Table of Contents

As submitted to the Securities and Exchange Commission confidentially on March 16, 2018

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.

Table of Contents

Subject to Completion
Preliminary Prospectus dated March 16, 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 trading symbol: "NEUR."

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.

Table of Contents

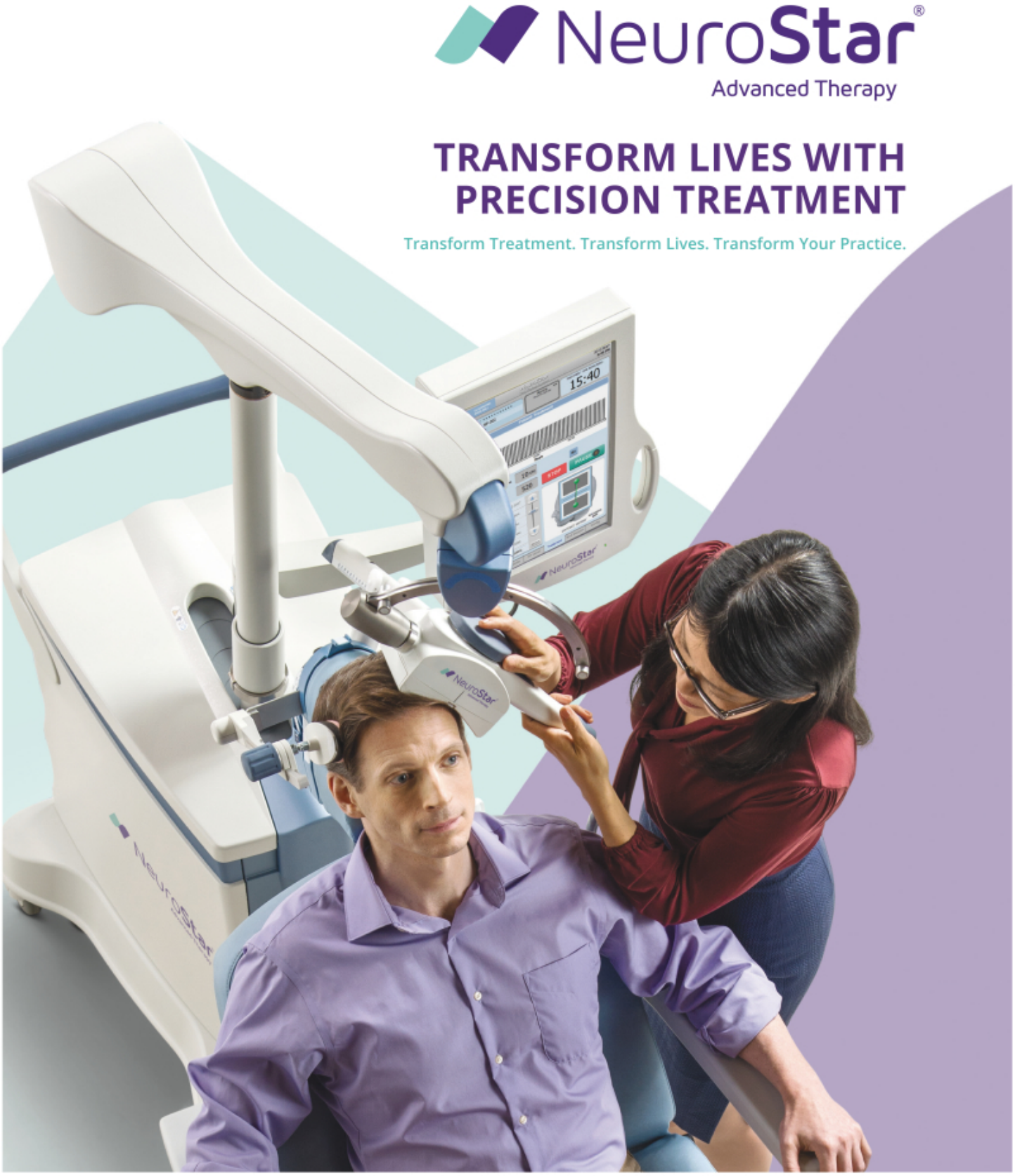


TABLE OF CONTENTS

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 752 active NeuroStar Advanced Therapy Systems in an estimated 595 psychiatrist offices, the estimated 50,000 patients treated with approximately 1.8 million of our treatment sessions, and our $40.4 million in revenues in 2017.

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 December 31, 2017, we had an installed base of 752 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 3,600 high-decile psychiatric practices that we estimate 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 same period.

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. In the United States, the economic burden of the disease was estimated at $210 billion in 2010. 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 are being treated by a psychiatrist. We estimate 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, we estimate 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 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 takes at least 19 minutes 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 752 active NeuroStar Advanced Therapy Systems in an estimated 595 psychiatrist offices, the estimated 50,000 patients treated with over 1.8 million of our treatment sessions, and our $40.4 million in revenues in 2017. 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 December 31, 2017, 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;
- 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 clinical trials of our NeuroStar Advanced Therapy System for additional indications, which may include bipolar depression and post-traumatic stress disorder; 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 begining 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 symbol	“NEUR”

The number of shares of our common stock to be outstanding after this offering is based on 325,389,508 shares of our common stock outstanding as of December 31, 2017, which includes 457,482 shares of unvested restricted stock. The number of shares of common stock outstanding as of December 31, 2017 excludes:

- 70,864,342 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2017, with a weighted-average exercise price of $0.08 per share;
- 3,080,584 shares of common stock issuable upon the exercise of stock options granted after December 31, 2017, with a weighted-average exercise price of $0.16 per share;
- 3,046,253 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2017 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;
- 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 and the balance sheet data as of December 31, 2017 have been derived from our audited financial statements appearing at the end of this prospectus. 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.

	Years ended December 31,	
	2016	2017
	(in thousands, except per share data)	
Statements of Operations Data:		
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[(1)]	$ (2.65)	$ (2.97)
Weighted-average common shares outstanding, basic and diluted[(1)]	4,246	5,401
Pro forma net loss per share of common stock outstanding, basic and diluted (unaudited)[(1)]		$ (0.05)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)[(1)]		307,288

(1) See "Note 11. Loss per Share" in our audited 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, 2017		
	Actual	Pro forma (Unaudited)[1]	Pro forma as Adjusted (Unaudited)[2]
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 29,147	$ 29,147	$
Working capital	25,011	25,011	
Total assets	38,938	38,938	
Long-term debt, net	29,556	29,556	
Convertible preferred stock warrant liability	478	—	
Convertible preferred stock	187,136	—	
Total stockholders' (deficit) equity	(192,652)	(5,038)	

(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 in all fiscal years since inception. We incurred net losses of $11.2 million and $16.1 million for the years ended December 31, 2016 and 2017, respectively. As a result of ongoing losses, as of December 31, 2017, we had an accumulated deficit of $196.9 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 may 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.

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 December 31, 2017, 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 or employment agreements with any of our employees. The existence of this 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. Additionally, these

products and any future products 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. 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 December 31, 2017. 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 December 31, 2017, 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. 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, 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;
- 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 December 31, 2017, 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. 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 . 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 December 31, 2017, 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 December 31, 2017, 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 , 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. 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 TMS treatments. Historically, we have seen a sequential reduction 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, patients' needs to exhaust remaining balances in flexible spending accounts and customers' timings of increased purchases ahead of price increases that may become effective in the following year.

