictions on transfer set forth herein will lapse upon delivery to you of shares in respect of your vested Restricted Stock Units.

(a) Death. Your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Award will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to a domestic relations order, marital settlement agreement or other divorce or separation instrument as permitted by applicable law that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company General Counsel prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

6. DATE OF ISSUANCE.

(a) The issuance of shares in respect of the Restricted Stock Units is intended to comply with Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner. Subject to the satisfaction of the Withholding Obligation set forth in Section 11 of this Agreement, in the event one or more Restricted Stock Units vests, the Company shall issue to you one (1) share of Common Stock for each Restricted Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 above, and subject to any different provisions in the Grant Notice). Each issuance date determined by this paragraph is referred to as an "***Original Issuance Date***".

(b) If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(i) the Original Issuance Date does not occur (1) during an "open window period" applicable to you, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (including but not limited to under a previously established written trading plan that meets the requirements of Rule 10b5-1 under the Exchange Act and was entered into in compliance with the Company's policies (a "***10b5-1 Arrangement***")), *and*

(ii) either (1) a Withholding Obligation does not apply, or (2) the Company decides, prior to the Original Issuance Date, (A) not to satisfy the Withholding Obligation by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, and (B) not to permit you to enter into a "same day sale" commitment with a broker-dealer pursuant to Section 11 of this Agreement (including but not limited to a commitment under a 10b5-1 Arrangement) and (C) not to permit you to pay your Withholding Obligation in cash,

then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Company's Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulations Section 1.409A-1(d).

(c) The form of delivery (*e.g.*, a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. DIVIDENDS. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment; provided, however, that this sentence will not apply with respect to any shares of Common Stock that are delivered to you in connection with your Award after such shares have been delivered to you.

8. RESTRICTIVE LEGENDS. The shares of Common Stock issued in respect of your Award shall be endorsed with appropriate legends as determined by the Company.

9. EXECUTION OF DOCUMENTS. You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

10. AWARD NOT A SERVICE CONTRACT.

(a) Nothing in this Agreement (including, but not limited to, the vesting of your Award or the issuance of the shares in respect of your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ or service of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the vesting schedule provided in the Grant Notice may not be earned unless (in addition to any other conditions described in the Grant Notice and this Agreement) you continue as an employee, director or consultant at the will of the Company and affiliate, as applicable (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "***reorganization***"). You acknowledge and agree that such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated

hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company's right to terminate your Continuous Service at any time, with or without your cause or notice, or to conduct a reorganization.

11. WITHHOLDING OBLIGATION.

(a) On each vesting date, and on or before the time you receive a distribution of the shares of Common Stock in respect of your Restricted Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision, including in cash, for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any Affiliate that arise in connection with your Award (the "***Withholding Obligation***").

(b) By accepting this Award, you acknowledge and agree that the Company or any Affiliate may, in its sole discretion, satisfy all or any portion of the Withholding Obligation relating to your Restricted Stock Units by any of the following means or by a combination of such means: (i) causing you to pay any portion of the Withholding Obligation in cash; (ii) withholding from any compensation otherwise payable to you by the Company; (iii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued pursuant to Section 6) equal to the amount of such Withholding Obligation; provided, however, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Withholding Obligation using the maximum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; and *provided*, further, that to the extent necessary to qualify for an exemption from application of Section 16(b) of the Exchange Act, if applicable, such share withholding procedure will be subject to the express prior approval of the Board or the Company's Compensation Committee; and/or (iv) permitting or requiring you to enter into a "same day sale" commitment, if applicable, with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "***FINRA Dealer***"), pursuant to this authorization and without further consent, whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Restricted Stock Units to satisfy the Withholding Obligation and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Obligation directly to the Company and/or its Affiliates. Unless the Withholding Obligation is satisfied, the Company shall have no obligation to deliver to you any Common Stock or any other consideration pursuant to this Award.

(c) In the event the Withholding Obligation arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Withholding Obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

12. TAX CONSEQUENCES. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

13. UNSECURED OBLIGATION. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

14. NOTICES. Any notice or request required or permitted hereunder shall be given in writing (including electronically) and will be deemed effectively given upon receipt or, in the case of notices delivered by mail by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this Award, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

15. HEADINGS. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

16. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

17. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and

any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a resignation for "good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

18. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any Affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any Affiliate.

19. SEVERABILITY. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

20. OTHER DOCUMENTS. You hereby acknowledge receipt or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

21. AMENDMENT. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

22. COMPLIANCE WITH SECTION 409A OF THE CODE. This Award is intended to be exempt from the application of Section 409A of the Code, including but not limited to by reason of complying with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) and any ambiguities herein shall be interpreted accordingly. Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and determined to be deferred compensation subject to Section 409A of the Code, this Award shall comply with Section 409A to the extent necessary to avoid adverse personal tax consequences and any ambiguities herein shall be interpreted accordingly. If it is determined that the Award is deferred compensation subject to Section 409A and you are a "Specified Employee" (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your "Separation from Service" (as defined in Section 409A), then the issuance of any shares that would otherwise be made upon the date of your Separation from Service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months

and one day after the date of the Separation from Service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of adverse taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

* * * * *

This Restricted Stock Unit Award Agreement shall be deemed to be signed by the Company and the Participant upon the signing by the Participant of the Restricted Stock Unit Grant Notice to which it is attached.

ATTACHMENT II

2018 EQUITY INCENTIVE PLAN

Exhibit 10.17

FORM OF SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this "***Agreement***"), dated as of [_____] (the "***Effective Date***"), is made and entered into by and between Neuronetics, Inc., a Delaware corporation (the "***Company***"), and [_____] ("***Executive***"). The Company and Executive are sometimes referred to in this Agreement individually as a "***Party***" and collectively as the "***Parties***."

WHEREAS, the Company may from time to time consider the possibility of an acquisition by another company or other change in control. The Board of Directors of the Company (the "***Board***") recognizes that such consideration can be a distraction to Executive and can cause Executive to consider alternative employment opportunities; and

WHEREAS, the Board has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined in Section 6) of the Company, and believes that it is in the best interests of the Company to provide Executive with an incentive to continue his employment and to motivate Executive to maximize the value of the Company upon a Change in Control for the benefit of its stockholders; and

WHEREAS, the Board believes that it is imperative to provide Executive with certain severance benefits upon Executive's termination of employment following a Change in Control, and further believes that it is imperative to provide Executive with certain severance benefits if the Company were to terminate Executive's employment without cause or if Executive were to resign for good reason; and

WHEREAS, the benefits described in this Severance Agreement are intended to provide Executive with enhanced financial security and incentive and encouragement to remain with the Company notwithstanding the possibility of a Change in Control; and

WHEREAS, certain defined terms are set forth in Section 6.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreement contained herein and intending to be bound hereby, the Parties agree as follows:

1. Duration of Agreement. The term of this Agreement will commence on the date hereof and shall continue until the earliest of: (i) a termination by written consent of the Parties; and (ii) a termination of Executive's employment for any reason. Notwithstanding the previous sentence, if Executive becomes entitled to benefits under this Agreement, this Agreement will terminate when all of the obligations of the Parties with respect to this Agreement have been satisfied.