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, including our ability to attain marketing approval to treat adolescents with MDD; 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, 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 December 31, 2017, we had cash and cash equivalents of $29.1 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 clinical trials of our NeuroStar Advanced Therapy System for additional indications, which may include bipolar depression and post-traumatic stress disorder; 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. 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 and intermediate 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 December 31, 2017:

- 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 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 December 31, 2017		
	Actual	Pro forma (Unaudited)	Pro forma as Adjusted[1] (Unaudited)
	(in thousands, except per share data)		
Cash and cash equivalents	$ 29,147	$ 29,147	$
Long-term debt, net	$ 29,556	$ 29,556	$
Convertible preferred stock warrant liability	478	—	
Convertible preferred stock	187,136	—	
Stockholders' equity (deficit):			
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: 407,024 shares authorized; 6,713 shares issued and outstanding; pro forma: shares authorized; 325,390 shares issued and outstanding; pro forma as adjusted: shares authorized; shares issued and outstanding	67	3,254	
Additional paid-in capital	4,227	188,654	
Accumulated deficit	(196,946)	(196,946)	
Total stockholders' equity (deficit)	$(192,652)	$ (5,038)	$
Total capitalization	$ 24,518	$ 24,518	$

[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 (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, additional paid-in capital and total stockholders' equity (deficit) by $ million.

The number of shares of common stock outstanding as of December 31, 2017, 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:

- 70,864,342 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2017, with a weighted-average exercise price of $0.08 per share;
- 3,080,584 shares of common stock issuable upon the exercise of stock options granted after December 31, 2017, with a weighted-average exercise price of $0.16 per share;
- 3,046,253 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2017 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;
- 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 December 31, 2017, we had a historical net tangible book deficit of $192.7 million, or $28.70 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 December 31, 2017.

Our pro forma net tangible book deficit as of December 31, 2017 was $5.0 million, or $0.02 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 December 31, 2017, 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 December 31, 2017 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 December 31, 2017	$(28.70)	
Decrease in net tangible book deficit per share of common stock attributable to pro forma adjustments	28.68	
Pro forma net tangible book deficit per share of common stock as of December 31, 2017	(0.02)	
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 December 31, 2017 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	325,389,508	%	$179,283,612	%	$ 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 December 31, 2017, 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:

- 70,864,342 shares of common stock issuable upon the exercise of stock options outstanding as of December 31, 2017, with a weighted-average exercise price of $0.08 per share;

- 3,080,584 shares of common stock issuable upon the exercise of stock options granted after December 31, 2017, with a weighted-average exercise price of $0.16 per share;
- 3,046,253 shares of common stock issuable upon the exercise of warrants outstanding as of December 31, 2017 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;
- 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 have been derived from our audited financial statements appearing at the end of this prospectus. 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.

	Years ended December 31,	
	2016	2017
	(in thousands, except per share data)	
Statements of Operations Data:		
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[1]	$ (2.65)	$ (2.97)
Weighted-average common shares outstanding, basic and diluted[1]	4,246	5,401
Pro forma net loss per share of common stock outstanding, basic and diluted (unaudited)[1]		$ (0.05)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited)[1]		307,288

[1] See "Note 11. Loss per Share" in our audited 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	2017
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 17,040	$ 29,147
Working capital	9,582	25,011
Total assets	24,798	38,938
Long-term debt, net	15,647	29,556
Convertible preferred stock warrant liability	459	478
Convertible preferred stock	172,311	187,136
Accumulated deficit	(180,887)	(196,946)
Total stockholders' deficit	(177,124)	(192,652)

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 752 active NeuroStar Advanced Therapy Systems in an estimated 595 psychiatrist offices, the estimated 50,000 patients treated with approximately 1.8 million treatment sessions, and our $40.4 million in revenues in 2017.

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.

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 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. 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. 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: our clinical trial to support an expansion of our existing indication to treat adolescent patients with MDD, which completed patient enrollment in January 2018; our clinical development for new indications for bipolar depression and post-traumatic stress disorder, or PTSD, and our various hardware and software development projects. 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. 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 a net loss of $16.1 million for the year ended December 31, 2017. 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 December 31, 2017, we had an accumulated deficit of $196.9 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 655 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. Treatment Session revenues represented 78% and 71% of our U.S. revenues for the years ended December 31, 2016 and 2017, respectively, during which time we sold 326,517 and 403,786 treatment sessions in the United States in 2016 and 2017, respectively, representing an increase of 24%.

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 Japenese 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. We may also experience an increase in total revenues if we are successful in obtaining an expanded label for our existing indication to treat adolescents with MDD.

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 exchange, 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, including for MDD in adolescents, bipolar depression and PTSD, 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

	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%

	United States 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 United States revenues	$31,577	100%	$39,853	100%

Comparison of the Years Ended December 31, 2016 and 2017

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 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 United States revenues for 2016 and 2017, respectively. NeuroStar Advanced Therapy System revenues grew as a result of the successful efforts of our expanded sales and customer support team to place additional systems. Treatment sessions revenues increased by $3.8 million from 2016 to 2017, primarily due to an increase in the installed base of NeuroStar Advanced Therapy Systems in the United States. Treatment sessions revenues represented 78% and 71% of United States revenues for 2016 and 2017, respectively. U.S. treatment session revenues increased by 15% based on a 24% increase in volume, partially offset by a 9% decrease in average selling price. We believe that average selling prices decreased during the year due to certain volume pricing discounts for higher utilization customers.

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, respectively. 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.

	(Unaudited) Three Months ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(in thousands, except percentages)			
Revenues	$ 6,857	$ 9,276	$ 8,280	$ 9,815
Cost of revenues	1,357	1,667	1,429	2,169
Gross Profit	5,500	7,609	6,851	7,646
Gross Margin	80%	82%	83%	78%
Operating expenses:				
Sales and marketing	4,472	4,982	5,289	7,051
General and administrative	1,553	1,765	1,635	1,973
Research and development	1,958	2,163	1,885	2,217
Total operating expenses	7,983	8,910	8,809	11,241
Loss from Operations	(2,483)	(1,301)	(1,958)	(3,595)
Other (income) expense:				
Interest expense	410	411	459	555
Other (income) expense, net	(135)	104	(24)	117
Net Loss	$ (2,758)	$(1,816)	$ (2,393)	$ (4,267)

	(Unaudited) Three Months ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
	(in thousands, except percentages)			
Revenues	$ 7,526	$10,308	$ 10,491	$ 12,108
Cost of revenues	1,538	2,501	2,636	2,957
Gross Profit	5,988	7,807	7,855	9,151
Gross Margin	*80%*	*76%*	*75%*	*76%*
Operating expenses:				
Sales and marketing	6,306	6,400	6,566	8,628
General and administrative	1,642	1,837	2,256	2,837
Research and development	2,028	2,147	1,843	1,919
Total operating expenses	9,976	10,384	10,665	13,384
Loss from Operations	(3,988)	(2,577)	(2,810)	(4,233)
Other (income) expense:				
Interest expense	550	711	807	740
Other (income) expense, net	(24)	(420)	136	(49)
Net Loss	$ (4,514)	$ (2,868)	$ (3,753)	$ (4,924)

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 December 31, 2017, we had cash and cash equivalents of $29.1 million and an accumulated deficit of $196.9 million. 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 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 December 31, 2017, we raised $187.1 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 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

December 31, 2017, 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;
- 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:

	Years ended December 31,	
	2016	2017
	(in thousands)	
Net Cash Used in Operating Activities	$ (8,541)	$ (11,144)
Net Cash Used in Investing Activities	(324)	(594)
Net Cash Provided by Financing Activities	4,896	23,845
Net (Decrease) Increase in Cash and Cash Equivalents	$ (3,969)	$ 12,107

Net Cash Used in Operating Activities

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 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 Financing Activities

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 December 31, 2017, 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. 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 December 31, 2017.