2. Termination; Severance. Upon cessation of his or her employment for any reason, unless otherwise consented to in writing by the Board, Executive shall resign immediately from any and all officer, director and other positions he then holds with the Company and/or its Affiliates. Upon any cessation of his employment with the Company, Executive will be entitled only to such compensation and benefits as described in this Section 2 and Section 7.4.

2.1. Termination without Cause or for Good Reason Apart From a Change in Control. If (a) the Company terminates Executive's employment with the Company without Cause, or Executive resigns for Good Reason and (b) such termination occurs either prior to three (3) months before or after twelve (12) months following a Change in Control, then the Company shall:

2.1.1. pay to Executive monthly severance payments equal to one-twelfth of Executive's then-current Base Salary for a period equal to: (i) [_____] months; and

2.1.2. if Executive validly elects to receive continuation coverage under the Company's group health plan pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"), reimburse Executive the applicable premium otherwise payable for such COBRA continuation coverage for [_____] months.

2.2. Termination without Cause or for Good Reason In Connection With a Change in Control. If (a) the Company terminates Executive's employment with the Company without Cause or Executive resigns for Good Reason and (b) such termination occurs either within three (3) months before or within twelve (12) months following a Change in Control, then the Company shall:

2.2.1. pay to Executive monthly severance payments equal to one-twelfth of Executive's then current Base Salary for a period equal to: (i) [_____] months; and

2.2.2. if Executive validly elects to receive continuation coverage under the Company's group health plan pursuant to COBRA, reimburse Executive the applicable premium otherwise payable for such COBRA continuation coverage for [_____] months; and

2.2.3. fully vest all unvested restricted stock, stock options and other equity incentives awarded to Executive by the Company.

2.3. No Additional Consideration; Release. Except as otherwise provided in this Section 2, all compensation and benefits will cease at the time of Executive's cessation of employment, and the Company will have no further liability or obligation by reason of such cessation of employment. The payments and benefits described in this Section 2 are in lieu of, and not in addition to, any other severance arrangement maintained by the Company. Notwithstanding any provision of this Agreement, the payments and benefits described in this Section 2 are conditioned on: (a) Executive's execution and delivery to the Company and the expiration of all applicable statutory revocation periods, by the 60th day following the effective date of his cessation of employment, of a general release and waiver of claims against the Company and its Affiliates substantially in a form reasonably prescribed by the Company (the "***Release***"); and (b) Executive's continued compliance with the provisions of the Restrictive Covenant Agreement (as defined below). Subject to Section 4, the benefits described in this Section 2 will begin to be paid or provided as soon as administratively practicable after the Release becomes irrevocable, provided that if the 60 day period described above begins in one taxable year and ends in a second taxable year such payments or benefits shall not commence until the second taxable year.

2.4. No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to and benefits provided to him under any of the provisions of this Section 2 and, such amounts and benefits shall not be reduced whether or not he obtains other employment.

2.5. PPACA. Notwithstanding anything in this Agreement to the contrary, the waiver in respect of COBRA premiums pursuant to this Section 2 shall cease to the extent required to avoid adverse consequences to the Company under the Patient Protection and Affordable Care Act of 2010, as amended, and regulations thereunder.

3. Other Terminations. If Executive's employment with the Company ceases for any reason other than as described in Section 2 (including but not limited to (a) termination by the Company for Cause, (b) resignation by Executive without Good Reason, (c) termination as a result of Executive's Disability, or (d) Executive's death, then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid Base Salary (at the annual rate then in effect) and vacation through the date of such cessation of employment. All compensation and benefits will cease at the time of such cessation of employment and, except as otherwise provided by COBRA, the Company will have no further liability or obligation by reason of such termination. The foregoing will not be construed to limit Executive's right to payment or reimbursement for claims incurred prior to the date of such termination under any insurance contract funding an employee benefit plan, policy or arrangement of the Company in accordance with the terms of such insurance contract.

4. Compliance with Section 409A. Notwithstanding anything to the contrary in this Agreement, no portion of the benefits or payments to be made under Section 2 will be payable until Executive has a "separation from service" from the Company within the meaning of Section 409A of the Code. In addition, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Code to payments due to Executive upon or following his "separation from service", then notwithstanding any other provision of this Agreement (or any otherwise applicable plan, policy, agreement or arrangement), any such payments that are otherwise due within six months following Executive's "separation from service" (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to Executive in a lump sum immediately following that six month period. This paragraph should not be construed to prevent the application of Treas. Reg. § 1.409A-1(b)(9)(iii) (or any successor provision) to amounts payable hereunder. For purposes of the application of Section 409A of the Code, each payment in a series of payments will be deemed a separate payment.

5. Restrictive Covenants. The Executive acknowledges and agrees to abide by the terms of the Confidentiality, Non-Competition and Inventions Assignment Agreement attached hereto as Exhibit A (the "***Restrictive Covenant Agreement***"). The Executive acknowledges that the terms of the Restrictive Covenant Agreement shall continue to remain in full-force and effect following the cessation of Executive's employment with the Company for any reason. If Executive does not execute the Restrictive Covenant Agreement on or before the fifth (5th) calendar day following the date of this Agreement, the Company's obligations under this Agreement shall be null and void *ab initio*.

6. Certain Definitions. For purposes of this Agreement:

6.1. "***Affiliate***" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person, provided that, in any event, any business in which the Company has any direct ownership interest shall be treated as an Affiliate of the Company.

6.2. "***Cause***" means (i) indictment, conviction, or the entry of a plea of guilty or no contest to, (A) a felony or (B) a misdemeanor (other than a DUI or similar crime) involving moral turpitude, or that causes material damage to the Company's public image or reputation, or causes material harm to the Company's operations or financial performance, (ii) gross negligence or willful misconduct with respect to his duties and responsibilities to the Company, including, without limitation, commission of any act of proven fraud, embezzlement, or theft in the course of his employment, after a reasonable and good faith investigation by the Board; (iii) alcohol abuse or illegal use of controlled substances (other than prescription drugs taken in accordance with a physician's prescription) in the event the Company has reasonable grounds for suspecting that he is under the influence of illegal drugs or alcohol while at work and his ability to perform his duties and responsibilities has been materially impaired; (iv) willful refusal or failure to perform any specific material lawful direction received by the Board (other than due to a physical or mental illness or Disability), which failure or refusal is not cured within 30 days after delivery of written notice from the Company thereof; (v) the failure to timely execute the Restrictive Covenant Agreement in a manner consistent with Section 5; (vi) willful and material breach of any written agreement with or duty owed to the Company (including this Agreement or any breach of the Restrictive Covenant Agreement); or (vii) the Company determines that Executive intentionally omitted any requested information or falsified any disclosed information either in Executive's resume or during Executive's interview process with the Company.