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.

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 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 at December 31, 2017:

	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 in certain limited circumstances. 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 related to operating leases for our NeuroStar Advanced Therapy System is recognized 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 and $1.6 million at December 31, 2016 and 2017, 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, we had $2.7 million in deferred revenue 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. To date, we have 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, 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 $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

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. As of December 31, 2017, 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 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 752 active NeuroStar Advanced Therapy Systems in an estimated 595 psychiatrist offices, the estimated 50,000 patients treated with approximately 1.8 million treatment sessions, and our $40.4 million in revenues in 2017.

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, 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 at $210 billion in 2010, including outpatient and inpatient medical costs, pharmacy costs, suicide related costs and workplace costs. 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 are being treated by a psychiatrist. We estimate 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 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. 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 seeking to expand the label of our current indication for our NeuroStar Advanced Therapy System to treat adolescents with MDD. In January 2018, we completed enrollment in a multicenter, prospective, randomized, sham-controlled, double-blind pivotal clinical trial to evaluate our therapy in these patients. If clinical trial results are positive, we anticipate submitting a 510(k) pre-market notification to the FDA, pursuant to which we expect to obtain marketing clearance for this

label expansion in 2019. We are also evaluating the use of our products to treat bipolar depression and post-traumatic stress disorder.

As of December 31, 2017, we had an installed base of 752 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 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.

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 at $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. Based on prevalence data, 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 are being treated by a psychiatrist. We estimate 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, we estimate 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 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.

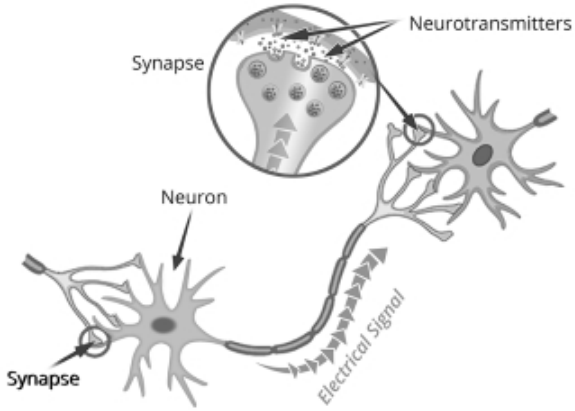
MDD is a recurrent disease and follows a fluctuating course over an individual's lifetime, with periods of remission and relapse. If an initial episode of MDD is resolved, the return of depressive symptoms during the first nine months thereafter is referred to as a relapse of the illness and is generally 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

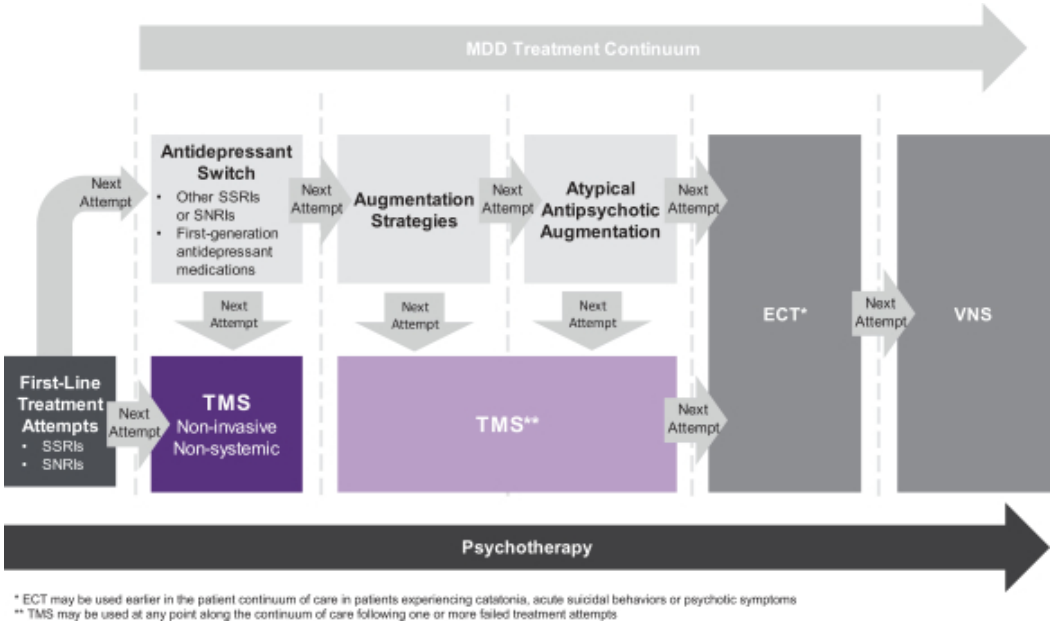
If initial treatment approaches do not adequately relieve a patient's symptoms, a primary care physician will often make a referral for consultation with a psychiatrist trained in psychopharmacology. There are a wide array of options that a psychiatrist may consider as second line therapies after an 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.



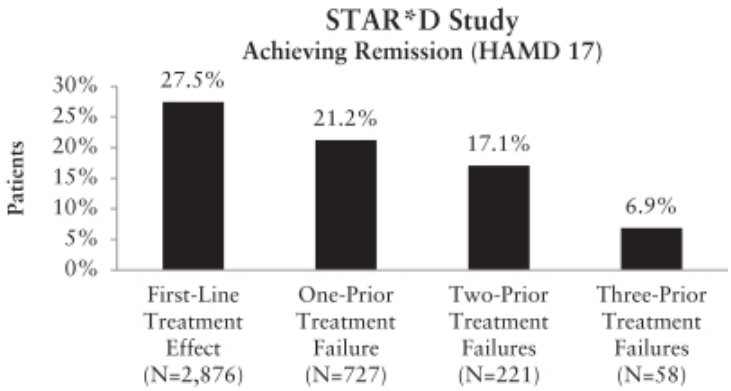
Limitations of Current Therapies

Antidepressant medication therapy

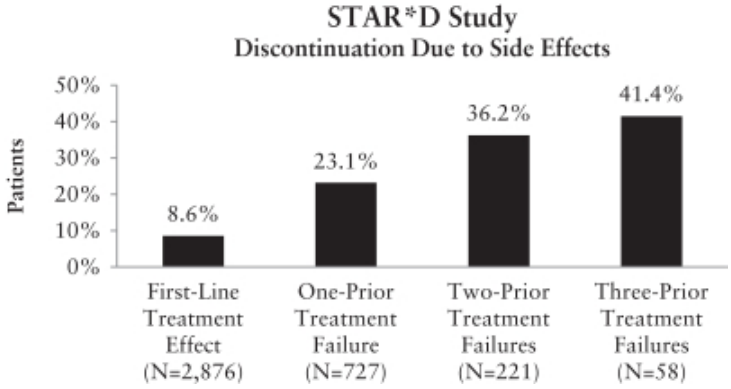
Although a variety of antidepressant medications are available for the treatment of MDD, antidepressant therapy has two primary limitations: limited efficacy and treatment-emergent side effects that interfere with patient adherence to the prescribed treatment regimen. These limitations were demonstrated 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 the shortest duration treatment for MDD using TMS approved by the FDA, with each treatment delivered in as short as 19 minutes. 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 752 active NeuroStar Advanced Therapy Systems in an estimated 595 psychiatrist offices, the estimated 50,000 patients treated with over 1.8 million treatment sessions and our $40.4 million in revenues in 2017. 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 December 31, 2017, 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. A market research study that we conducted with Symphony Health estimates that there are approximately 49,000 psychiatrists that prescribe antidepressant medications at approximately 38,000 group and solo practice sites in the United States. Our direct sales force primarily targets 3,600 of these practice sites, referred to as high-decile practices, which we estimate treat approximately 33% of the total MDD patients who have failed prior antidepressant medication in the current MDD episode and are insured. 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 752 active NeuroStar Advanced Therapy Systems 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 currently sell our products within the United States and in a few select other countries. 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 pipeline development of our NeuroStar Advanced Therapy for additional indications.*** If clinical trial results are positive from our study in adolescents with MDD, we anticipate submitting a 510(k) pre-market notification to the FDA in 2018, and if cleared, our systems could be marketed for this expanded label for our existing indication in 2019. We estimate that our total addressable market opportunity in the United States for this indication is approximately $1.7 billion in revenues annually. We also plan to evaluate the use of our products to treat other psychiatric disorders, which may include bipolar depression and post-traumatic stress disorder, or PTSD. These indications may represent an incremental combined total addressable market opportunity in the United States similar to that of adult MDD.

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.

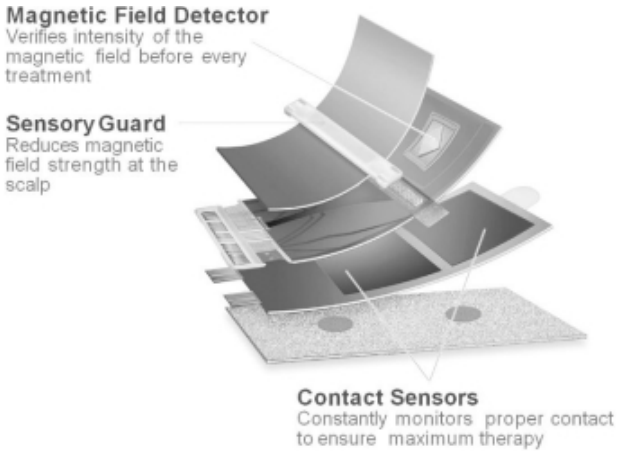
NeuroStar Treatment Coil

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

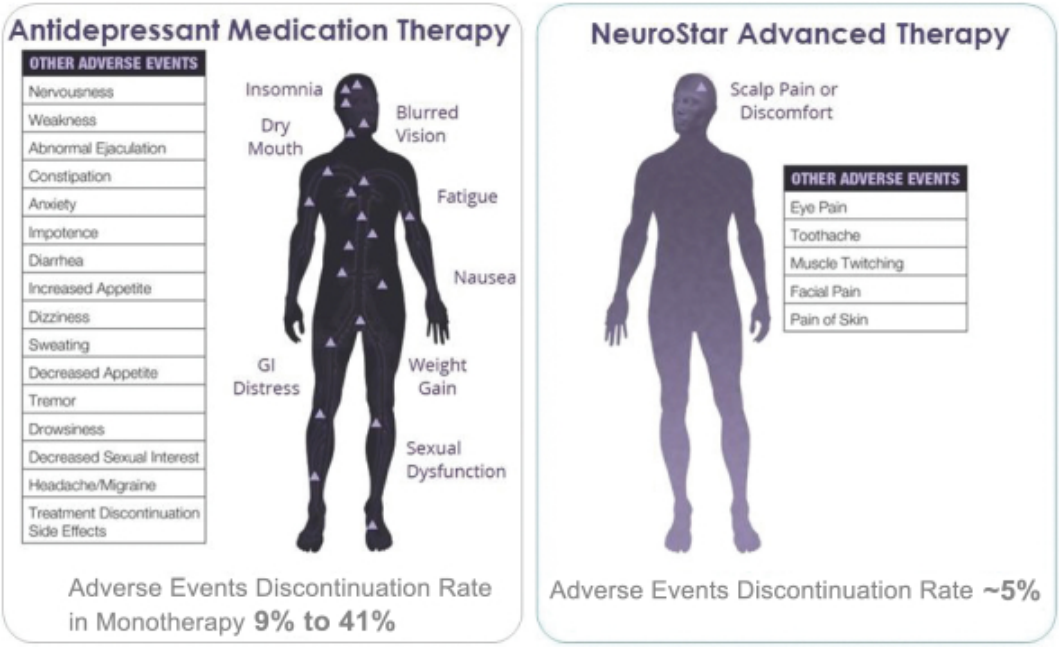
NeuroStar Advanced Therapy is an in-office treatment that takes at least 19 minutes per session and is performed while the patient is awake, alert and seated and reclined comfortably in the treatment chair. A course of treatment consists of sessions administered five days a week for up to six weeks. 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.



Future Indications for Use and Research and Development

Adolescent MDD

We estimate that there are 4.6 million adolescents aged 12 to 21 years in the United States with MDD. Suicide is the second leading cause of death in these adolescents. Well-studied MDD treatment options are limited in adolescents and the use of antidepressant medications is associated with significant black-box warnings for treatment-emergent suicidal ideation in this age group. We are pursuing an expansion of our existing indication to treat these adolescent patients. In the United States, we estimate that of these 4.6 million adolescents, 2.8 million are diagnosed and 1.5 million are treated with antidepressant medications. We estimate that 1.1 million of these patients could potentially be covered by our indication and 700,000 of these patients have insurance. Based on this market data and our expected revenues for a standard course of treatment per patient, we estimate that our annual total United States addressable market opportunity for this indication is $1.7 billion.

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.

We expect the results of the first phase of this trial to support the 510(k) premarket notification. 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. If clinical trial results are positive, we anticipate submitting a 510(k) pre-market notification to the FDA in 2018, and if cleared, our systems could be marketed for this expanded label for our existing indication in 2019.

At the end of the first phase, eligible patients will be permitted to enter the second phase, 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 did not receive protocol-defined clinical benefit in the first phase. Nonresponder patients will receive either new acute treatment, referred to as sham to active, or will receive an extended treatment course, referred to as blinded active to open label active. Patients will remain antidepressant medication free during phase II. 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.