6.3. "***Change in Control***" means the occurrence of any of the following in one transaction or a series of related transactions: (i) any Person becoming a beneficial owner, directly or indirectly, of securities of the Company representing more than 50% of the voting power of the Company's then-outstanding securities; (ii) a consolidation, share exchange, reorganization or merger of the Company resulting in the equity holders of the Company immediately prior to such event not owning at least 50% of the voting power of the resulting entity's securities outstanding immediately following such event; (iii) the sale or other disposition of all or substantially all (i.e. at least 90%) of the assets of the Company; or (iv) any similar event deemed by the Board to constitute a Change in Control; *provided, however,* that a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Code.

6.4. "***Code***" means the Internal Revenue Code of 1986, as amended.

6.5. "***Control***" (including, with correlative meanings, the terms "Controlled by" and "under common Control with"), as used with respect to any Person, means the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

6.6. "***Disability***" means a condition entitling Executive to benefits under the Company's long term disability plan, policy or arrangement; *provided*, *however*, that if no such plan, policy or arrangement is then maintained by the Company and applicable to Executive, "Disability" will mean Executive's inability to perform his duties to the Company due to a mental or physical condition (other than alcohol or substance abuse) that can be expected to result in death or that can be expected to last (or has already lasted) for a continuous period of 90 days or more, or for 120 days in any 180 consecutive day period, as determined by an independent physician reasonably satisfactory to Executive and the Company whose fees shall be paid by the Company. Termination as a result of a Disability will not be construed as a termination by the Company "without Cause."

6.7. "***Good Reason***" means any of the following, without Executive's prior consent: (a) a material adverse change of Executive's position with the Company that reduces his title, level of authority, duties and/or responsibilities from those in effect immediately prior to the reduction; (b) a reduction in Base Salary or target bonus; (c) any failure to provide that Executive is eligible to participate in the Company benefit plans on a basis that is: (i) at least as favorable as those enjoyed by similarly-situated senior corporate officers of the Company; or (d) a relocation of Executive's principal worksite of more than 35 miles unless such relocation reduces Executive's commute to such worksite. However, none of the foregoing events or conditions will constitute Good Reason unless Executive provides the Company with written objection to the event or condition within 30 days following the occurrence thereof, the Company does not reverse or otherwise cure the event or condition within 30 days of receiving that written objection, and Executive resigns his employment within 30 days following the expiration of that cure period.

6.8. "***Person***" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, governmental entity, unincorporated entity or other entity.

7. Miscellaneous.

7.1. Cooperation. Executive further agrees that, subject to reimbursement of his reasonable expenses, he will cooperate fully with the Company and its counsel with respect to any matter (including litigation, investigations, or governmental proceedings) in which Executive was in any way involved during his employment with the Company. Executive shall render such cooperation in a timely manner on reasonable notice from the Company, so long as the Company exercises commercially reasonable efforts to schedule and limit its need for Executive's cooperation under this paragraph so as not to interfere with Executive's other personal and professional commitments.

7.2. Section 409A.

7.2.1. Notwithstanding anything herein to the contrary or otherwise, except to the extent any expense, reimbursement or in-kind benefit provided to Executive does not constitute a "deferral of compensation" within the meaning of Section 409A of the Code, and its implementing regulations and guidance, (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive during any calendar year will not affect the amount of

expenses eligible for reimbursement or in-kind benefits provided to Executive in any other calendar year, (ii) the reimbursements for expenses for which Executive is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred and (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

7.2.2. Anything to the contrary herein notwithstanding, all benefits or payments provided by the Company to Executive that would be deemed to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code are intended to comply with Section 409A of the Code. Notwithstanding anything in this Agreement to the contrary, distributions may only be made under this Agreement upon an event and in a manner permitted by Section 409A of the Code or an applicable exemption.

7.3. Section 280G. If any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement or the lapse or termination of any restriction on or the vesting or exercisability of any payment or benefit (each, a "***Payment***"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law (such tax or taxes are hereafter collectively referred to as the "***Excise Tax***"), then the aggregate amount of Payments payable to Executive shall be reduced to the aggregate amount of Payments that may be made to Executive without incurring an excise tax (the "***Safe-Harbor Amount***") in accordance with the immediately following sentence; *provided that* such reduction shall only be imposed if the aggregate after-tax value of the Payments retained by Executive (after giving effect to such reduction) is equal to or greater than the aggregate after-tax value (after giving effect to the Excise Tax) of the Payments to Executive without any such reduction. Any such reduction shall be made in the following order: (i) first, any future cash payments (if any) shall be reduced (if necessary, to zero); (ii) second, any current cash payments shall be reduced (if necessary, to zero); (iii) third, all non-cash payments (other than equity or equity derivative related payments) shall be reduced (if necessary, to zero); and (iv) fourth, all equity or equity derivative payments shall be reduced.

7.4. At-Will Employment. The Company and Executive acknowledge that Executive's employment is and will continue to be at-will, as defined under applicable law. If Executive's employment terminates for any reason, Executive will not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement and the payment of accrued but unpaid wages, as required by law, and any unreimbursed reimbursable expenses.

7.5. Dispute Resolution.

7.5.1. Mediation. Prior to instituting any arbitration as provided in Section 7.5.2, the Parties shall meet in good faith and attempt to resolve any dispute arising from or relating to this Agreement, the Restrictive Covenant Agreement or the employment relationship through non-binding mediation. One (1) individual who is mutually acceptable to the Parties shall be appointed as mediator, provided that the mediator shall be experienced in mediation of employment contract disputes. The mediator's fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally between the Parties. Each Party shall pay its

portion of the anticipated fees and costs at least ten (10) business days in advance of the mediation. Each Party shall pay its own attorney fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in Wilmington, Delaware and shall last no more than two (2) business days.

7.5.2. Arbitration. If mediation is unsuccessful, any controversy or claim arising out of or relating to the Agreement or the breach thereof, shall be resolved by arbitration administered by the American Arbitration Association under its then Expedited Procedures of Employment Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Executive waives all rights to trial by jury or by any court. Claims made and remedies sought as part of a class action, private attorney general or other representative action (hereafter all included in the term "class action") are subject to arbitration on an individual basis, not on a class or representative basis. No class actions, joinder or consolidation of any claim with a claim of any other person or entity shall be allowable in arbitration, without the written consent of both Executive and the Company. **THE EXECUTIVE WAIVES ALL RIGHTS TO TRIAL BY JURY OR BY ANY COURT. IF THE EXECUTIVE FILES A CLAIM OR COUNTERCLAIM AGAINST THE COMPANY, HE MAY ONLY DO SO ON AN INDIVIDUAL BASIS AND NOT WITH ANY OTHER EMPLOYEE OR AS PART OF A CLASS OR CONSOLIDATED ACTION.** All arbitration proceedings shall be held in Wilmington, Delaware, unless the laws of the state in which Executive resides expressly require the application of its laws, in which case the arbitration shall be held in the capital of that state. There shall be one (1) arbitrator, an attorney at law, who shall have expertise in business law with a strong preference being an attorney knowledgeable in the medical device business, selected from the panel which the American Arbitration Association provides. In deciding any dispute, the arbitrator shall be required to (i) apply the terms and conditions of this Agreement to such dispute; (ii) set forth in writing the award and a summary of those facts considered by the arbitrator to be material to the decision; and (iii) allocate in the arbitrator's discretion, between the Parties, all costs of the arbitration, including facility fees and the fees and expenses of the arbitrator and reasonable attorneys' fees, costs and expert witness fees of the Parties. The decision of the arbitrator shall be final and binding on the Parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of this Agreement.