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. Early research demonstrates that treatment with our NeuroStar Advanced Therapy System could be beneficial to these patients.

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.

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. 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.

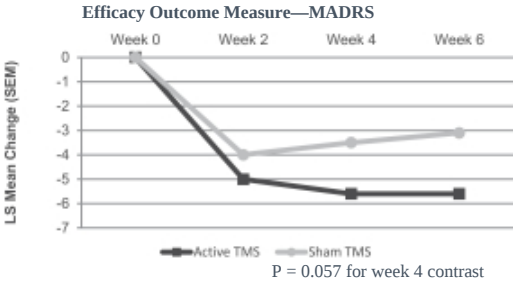


Figure 2. MADRS total score change from baseline during the acute treatment phase.

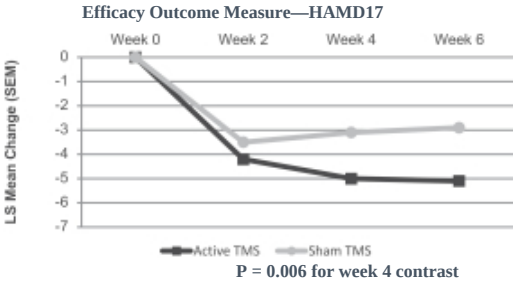


Figure 3. HAMD17 total score change from baseline during the acute treatment phase.

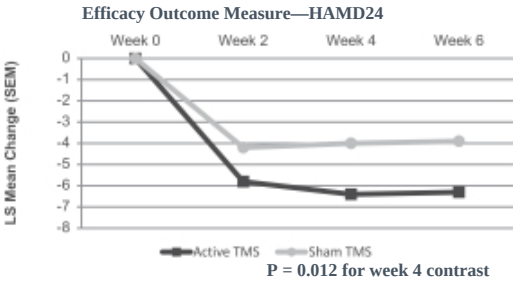
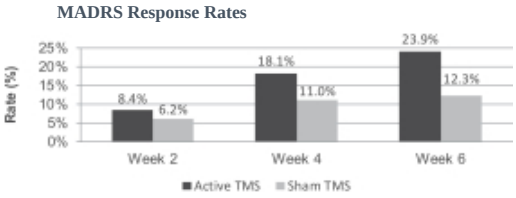


Figure 4. HAMD24 total score change from baseline during the acute treatment phase.

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.



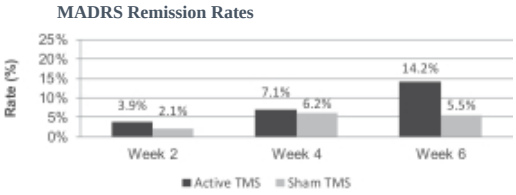


Figure 5. MADRS categorical outcome assessments during the acute treatment phase.

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.

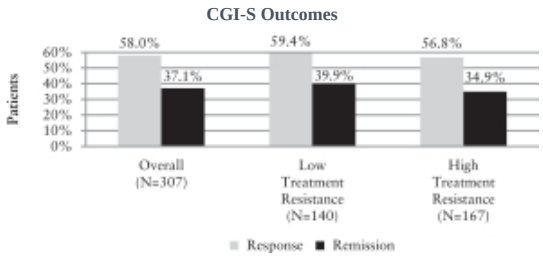


Figure 8. Categorical CGI-S response and remission outcomes—stratified by baseline level of treatment resistance (low versus high).

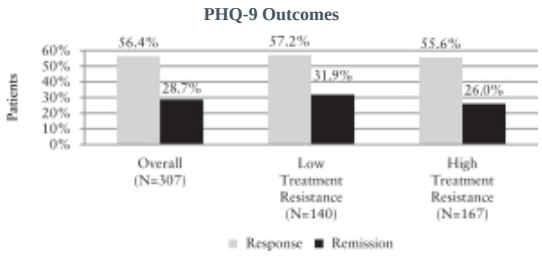


Figure 9. Categorical PHQ-9 response and remission outcomes—stratified by baseline level of treatment resistance (low vs. high).

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.

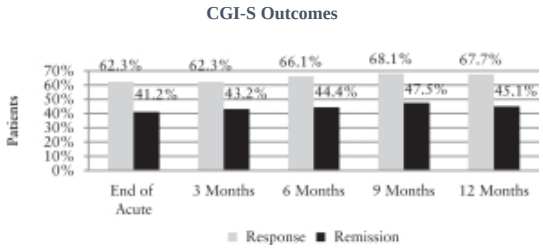


Figure 10. Categorical CGI-S response and remission outcomes during long-term follow-up phase.

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 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 in certain limited circumstances. 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. 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 December 31, 2017, 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 December 31, 2017, 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 December 31, 2017, 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 March 16, 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
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.

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, to be effective upon the closing of this offering, provides 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 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. In accordance with the terms of our amended and restated certificate of incorporation and

amended and restated bylaws, to be effective upon the closing of this offering, 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 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, 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 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 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 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 . Each member of our audit committee can read and understand fundamental financial statements in accordance with 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 the . 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 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 , 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 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 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 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 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 in November 2014. The agreement has no specific term and provides for "at-will" employment. The agreement also provides that Mr. Thatcher is eligible to earn an annual cash bonus equal to at least 40% of his annual salary based on the achievement of specific performance goals mutually agreed upon by him and our board of directors.

Messrs. Donato and Harper

We entered into offer letters with Messrs. Donato and Harper in April 2017 and August 2016, respectively. These letters have no specific term and provide for "at-will" employment. The letter with Mr. Donato provides that he is eligible to earn an annual cash bonus equal to 30% of his annual base salary, while the letter with Mr. Harper provides that he is eligible to earn an annual cash bonus equal to 25% of his annual base salary.

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 Neuronetics, Inc. Amended and Restated 2003 Stock Incentive Plan, or 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.

In addition, in the event of a change in control of us, Mr. Thatcher is entitled to a cash lump sum payment (less applicable withholding taxes) equal to 40% of his then-current base salary, and his equity award granted under the 2003 Plan in connection with his appointment as our President and Chief Executive Officer will be fully vested and exercisable immediately prior to (but contingent upon) the occurrence of a change in control, provided that he remains continuously and actively employed with us through the change in control date.

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 and Harper

In the event the employment of either of Messrs. Donato or Harper is terminated by us without "cause," each is eligible to receive three months of his then-current base salary, at the discretion of our Board of Directors and provided that they execute a severance and release agreement in a form acceptable to us.

For purposes of these agreements, "cause" generally means Mr. Donato's or Mr. Harper's failure of refusal to carry out their duties or comply with the lawful directives of our board of directors or our President and Chief Executive Officer; dishonesty or other willful misconduct; indictment, arraignment or conviction of any felony or any other crime involving moral turpitude, fraud, dishonesty or theft; use or being under the influence of drugs or controlled substances that have not been prescribed either in the course of performing their duties under the employment agreements or on our premises, or otherwise affecting their ability to perform their respective roles; material breach or material failure to comply with the agreements; or any wanton or willful dereliction of their duties.

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 ($)	Option and Restricted Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(2)	Total ($)
B. Farley	$50,000	$44,384	—	—	$94,384
G. Muir	—	$21,235	—	—	$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.