7.6. Successors and Assigns. The Company may assign this Agreement to any Affiliate or to any successor to its assets and business by means of liquidation, dissolution, sale of assets or otherwise. For avoidance of doubt, a termination of Executive's employment by the Company in connection with a permitted assignment of the Company's rights and obligations under this Agreement is not a termination "without Cause" so long as the assignee offers employment to Executive on the same terms as in effect before such assignment including the terms herein specified (without regard to whether Executive accepts employment with the assignee).

7.7. Governing Law and Enforcement. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of laws.

7.8. Waivers. The waiver by either Party of any right hereunder or of any breach by the other Party will not be deemed a waiver of any other right hereunder or of any other breach by the other Party. No waiver will be deemed to have occurred unless set forth in a writing. No waiver will constitute a continuing waiver unless specifically stated, and any waiver will operate only as to the specific term or condition waived.

7.9. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. However, if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced as though the invalid, illegal or unenforceable provision had never been herein contained.

7.10. Survival. This Agreement will survive the cessation of Executive's employment to the extent necessary to fulfill the purposes and intent of this Agreement.

7.11. Notices. Any notice or communication required or permitted under this Agreement will be made in writing and (a) sent by overnight courier, or (b) mailed by overnight U.S. express mail, return receipt requested. Any notice or communication to Executive will be sent to the address contained in his personnel file. Any notice or communication to the Company will be sent to the Company's principal executive offices, to the attention of its Chief Executive Officer. Notwithstanding the foregoing, either Party may change the address for notices or communications hereunder by providing written notice to the other in the manner specified in this paragraph.

7.12. Entire Agreement; Amendments. This Agreement contains the entire agreement and understanding of the Parties relating to the subject matter hereof and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature relating to that subject matter. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the Parties.

7.13. Withholding. All payments (or transfers of property) to Executive will be subject to tax withholding to the extent required by applicable law.

7.14. Section Headings. The headings of sections and paragraphs of this Agreement are inserted for convenience only and will not in any way affect the meaning or construction of any provision of this Agreement.

7.15. Counterparts; Facsimile. This Agreement may be executed in multiple counterparts (including by facsimile signature), each of which will be deemed to be an original, but all of which together will constitute but one and the same instrument.

(*signature page follows*)

IN WITNESS WHEREOF, the Company has caused this Severance Agreement to be executed by its duly authorized officer, and Executive has executed this Severance Agreement, in each case as of the date first above written.

NEURONETICS, INC.

By: _____

_____

EXHIBIT A
FORM OF RESTRICTIVE COVENANT AGREEMENT

Exhibit 10.18

NEURONETICS, INC.
FORM OF RESTRICTIVE COVENANT AND INVENTION ASSIGNMENT AGREEMENT

In consideration of my employment by Neuronetics, Inc., a Delaware corporation (the "***Company***"), and compensation received by me in connection therewith, I hereby agree as follows:

1. **PROPRIETARY INFORMATION.** At all times during the term of my employment with the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company or is permitted by Section 6, or unless the Company expressly and specifically authorizes such disclosure in writing. "***Proprietary Information***" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company, its affiliated entities, any of its investors, customers, prospects, suppliers, strategic partners and other third parties that the Company is under an obligation to keep confidential, including but not limited to information relating to financial matters, investments, budgets, business plans, marketing plans, research and development activities, customers, clients, suppliers, personnel matters, business contacts, products, processes, know-how, designs, methods, improvements, discoveries, inventions, ideas, data, programs, and other works of authorship; provided, however, that Proprietary Information shall not include any information that is or, after receipt by me becomes, public knowledge through no fault of my own or any agent of mine or that is properly transmitted to me on a non-confidential basis by a third-party without breaching a duty of confidentiality to the Company. I will not, at any time, improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not knowingly bring into the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person.

2. **ASSIGNMENT OF INVENTIONS**.

2.1. **Proprietary Rights and Inventions**. The term "***Proprietary Rights***" shall mean all trade secrets, know-how, patents, copyrights, trademarks, applications for any of the foregoing, and other intellectual property rights throughout the world. The term "***Inventions***" shall mean all trade secrets, trademarks, copyrights, service marks, logos, domain names, technical data, inventions, concepts, ideas, processes, data, programs, software and systems documentation, source code, object code, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques. For purposes of this Section 2, the term "***Affiliate***" shall mean any entity other than the Company in whose business I become actively involved at the request of the Company.

2.2. **Prior Inventions**. I have set forth on the attached Prior Inventions Schedule a complete list of all Inventions that I have, along or jointly with others, made prior to the commencement of my employment with the Company that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Restrictive Covenant and Invention Assignment Agreement (collectively, "***Prior Inventions***"). If no such disclosure is attached, I represent that there are no prior Inventions. If, in the course of my employment with for the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

2.3. **Assignment of Inventions.** I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all of my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) that are related to the business of the Company and that are created, made, conceived or reduced to practice by me or under my direction or jointly with others during my employment with the Company (collectively, the "***Company Inventions***"). I will, at the Company's request, promptly execute a written assignment to the Company of any such Company Invention, and I will preserve any such Company Invention as part of the Proprietary Information of the Company. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such assignment shall continue after the termination of this Agreement. If the Company is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign Proprietary Rights covering Inventions assigned to the Company, or its designee, as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, or copyright, trademark or other registrations thereon with the same legal force and effect as if executed by me.

2.4. **Proprietary Rights and Inventions**. I will promptly and fully disclose in writing to the Company all Company Inventions. I agree to assist in every proper way and to execute those documents and take such acts as are reasonably requested by the Company to obtain, sustain and from time to time enforce Proprietary Rights relating to Company Inventions in the United States or any other country.

2.5. **Copyrightable Works.** I agree that any copyrightable works made by me (solely or jointly with others) that are otherwise covered by the terms hereof and that are protectable by copyright, shall be deemed to be "works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C. section 101). Accordingly, the Company shall be the sole and exclusive author and owner of all such copyrightable works and all right, title and interest therein and thereto, including, without limitation, all copyrights (and all renewals and extensions thereof). To the extent that any of such works are not determined to be a work for hire, I hereby irrevocably, permanently, exclusively and absolutely assign and grant to the Company all right, title and interest in and to such works, including, without limitation, all copyrights therein (and all renewals and extensions thereof). The Company shall have the sole and exclusive right to use

and exploit such works, in whole or in part, in any media or technology known or hereafter devised, in perpetuity. The Company's rights in and to such works may be assigned and licensed without limitation, and any such assignment or license shall be binding on me and shall inure to the benefit of such assignee or licensee. I shall have no rights of consultation and/or approval with respect to the Company's exploitation, revision and/or use of such works. Moreover, I hereby waive, forfeit, relinquish and abandon all "moral rights" (as said term is commonly understood) and all rights of attribution and integrity that I may otherwise have had with respect to such works through the universe, and all rights I might otherwise have had under the Visual Artists Rights Act of 1990.

3. **NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Restrictive Covenant and Invention Assignment Agreement as an employee, consultant, or otherwise, of the Company does not and will not breach any other restrictive covenant or similar agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment or engagement with the Company. I have not entered into, and I agree not to enter into, any other restrictive covenant or similar agreement whether written or oral in conflict herewith.

4. **ADDITIONAL ACTIVITIES**.

4.1. **Non-Competition**. During the term of my employment or engagement by the Company and for the one (1) year period beginning on the date that my employment or engagement with the Company terminates (for any reason whatsoever, whether voluntary or involuntary), I will not, without the Company's express written consent, directly or indirectly, participate as a principal, employee, consultant, partner, member or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly-held company) whose primary business is or may be competitive with the products and services (including repair and aftermarket services) being designed, conceived, marketed, distributed or developed by the Company during my employment or engagement by the Company or at the time of termination of my employment or engagement by the Company. I understand that should I violate this provision of this Agreement, I shall continue to be bound by the restrictions set forth in such provision until a period of one (1) year has expired without violation of such provision.

4.2. **Non-Solicitation and Non-Hire**. During the term of my employment or engagement by the Company and for the two (2) year period beginning on the date that my employment or engagement with the Company terminates, I will not either directly or through others, hire or attempt to hire any employee, consultant or independent contractor of the Company, or solicit or attempt to solicit any employee, consultant, independent contractor, customer or supplier of the Company, to (a) change or terminate his, her or its relationship with the Company or otherwise to become an employee, consultant, independent contractor or customer to, for or of any other person or business entity or (b) hire me as an employee or consultant. Notwithstanding the foregoing, general solicitations of employment published in a journal, newspaper or other publication of general circulation and not specifically directed towards such employees, consultants or independent contractors shall not be deemed to constitute solicitation for purposes of this Section 4.2. I understand that should I violate this provision of this Agreement, I shall continue to be bound by the restrictions set forth in such provision until a period of two (2) years has expired without violation of such provision.

5. **RETURN OF COMPANY DOCUMENTS AND PROPERTY.** Upon termination of my employment or engagement with the Company for any reason whatsoever, voluntarily or involuntarily, and at any earlier time the Company requests, I will deliver to the person designated by the Company (a) all originals and copies of all documents (in paper and electronic form) of the Company in my possession, under my control or to which I may have access and (b) all other property of the Company in my possession, under my control or to which I may have access, including without limitation, all keys and/or access cards, computers, pagers, cell phones, other electronic devices belonging to the Company, licensed software and passwords, Company files and documentation of any kind.

6. **DEFEND TRADE SECRETS ACT**. I understand that I shall not be held criminally or civilly liable under any Federal or State trade secret law for my disclosure of a trade secret that is made in confidence to Federal, State or local government official or to an attorney provided that: (a) such disclosure is solely for the purpose of reporting or investigating a suspected violation of law; (b) such disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (c) if I file a lawsuit for retaliation by the Company for reporting a suspected violation of law and make such disclosure to my attorney, I file all documents containing any trade secret information under seal, and do not disclose any such trade secret except pursuant to a court order.

7. **LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique, because I have had and will continue to have access to and have become and will continue to become acquainted with the Proprietary Information of the Company and because any breach by me of any of the restrictive covenants contained in this Restrictive Covenant and Invention Assignment Agreement would result in irreparable injury and damage for which money damages would not provide an adequate remedy, the Company shall have the right to enforce this Restrictive Covenant and Invention Assignment Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach, or threatened breach, of this Restrictive Covenant and Invention Assignment Agreement. I agree that in any action in which the Company seeks injunctive, specific performance or other equitable relief, I will not assert or contend that any of the provisions of this Restrictive Covenant and Invention Assignment Agreement are unreasonable or otherwise unenforceable.

8. **NOTICES**. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notices shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing, or if sent by overnight courier upon written verification of receipt.

9. **SERVICES.** I agree and understand that nothing in this Restrictive Covenant and Invention Assignment Agreement shall confer any right with respect to continuation of my employment or engagement with the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment or engagement with the Company at any time, for any reason.

10. **UNITED STATES GOVERNMENT AND OTHER OBLIGATIONS.** I acknowledge that the Company from time to time may have agreements with the other persons or with the United States Government, or agencies thereof, which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. I agree to be bound by all such obligations and restrictions which are made known to me and to take all action necessary to discharge the obligations of the Company under such agreements.

11. **GENERAL PROVISIONS**. This Restrictive Covenant and Invention Assignment Agreement will be governed by and construed according to the laws of the Commonwealth of Pennsylvania as such laws are applied to Restrictive Covenant and Invention Assignment Agreements. I acknowledge and agree that I have had an opportunity to seek advice of counsel in connection with this Restrictive Covenant and Invention Assignment Agreement and that the covenants contained herein are reasonable in geographical, temporal and other scope and in all other respects. If any court or other decision-maker of competent jurisdiction determines that any of my covenants contained in this Restrictive Covenant and Invention Assignment Agreement, or any part thereof, is unenforceable because of the duration, geography or other scope of such provision, then, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced. In case any one or more of the provisions contained in this Restrictive Covenant and Invention Assignment Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in all respects (even as reformed by the court), such invalidity, illegality or unenforceability shall not affect the other provisions of this Restrictive Covenant and Invention Assignment Agreement, and this Restrictive Covenant and Invention Assignment Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. This Restrictive Covenant and Invention Assignment Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, it successors, and its assigns. The provisions of this Restrictive Covenant and Invention Assignment Agreement shall survive the termination of my employment or engagement with the Company and the assignment of this Restrictive Covenant and Invention Assignment Agreement by the Company to any successor-in-interest or other assignee. No waiver by the Company of any breach of this Restrictive Covenant and Invention Assignment Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Restrictive Covenant and Invention Assignment Agreement shall be construed as a waiver of any other right. The obligations pursuant to Sections 1 and 2 of this Restrictive Covenant and Invention Assignment Agreement shall apply to any time during which I was previously retained to perform services for the Company, or am in the future employed or retained to perform services for the Company, by the Company as a consultant. This Restrictive Covenant and Invention Assignment Agreement is the final, complete and exclusive Restrictive Covenant and Invention Assignment Agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Restrictive Covenant and Invention Assignment Agreement, nor any waiver of any rights under this Restrictive Covenant and Invention Assignment Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Restrictive Covenant and Invention Assignment Agreement.