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 December 31, 2017, options to purchase 70,864,342 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 83,883,011 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 2003 Stock Incentive Plan, 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

awards, and other forms of equity compensation, which are collectively referred to as stock awards. Additionally, the 2018 Plan provides for the grant of performance cash awards. Incentive stock options may be granted only to employees. 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: (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; (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 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, 2026, 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 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 at any time during an offering 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. 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 Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, LP.

footnotes continued on following page

(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.
(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 December 31, 2017 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 December 31, 2017 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 325,389,508 shares of common stock outstanding as of December 31, 2017. 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[16] Percent	Assuming Full Exercise of Option[16] Percent
5% or greater stockholders:				
Entities affiliated with Investor Growth Capital, LLC[1]	52,006,869	16.0%		
Onset IV, L.P.[2]	28,945,290	8.9%		
Entities affiliated with InterWest Partners[3]	29,875,426	9.2%		
Entities affiliated with Three Arch Partners[4]	28,879,399	8.9%		
New Leaf Ventures II, L.P.[5]	44,728,047	13.7%		
Entities affiliated with Polaris Venture Partners[6]	23,906,415	7.3%		
GE Ventures Limited[7]	37,914,261	11.7%		
CHV IV, L.P.[8]	21,645,022	6.7%		
QPIV, LLC[9]	18,225,322	5.6%		
Directors and executive officers:				
Christopher Thatcher[10]	14,622,277	4.3%		
Peter Donato	—	—		
Gregory Harper[11]	785,705	*		
Stephen Campe	—	—		
Brian Farley[12]	3,201,336	1.0%		
Paulina Hill[13]	—	—		
Ronald Hunt[14]	44,728,047	13.7%		
Wilfred Jaeger, M.D.[15]	28,879,399	8.9%		
Glenn Muir	—	—		
All executive officers and directors as a group(9)	92,289,885	28.4%		

* 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.

footnotes continued on following page

(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. Harvey B. Cash, 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.

(4) Consists of (i) 11,302,205 shares of common stock issuable upon conversion of convertible preferred stock held by Three Arch Partners IV, L.P., (ii) 249,555 shares of common stock issuable upon conversion of convertible preferred stock held by Three Arch Associates IV, L.P., (iii) 16,545,460 shares of common stock issuable upon conversion of convertible preferred stock held by Three Arch Capital, L.P. and (iv) 782,179 shares of common stock issuable upon conversion of convertible preferred stock held by TAC Associates, LP. TAC Management L.L.C. is the general partner of the entities in this footnote. The managing members of TAC Management L.L.C. are Mark Wan, Wilfred Jaeger and Barclay Nicholson. Wilfred Jaeger is a member of our Board of Directors. The address of the Three Arch funds is c/o TAC Associates, L.P., 19 South B. Street, Suite 14, San Mateo, California 94401.

(5) 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. 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.

(6) 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.

(7) Consists of 37,914,261 shares of common stock issuable upon conversion of convertible preferred stock. The address of GE Ventures Limited is 2882 Sand Hill Road, Suite 240, Menlo Park, CA 94025.

(8) 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.

(9) Consists of 18,225,322 shares of common stock issuable upon conversion of convertible preferred stock.

(10) Consists of 14,622,277 shares of common stock issuable upon exercise of outstanding options. Does not include 6,278,857 shares of common stock issuable upon exercise of outstanding options which have not vested.

(11) Consists of 785,705 shares of common stock issuable upon exercise of outstanding options. Does not include 2,513,592 shares of common stock issuable upon exercise of outstanding options which have not vested.

(12) Consists of (i) 282,773 shares of common stock, (ii) 1,010,382 shares of common stock issuable upon conversion of convertible preferred stock, (iii) 1,543,599 shares of restricted common stock and (iv) 364,582 shares of common stock issuable upon exercise of outstanding options.

(13) 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 (6) above.

(14) Consists of beneficial ownership of shares held by New Leaf Ventures II, L.P. described in note 5 above.

(15) Consists of beneficial ownership of shares held by entities affiliated with Three Arch Partners described in note 4 above.

(16) 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 December 31, 2017, we had outstanding 6,712,597 shares of common stock, including 457,482 shares of unvested restricted common stock subject to repurchase by us, held by one stockholder. As of December 31, 2017, 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 325,389,508 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 December 31, 2017, 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 December 31, 2017, there were outstanding options under our equity compensation plans to purchase an aggregate of 70,864,342 shares of our common stock, with a weighted-average exercise price of $0.08 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 under the trading symbol "NEUR."

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 December 31, 2017, 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 December 31, 2017; 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, LLC	
Canaccord Genuity Inc.	
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 the initial offering, 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 under the symbol "NEUR." 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 .

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 , 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 and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

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, Costa Mesa, California.

EXPERTS

The 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,		December 31, 2017 Pro forma (Unaudited)
	2016	2017	
Assets			
Current assets:			
Cash and cash equivalents	$ 17,040	$ 29,147	$ 29,147
Accounts receivable, net	3,577	4,267	4,267
Inventory	1,696	2,468	2,468
Prepaid expenses and other current assets	607	1,123	1,123
Total current assets	22,920	37,005	37,005
Property and equipment, net	1,628	1,359	1,359
Other assets	250	574	574
Total Assets	$ 24,798	$ 38,938	$ 38,938
Liabilities, Convertible Preferred Stock and Stockholders' Deficit			
Current liabilities:			
Accounts payable	$ 1,483	$ 2,513	$ 2,513
Accrued expenses	6,034	7,511	7,511
Deferred revenue	1,330	1,970	1,970
Current portion of long-term debt, net	4,491	—	—
Total current liabilities	13,338	11,994	11,994
Long-term debt, net	15,647	29,556	29,556
Deferred revenue	—	2,275	2,275
Convertible preferred stock warrant liability	459	478	—
Deferred rent	167	151	151
Total Liabilities	29,611	44,454	43,976
Commitments (Note 15)			
Convertible preferred stock, $0.01 par value: actual: 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; pro forma: no shares authorized, issued or outstanding and no liquidation value at December 31, 2017	172,311	187,136	—
Stockholders' deficit:			
Preferred stock, $0.01 par value: actual: no shares authorized, issued or outstanding at December 31, 2016 and 2017; pro forma: shares authorized; no shares issued or outstanding at December 31, 2017	—	—	—
Common stock, $0.01 par value: actual: 407,024 shares authorized; 5,434 and 6,713 shares issued and outstanding at December 31, 2016 and 2017, respectively; pro forma: shares authorized; 325,390 shares issued and outstanding at December 31, 2017	54	67	3,254
Additional paid-in capital	3,709	4,227	188,654
Accumulated deficit	(180,887)	(196,946)	(196,946)
Total Stockholder's Deficit	(177,124)	(192,652)	(5,038)
Total Liabilities, Convertible Preferred Stock and Stockholders' Deficit	$ 24,798	$ 38,938	$ 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, including the treatment of adolescents with MDD.

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.

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 December 31, 2017 assumes (i) the conversion of all outstanding convertible preferred stock as of December 31, 2017, 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.

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.

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.

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.

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 is (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opt 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.