This Restrictive Covenant and Invention Assignment Agreement shall be effective as of the date set forth below.

Dated: _____, 20____

I have read this Agreement carefully and understand its terms. I have completely filled out the Prior Inventions Schedule to this Agreement.

_____
Name:

Address:

_____
_____
_____

ACCEPTED AND AGREED TO:

NEURONETICS, INC.

3222 Phoenixville Pike
Malvern, PA 19355

Name:
Title:

Date: _____, 20____

PRIOR INVENTIONS SCHEDULE

FROM: _____

DATE: _____, 20____

SUBJECT: Prior Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment or engagement with the Company that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my employment or engagement by the Company:

☐ No inventions or improvements.

☐ See below:

_____

_____

_____

☐ Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

Invention or Improvement	**Party(ies)**	**Relationship**
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

☐ Additional sheets attached.

Exhibit 10.19

May 3, 2018

Mr. Daniel H. Guthrie
[Address]

Dear Dan:

On behalf of everyone at Neuronetics, we are delighted at the prospect of having you become part of our Senior Management Team. We are pleased to offer you employment with Neuronetics, Inc. on the following terms:

1. **Position.** You will serve in a full-time capacity as Chief Commercial Officer, managing sales, marketing, reimbursement and operations. You will report to Chris Thatcher, President and Chief Executive Officer of the Company. Your primary duties will be those consistent with your title. This is a Malvern based position and the expectation is that you would relocate to the Malvern, PA area. In the interim, you would be in the Malvern office four days a week on average and as needed. By signing this letter agreement, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company. Your anticipated start date will be May 21, 2018.

2. **Salary.** You will be compensated at a semi-monthly rate of $ 12,333.33, less applicable taxes and other withholdings, on the 15th and the last day of each month, or the business day prior if these are not a business day, based on an annualized base salary of $296,000 (the ‘‘Base Salary”). This salary will be paid in accordance with the Company’s standard payroll practices for salaried employees, and will be subject to adjustment pursuant to the Company’s employee compensation policies in effect from time to time.

3. **Bonus.** You will be eligible to receive a discretionary cash bonus equal to a percentage of your annual Base Salary (the “Incentive Bonus”), which Incentive Bonus will be payable based on the financial performance of the Company, the attainment of certain corporate and departmental goals and your personal performance. The amount of such Incentive Bonus will be determined in the sole discretion of the Board of Directors of the Company (the “Board”). The Incentive Bonus, if any, for 2018 is targeted at 45% of your actual salary earned in 2018. The Incentive Bonus may be increased or decreased dependent upon the attainment of certain corporate, departmental and personal performance measures, as defined by you and the CEO.

4. **Benefits.** You will be permitted to participate in such group medical, dental, vision, life, accident and long-term disability insurance and other fringe benefits and retirement plans as the Company may make available from time to time to its other similarly situated senior employees; provided, however, that nothing contained in this letter agreement shall restrict the ability of the Company to amend or terminate such plans, programs and arrangements at any time and from time to time.

5. **Vacation.** You will be eligible for vacation each year, in accordance with the Company’s standard vacation policy, and to those holidays observed by the Company. The Company’s current vacation policy permits four weeks of vacation per year for Vice President level employees prorated for your first year of employment based on your start date. Based upon our proration calculation, you are eligible for approximately 12 vacation days in 2018. Arrangements for all such absences must, of course, be made to ensure that your responsibilities are properly covered. In addition, you will also

be eligible for 1 floating holiday and 7 personal/sick days annually, all pro-rated your first year based on your start date and otherwise in accordance with the company's vacation policy. Based on your start date, you will be eligible for 1 floating holiday and 4 personal/sick days in 2018.

6. **Stock Options.** You will also be granted a non-qualified stock option to purchase a number of shares of the common stock of the Company equal to 0.7% of the Company's fully-diluted common stock. The exercise price per share will be equal to the fair market value per share on the grant date of such options by the Compensation Committee of the Board of Directors. You will vest in 25% of the option shares on the first anniversary of the commencement of employment and l/36th of the remaining unvested option shares each month thereafter. The terms and conditions of the options will be more fully described in the Company's Amended and Restated 2003 Stock Incentive Plan and Stock Option Agreement to be provided to you.

7. **Relocation Assistance.** You will be provided relocation assistance to assist in your relocation to the Malvern, PA area. This assistance is intended for use in reimbursing you for specific relocation costs (details and receipts must be provided), as noted below and available only for relocation completed within 6 months of your start date. By signing this offer letter, you agree that if you terminate employment with the company voluntarily or for cause within twenty four (24) months of the effective date of your position as Chief Commercial Officer, you will reimburse the company all monies paid to you under this relocation assistance program. The relocation assistance will include reimbursement for the expenditures listed below:

   a. A temporary housing allowance in Malvern, PA for a period of three months, not to exceed $2,000 per month.

   b. A daily meal allowance while in Malvern, not to exceed $50 per day

   c. Two house hunting trips for you and your family to the Malvern, PA area

   d. Reimbursement of expenses associated with moving one car and the contents of your home from Carlsbad, CA to a location within 30 miles of the Malvern, PA office. Within 30-days of the execution of this offer, employee will provide Neuronetics three quotations for the cost of shipping the employee's household contents from Carlsbad to a new home in PA. Neuronetics will have the right to select the best option. Any cost above $35K will be covered by the employee.

   e. Home purchase assistance (specifically, non-recurring resettlement costs) not to exceed $10,000, if home is purchased within six months of start date.

   f. All reimbursed expenses under the above assistance programs which are taxable for Federal and/or State income tax purposes will be grossed-up to offset employee's tax liability.

8. **Restrictive Covenant and Invention Assignment Agreement.** Like all Company employees, you will be required, as a condition to your employment with the Company, to sign the Company's standard Restrictive Covenant and Invention Assignment Agreement, a copy of which is attached hereto as Exhibit A.

9. **Period of Employment.** Your employment with the Company will be "at will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause. Any contrary representations which may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may not be changes, except by an express written agreement signed by you and a duly authorized officer of the Company.

10. **Severance.** If you should be terminated by the Company without Cause (as defined in Exhibit B attached hereto), the Company will have no obligation to you except that the Company will pay you all accrued, but unpaid, Base Salary, vacation benefit and any unpaid expenses or expense reimbursements accrued prior to the effective date of such termination. In addition, subject to and at the discretion of the Board of Directors at the time of and in connection with your termination, the Company may pay you severance in an amount equal to three (3) months of your Base Salary in effect as of the effective date of termination (the "Severance Amount"), provided that you have executed a Severance and Release Agreement in a form acceptable to the Company.

11. **Outside Activities.** While you render services to the Company, you will not engage in any other gainful employment, business or activity without the written consent of the Company. While you render services to the Company, you also will not assist any person or organization in competing with the Company, in preparing to compete with the Company or in hiring any employees of the Company.

12. **Withholding Taxes.** All forms of compensation referred to in this letter are subject to reduction to reflect applicable withholding and payroll taxes.

13. **Entire Agreement.** This letter and the Exhibits attached hereto contain all of the terms of your employment with the Company and supersede any prior understandings or agreements, whether oral or written, between you and the Company.

14. **Amendment and Governing Law.** This letter agreement may not be amended or modified except by an express written agreement signed by you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes will be governed by the laws of the Commonwealth of Pennsylvania.

We hope that you find the foregoing terms acceptable. This offer is available for your acceptance until the end of business on May 7, 2018. Any acceptance postmarked after this date will be considered invalid. Please countersign your acceptance of this offer in the space provided below and return to me along with the Restrictive Covenant and Invention Assignment Agreement as soon as possible. This offer and your employment with the Company is contingent upon your providing legal proof of your identity and authorization to work in the United States as required by law, as well as satisfactory completion of reference and criminal background checks and drug screening.

Please do not hesitate to contact me should you have any questions. We look forward to you joining the Neuronetics team.

Sincerely,

NEURONETICS, INC.

By: /s/ Christopher Thatcher

Name: Christopher Thatcher
Title: President and Chief Executive Officer

The provisions of this offer of employment have been read, are understood, and the offer is herewith accepted. I understand that my employment is contingent upon the successful completion of a drug screening test and criminal history and background checks, as well as upon execution of the Restrictive Covenant and Invention Assignment Agreement.

/s/ Daniel H. Guthrie

Name: Daniel H. Guthrie

Date: May 4, 2018

Exhibit A

NEURONETICS, INC.
RESTRICTIVE COVENANT AND INVENTION ASSIGNMENT AGREEMENT
DANIEL H. GUTHRIE

In consideration of my employment by Neuronetics, Inc., a Delaware corporation (the "Company"), and compensation received by me in connection therewith, I hereby agree as follows:

PROPRIETARY INFORMATION. At all times during the term of my employment with the Company and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless the Company expressly and specifically authorizes such disclosure in writing. "Proprietary Information" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company, its affiliated entities, any of its investors, customers, strategic partners and other third parties that the Company is under an obligation to keep confidential, including but not limited to information relating to financial matters, investments, budgets, business plans, marketing plans, research and development activities, customers, clients, suppliers, personnel matters, business contacts, products, processes, know-how, designs, methods, improvements, discoveries, inventions, ideas, data, programs, and other works of authorship; provided, however, that Proprietary Information shall not include any information that is or, after receipt by me becomes, public knowledge through no fault of my own or any agent of mine or that is properly transmitted to me by a third-party without breaching a duty of confidentiality to the Company. I will not, at any time, improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality, and I will not knowingly bring into the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person.

ASSIGNMENT OF INVENTIONS.

Proprietary Rights and Inventions. The term "Proprietary Rights" shall mean all trade secrets, know-how, patents, copyrights, trademarks, applications for any of the foregoing, and other intellectual property rights throughout the world. The term "Inventions" shall mean all trade secrets, trademarks, copyrights, service marks, logos, domain names, technical data, inventions, concepts, ideas, processes, data, programs, software and systems documentation, source code, object code, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques. For purposes of this Section 2, the term "Affiliate" shall mean any entity other than the Company in whose business I become actively involved at the request of the Company.

Prior Inventions. I have set forth on the attached Prior Inventions Schedule a complete list of all Inventions that I have, along or jointly with others, made prior to the commencement of my employment with the Company that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Restrictive Covenant and Invention Assignment Agreement (collectively referred to as "Prior Inventions"). If no such disclosure is attached, I represent that there are no prior Inventions. If, in the course of my employment with for the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent.

Assignment of Inventions. I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all of my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) (a) that are related to the business of the Company, (b) that are created, made, conceived or reduced to practice by me or under my direction or jointly with others during my employment with the Company or (c) that are related to the services that I am then providing or have provided exclusively to the Company or any of its Affiliates, whether or not during normal working hours or on the premises of the Company in the case of (b) and (c) above (collectively, the "Company Inventions"). I will, at the Company's request, promptly execute a written assignment to the Company of any such Company Invention, and I will preserve any such Company Invention as part of the Proprietary Information of the Company.

Proprietary Rights and Inventions. I will promptly and fully disclose in writing to the Company all Company Inventions. I agree to assist in every proper way and to execute those documents and take such acts as are reasonably requested by the Company to obtain, sustain and from time to time enforce Proprietary Rights relating to Company Inventions in the United States or any other country.

Copyrightable Works. I agree that any copyrightable works made by me (solely or jointly with others) that are otherwise covered by the terms hereof and that are protectable by copyright, shall be deemed to be ‘‘works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C. section 101). Accordingly, the Company shall be the sole and exclusive author and owner of all such copyrightable works and all right, title and interest therein and thereto, including, without limitation, all copyrights (and all renewals and extensions thereof). To the extent that any of such works are not determined to be a work for hire, I hereby irrevocably, permanently, exclusively and absolutely assign and grant to the Company all right, title and interest in and to such works, including, without limitation, all copyrights therein (and all renewals and extensions thereof). The Company shall have the sole and exclusive right to use and exploit such works, in whole or in part, in any media or technology known or hereafter devised, in perpetuity. The Company's rights in and to such works may be assigned and licensed without limitation, and any such assignment or license shall be binding on me and shall inure to the benefit of such assignee or licensee. I shall have no rights of consultation and/or approval with respect to the Company's exploitation, revision and/or use of such works. Moreover, I hereby waive, forfeit, relinquish and abandon all "moral rights" (as said term is commonly understood) and all rights of attribution and integrity that I may otherwise have had with respect to such works through the universe, and all rights I might otherwise have had under the Visual Artists Rights Act of 1990.

NO CONFLICTING OBLIGATION.

I represent that my performance of all the terms of this Restrictive Covenant and Invention Assignment Agreement as a consultant, or otherwise, of the Company does not and will not breach any other restrictive covenant or similar agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment with the Company. I have not entered into, and I agree not to enter into, any other restrictive covenant or similar agreement whether written or oral in conflict herewith.

ADDITIONAL ACTIVITIES.

Non-Competition. During the term of my engagement by the Company and for the one (1) year period beginning on the date that my employment with the Company terminates (for any reason whatsoever, whether voluntary or involuntary), I will not, without the Company's express written consent, directly or indirectly, participate as a principal, employee, consultant, partner, member or stockholder of, or in any other capacity with, any business enterprise (other than in my capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly-held company) whose primary business is or may be competitive with the products and services being designed, conceived, marketed, distributed or developed by the Company during my engagement by the Company or at the time of termination of my engagement by the Company. I understand that should I violate this provision of this Agreement, I shall continue to be bound by the restrictions set forth in such provision until a period of one (1) year has expired without violation of such provision.