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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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, 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

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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)

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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. 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.

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 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, plus stock options granted and shares available for grant under its stock incentive plan.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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
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	406,436

(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. 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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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.

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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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	$ —	$ —

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%.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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 in certain limited circumstances. 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.

NEURONETICS, INC.

Notes to Financial Statements—(Continued)

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.

Table of Contents

Table of Contents

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	*
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 within the past three years. 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 $34,343,355.51. 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.

Plan-Related Issuances. Over the past three years we granted to our directors, officers, employees, consultants and other service providers options and restricted shares to purchase 59,894,583 shares of our common stock with per share exercise prices or grant prices ranging from $0.03 to $0.16 under our 2003 Plan.

Stock option grants

From March 16, 2015 through the date of the prospectus that is a part of this registration statement, we have granted options under our 2003 Plan to purchase an aggregate of 58,350,984 shares of our common stock to employees, consultants and directors, at a weighted average exercise price of $0.08 per share. Of these, no options have been cancelled without being exercised and no shares were issued upon the exercise of stock options.

Restricted Stock Awards

We granted to an independent member of our board of directors restricted stock awards of 1,226,568 shares at an estimated grant-date fair value of $0.07 per share on July 20, 2016 and 317,031 shares 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 (currently in effect)
3.2	Bylaws of the Registrant (currently in effect)
3.3à	Form of Ninth Amended and Restated Certificate of Incorporation of the Registrant (to be effective upon the closing of this offering)
3.4à	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
10.7à	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
10.10+à	Form of 2018 Equity Incentive Plan (to be effective upon the closing of this offering)
10.11+à	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
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.

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.

Exhibit 3.2

BYLAWS

OF

NEURONETICS, INC.

ARTICLE I

STOCKHOLDERS

1.1 Meetings.

1.1.1 Place. Meetings of the stockholders shall be held at such place as may be designated by the board of directors.

1.1.2 Annual Meeting. An annual meeting of the stockholders for the election of directors and for other business shall be held on such date and at such time as may be fixed by the board of directors.

1.1.3 Special Meetings. Special meetings of the stockholders may be called at any time by the president or chief executive officer, or the board of directors, or the holders of a majority of the outstanding shares of stock of the Company entitled to vote at the meeting.

1.1.4 Quorum. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of stock of the Company entitled to vote on a particular matter shall constitute a quorum for the purpose of considering such matter.

1.1.5 Voting 'Rights. Except as otherwise provided herein, in the certificate of incorporation or by law, every stockholder shall have the right at every meeting of stockholders to one vote for every share standing in the name of such stockholder on the books of the Company which is entitled to vote at such meeting. Every stockholder may vote either in person or by proxy.

ARTICLE II

DIRECTORS

2.1 Number and Term. The board of directors shall have authority to (i) determine the number of directors to constitute the board and (ii) fix the terms of office of the directors.

2.2 Meetings.

2.2.1 Place. Meetings of the board of directors shall be held at such place as may be designated by the board or in the notice of the meeting.

2.2.2 Regular Meetings. Regular meetings of the board of directors shall be held at such times as the board may designate. Notice of regular meetings need not be given.

2.2.3 Special Meetings. Special meetings of the board may be called by direction of the president or chief executive officer, or any two members of the board on three days' notice to each director, either personally or by mail, telegram or facsimile transmission.

2.2.4 Quorum. A majority of all the directors in office shall constitute a quorum for the transaction of business at any meeting.

2.2.5 Voting. Except as otherwise provided herein, in the certificate of incorporation or by law, the vote of a majority of the directors present at any meeting at which a quorum is present shall constitute the act of the board of directors.

2.2.6 Committees. The board of directors may, by resolution adopted by a majority of the whole board, designate one or more committees, each committee to consist of one or more directors and such alternate members (also directors) as may be designated by the board. Unless otherwise provided herein, 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 such member or members constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Except as otherwise provided herein, in the certificate of incorporation or by law, any such committee shall have and may exercise the powers of the full board of directors to the extent provided in the resolution of the board directing the committee.

ARTICLE III

OFFICERS

3.1 Election. At its first meeting after each annual meeting of the stockholders, the board of directors shall elect a president or chief executive officer, treasurer, secretary and such other officers as it deems advisable.

3.2 Authority, Duties and Compensation. The officers shall have such authority, perform such duties and serve for such compensation as may be determined by resolution of the board of directors. Except as otherwise provided by board resolution, (i) the president shall be the chief executive officer of the Company, shall have general supervision over the business and operations of the Company, may perform any act and execute any instrument for the conduct of such business and operations and shall preside at all meetings of the board and stockholders, (ii) the other officers shall have the duties customarily related to their respective offices, and (iii) any vice president, or vice presidents in the order determined by the board, shall in the absence of the president have the authority and perform the duties of the president.

ARTICLE IV

INDEMNIFICATION

4.1 Right to Indemnification. The Company shall indemnify any person who was or is party or is threatened to be made a party to, or was or is required to become a witness in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that such person is or was a director or officer of the Company or a constituent corporation absorbed in a consolidation or merger, or is or was serving at the request of the Company or a constituent corporation absorbed in a consolidation or merger, as a director or officer of another corporation, partnership, joint venture, trust or

other enterprise, or is or was a director or officer of the Company serving at its request as an administrator, trustee or other fiduciary of one or more of the employee benefit plans of the Company or other enterprise, against expenses (including attorneys' fees), liability and loss actually and reasonably incurred or suffered by such person in connection with such proceeding, whether or not the indemnified liability arises or arose from any threatened, pending or completed proceeding by or in the right of the Company, except to the extent that such indemnification is prohibited by applicable law.

4.2 Advance of Expenses. Expenses incurred by a director or officer of the Company in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding subject to the provisions of any applicable statute.

4.3 Procedure for Determining Permissibility. To determine whether any indemnification or advance of expenses under this Article IV is permissible, the board of directors by a majority vote of a quorum consisting of directors not parties to such proceeding may, and on request of any person seeking indemnification or advance of expenses shall be required to, determine in each case whether the applicable standards in any applicable statute have been met, or such determination shall be made by independent legal counsel if such quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so directs, provided that, if there has been a change in control of the Company between the time of the action or failure to act giving rise to the claim for indemnification or advance of expenses and the time such claim is made, at the option of the person seeking indemnification or advance of expenses, the permissibility of indemnification or advance of expenses shall be determined by independent legal counsel. The reasonable expenses of any director or officer in prosecuting a successful claim for indemnification, and the fees and expenses of any special legal counsel engaged to determine permissibility of indemnification or advance of expenses, shall be borne by the Company.

4.4 Contractual Obligation. The obligations of the Company to indemnify a director or officer under this Article IV, including the duty to advance expenses, shall be considered a contract between the Company and such director or officer, and no modification or repeal of any provision of this Article IV shall affect, to the detriment of the director or officer, such obligations of the Company in connection with a claim based on any act or failure to act occurring before such modification or repeal.