Non-Solicitation and Non-Hire. During the term of my employment by the Company and for the two (2) year period beginning on the date that my employment with the Company terminates, I will not either directly or through others, hire or attempt to hire any employee, consultant or independent contractor of the Company, or solicit or attempt to solicit any employee, consultant, independent contractor, customer or supplier of the Company, to change or terminate his, her or its relationship with the Company or otherwise to become an employee, consultant, independent contractor or customer to, for or of any other person or business entity. Notwithstanding the foregoing, general solicitations of employment published in a journal, newspaper or other publication of general circulation and not specifically directed towards such employees, consultants or independent contractors shall not be deemed to constitute solicitation for purposes of this Section 4.2. I understand that should I violate this provision of this Agreement, I shall continue to be bound by the restrictions set forth in such provision until a period of two (2) years has expired without violation of such provision.

RETURN OF COMPANY DOCUMENTS AND PROPERTY. Upon termination of my employment with the Company for any reason whatsoever, voluntarily or involuntarily, and at any earlier time the Company requests, I will deliver to the person designated by the Company (a) all originals and copies of all documents (in paper and electronic form) of the Company in my possession, under my control or to which I may have access and (b) all other property of the Company in my possession, under my control or to which I may have access, including without limitation, all keys and/or access cards, computers, pagers, cell phones, other electronic devices belonging to the Company, licensed software and passwords, Company files and documentation of any kind.

LEGAL AND EQUITABLE REMEDIES. Because my services are personal and unique, because I have had and will continue to have access to and have become and will continue to become acquainted with the Proprietary Information of the Company and because any breach by me of any of the restrictive covenants contained in this Restrictive Covenant and Invention Assignment Agreement would result in irreparable injury and damage for which money damages would not provide an adequate remedy, the Company shall have the right to enforce this Restrictive Covenant and Invention Assignment Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach, or threatened breach, of this Restrictive Covenant and Invention Assignment Agreement. I agree that in any action in which the Company seeks injunctive, specific performance or other equitable relief, I will not assert or contend that any of the provisions of this Restrictive Covenant and Invention Assignment Agreement are unreasonable or otherwise unenforceable.

NOTICES. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notices shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing, or if sent by overnight courier upon written verification of receipt.

SERVICES. I agree and understand that nothing in this Restrictive Covenant and Invention Assignment Agreement shall confer any right with respect to continuation of my employment with the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment with the Company at any time, for any reason.

UNITED STATES GOVERNMENT AND OTHER OBLIGATIONS. I acknowledge that the Company from time to time may have agreements with the other persons or with the United States Government, or agencies thereof, which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. I agree to be bound by all such obligations and restrictions which are made known to me and to take all action necessary to discharge the obligations of the Company under such agreements.

GENERAL PROVISION. This Restrictive Covenant and Invention Assignment Agreement will be governed by and construed according to the laws of the Commonwealth of Pennsylvania; as such laws are applied to Restrictive Covenant and Invention Assignment Agreements. I acknowledge and agree that I have had an opportunity to seek advice of counsel in connection with this Restrictive Covenant and Invention Assignment Agreement and that the covenants contained herein are reasonable in geographical and temporal scope and in all other respects. If any court or other decision-maker of competent jurisdiction determines that any of my covenants contained in this Restrictive Covenant and Invention Assignment Agreement, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced. In case any one or more of the provisions contained in this Restrictive Covenant and Invention Assignment Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Restrictive Covenant and Invention Assignment Agreement, and this Restrictive Covenant and Invention Assignment Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. This Restrictive Covenant and Invention Assignment Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, it successors, and its assigns. The provisions of this Restrictive Covenant and Invention Assignment Agreement shall survive the termination of my employment with the Company and the assignment of this Restrictive Covenant and Invention Assignment Agreement by the Company to any successor-in-interest or other assignee. No waiver by the Company of any breach of this Restrictive Covenant and Invention Assignment Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Restrictive Covenant and Invention Assignment Agreement shall be construed as a waiver of any other right. The obligations pursuant to Sections 1 and 2 of this Restrictive Covenant and Invention Assignment Agreement shall apply to any time during which I was previously retained to perform services for the Company, or am in the future employed or retained to perform services for the Company, by the Company as a consultant if no other Restrictive Covenant and Invention Assignment Agreement governs nondisclosure and assignment of inventions during such period. This Restrictive Covenant and Invention Assignment Agreement is the final, complete and exclusive Restrictive Covenant and Invention Assignment Agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Restrictive Covenant and Invention Assignment Agreement, nor any waiver of any rights under this Restrictive Covenant and Invention Assignment Agreement, will be effective unless in writing and signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Restrictive Covenant and Invention Assignment Agreement.

*****

This Restrictive Covenant and Invention Assignment Agreement shall be effective as of the date set forth below.

Dated: May 4, 2018

I have read this Agreement carefully and understand its terms. I have completely filled out the Prior Inventions Schedule to this Agreement.

/s/ Daniel H. Guthrie

Name: Daniel H. Guthrie

Address:

ACCEPTED AND AGREED TO:

NEURONETICS, INC.

3222 Phoenixville Pike
Malvern, PA 19355

/s/ Christopher Thatcher

Name: Christopher Thatcher
Title: President and Chief Executive Officer

Date: May 6, 2018

PRIOR INVENTIONS SCHEDULE

FROM: Daniel H. Guthrie

DATE: May 4, 2018

SUBJECT: Prior Inventions

1. Except as listed in Section 2 below, the following is a complete list of all inventions or improvements relevant to the subject matter of my employment with the Company that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my employment by the Company:

☒ No inventions or improvements.

☐ See below:

_____

_____

_____

☐ Additional sheets attached.

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to inventions or improvements generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

	Invention or Improvement	**Party(ies)**	**Relationship**
1.			
2.			
3.			

☐ Additional sheets attached.

Exhibit B

For purposes of this Agreement, “Cause” shall mean a reasonable belief by the Company that one or more of the following acts, events or conditions has occurred:

(i) your failure or refusal (other than by reason of disability) to faithfully and professionally carry out your duties and responsibilities, or to comply with the lawful directives of the Board or the President and Chief Executive Officer;

(ii) your dishonesty (which shall include without limitation any misuse or misappropriation of the Company’s assets), or other willful misconduct (including without limitation any conduct on your part intended to or likely to injure the business of the Company);

(iii) your indictment, arraignment or conviction of any felony or of any other crime involving moral turpitude, fraud, dishonesty or theft, or engaging in any act or omission which is a violation of any law or regulations protecting the rights of employees, whether or not relating to your employment;

(iv) your use or being under the influence of drugs, chemicals or controlled substances (except when used in accordance with a prescription) either (A) in the course of performing your duties and responsibilities under this Agreement and/or on Company premises, or (B) otherwise affecting your ability to perform the same;

(v) your material breach of or material failure to comply with any provision of this letter agreement or the Restrictive Covenant and Invention Assignment Agreement; or

(vi) any wanton or willful dereliction of your duties.