4.5 Indemnification Not Exclusive; Inuring of Benefit. The indemnification and advance of expenses provided by this Article IV shall not be deemed exclusive of any other right to which one indemnified may be entitled under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

4.6 Insurance and Other Indemnification. The board of directors shall have the power to (i) authorize the Company to purchase and maintain, at the Company's expense, insurance on behalf of the Company and on behalf of others to the extent that power to do so has not been prohibited by statute, (ii) create any fund of any nature, whether or not under the control of a trustee, or otherwise secure any of its indemnification obligations, and (iii) give other indemnification to the extent permitted by statute.

ARTICLE V

TRANSFER OF SHARE CERTIFICATES

Transfers of share certificates and the shares represented thereby shall be made on the books of the Company only by the registered holder or by duly authorized attorney. Transfers shall be made only on surrender of the share certificate or certificates.

ARTICLE VI

AMENDMENTS

These bylaws may be amended or repealed at any regular or special meeting of the board of directors by vote of a majority of all directors in office or at any annual or special meeting of stockholders by vote of holders of a majority of the outstanding stock entitled to vote. Notice of any such annual or special meeting of stockholders shall set forth the proposed change or a summary thereof.

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.5 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

FORM OF WARRANT TO PURCHASE STOCK

Company:	NEURONETICS, INC. a Delaware corporation
Number of Shares:	[ ]
Type/Series of Stock:	Series F Preferred (Subject to Section 1.7)
Warrant Price:	[ ]
Issue Date:	[ ]
Expiration Date:	[ ]
Credit Facility:	This Warrant to Purchase Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement, dated as of [ ], among Oxford Finance LLC, as Lender and Collateral Agent, the Lenders from time to time party thereto, and the Company (as modified, amended and/or restated from time to time, the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, OXFORD FINANCE LLC ("**Oxford**" and, together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated Type/Series of Stock (the "**Class**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time prior to the Expiration Date exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non- assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares to be issued to the Holder;

Y = the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate Warrant Price);

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and

B = the Warrant Price.

1.3 Fair Market Value. If the Company's common stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**") and the Class is common stock, the fair market value of a Share shall be the closing price or last sale price of a share of common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's common stock is then traded in a Trading Market and the Class is a series of the Company's convertible preferred stock, the fair market value of a Share shall be the closing price or last sale price of a share of the Company's common stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company multiplied by the number of shares of the Company's common stock into which a Share is then convertible. If the Company's common stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company, (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization (or, if such Company stockholders beneficially own a majority of the outstanding voting power of the surviving or successor entity as of immediately after such merger, consolidation or reorganization, such surviving or successor entity is not the Company); or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company or its stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), either (i) Holder shall exercise this Warrant pursuant to Section 1.1 and/or 1.2 and such exercise will be deemed effective immediately prior to and contingent upon the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire immediately prior to the consummation of such Acquisition.

(c) The Company shall provide Holder with written notice of the Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Cash/Public Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of the proposed Cash/Public Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date, then this Warrant

will automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it has not previously been exercised, and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon such exercise to the Holder and Holder will be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof.

(d) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(e) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in a Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

1.7 Adjustment to Class of Shares; Number of Shares; Warrant Price; Adjustments Cumulative. If, upon the closing of the Next Equity Financing, the Next Equity Financing Price shall be less than the Warrant Price in effect as of immediately prior thereto, then the "Class" shall be Next Equity Financing Securities from and after such closing, subject to adjustment thereafter from time to time in accordance with the provisions of this Warrant and the "Warrant Price" shall be the Next Equity Financing Price from and after such closing, subject to adjustment thereafter from time to time in accordance with the provisions of this Warrant; provided, that the number of shares for which this Warrant will be exercisable shall remain the same. As used herein (i) "Next Equity Financing" means the first sale or issuance by the Company on or after the Issue Date of this Warrant set forth above, in a single transaction or series of related transactions, of shares of its convertible preferred stock or other senior equity securities to one or more investors for cash for financing purposes; (ii) "Next Equity Financing Securities" means the type, class and series of convertible preferred stock or other senior equity security sold or issued by the Company in the Next Equity Financing; and (iii) "Next Equity Financing Price" means the lowest price per share (without taking into account the conversion discount applicable to the conversion of the principal amount of convertible subordinated debt issued by the Company in the original aggregate principal amount of $7.5 million, on or about February 18, 2014, as set forth in that certain Convertible Subordinated Note Purchase Agreement, dated as of February 18, 2014) for which Next Equity Financing Securities are sold or issued by the Company in the Next Equity Financing.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Class payable in common stock or other securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Class are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 Conversion of Preferred Stock. If the Class is a class and series of the Company's convertible preferred stock, in the event that all outstanding shares of the Class are converted, automatically or by action of the holders thereof, into common stock pursuant to the provisions of the Company's Certificate of Incorporation (as then in effect), including, without limitation, in connection with the Company's initial, underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Act (the "**IPO**"), then from and after the date on which all outstanding shares of the Class have been so converted, this Warrant shall be exercisable for such number of shares of common stock into which the Shares would have been converted had the Shares been outstanding on the date of such conversion, and the Warrant Price shall equal the Warrant Price in effect as of immediately prior to such conversion divided by the number of shares of common stock into which one Share would have been converted, all subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant.

2.4 Adjustments for Diluting Issuances. Without duplication of any adjustment otherwise provided for in this Section 2, the number of shares of common stock issuable upon conversion of the Shares shall be subject to anti-dilution adjustment from time to time in the manner set forth in the Company's Certificate of Incorporation (as then in effect) as if the Shares were issued and outstanding on and as of the date of any such required adjustment.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, Class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer or other authorized officer, including computations of such adjustment and the Warrant Price, Class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows:

(a) The initial Warrant Price referenced on the first page of this Warrant is not greater than the price per share at which shares of the Class were last sold and issued prior to the Issue Date hereof in an arms- length transaction in which at least $500,000 of such shares were sold.

(b) All Shares which may be issued upon the exercise of this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for (i) restrictions on transfer provided for herein, under the Company's Fifth Amended and Restated Stockholders' Agreement or Fifth Amended and Restated Investors' Rights Agreement, as each may be amended from time to time, or under applicable federal and state securities laws, and (ii) liens and encumbrances created by Holder. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class, common stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion of the Shares into common stock or such other securities.

(c) The Company's capitalization table attached hereto as Schedule 1 is true and complete, in all material respects, as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class;

(d) effect an Acquisition or to liquidate, dissolve or wind up; or

(e) effect an IPO;

then, in connection with each such event, the Company shall give Holder:

(1) at least seven (7) Business Days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Class will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above;

(2) in the case of the matters referred to in (c) and (d) above, at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event); and

(3) with respect to the IPO, at least seven (7) Business Days prior written notice of the date on which the Company proposes to file its registration statement in connection therewith.

Reference is made to Section 1.6(c) whereby this Warrant will be deemed to be exercised pursuant to Section 1.2 hereof if the Company does not give written notice to Holder of a Cash/Public Acquisition as required by the terms hereof. Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 Market Stand-off Agreement. The Holder agrees that the Shares shall be subject to the market standoff provisions in Section 3.3 of the Company's Fifth Amended and Restated Investors' Rights Agreement.

4.7 No Voting Rights. Holder, as a Holder of this Warrant, will not have any voting rights or other rights of a stockholder of the Company until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term; Automatic Cashless Exercise Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Eastern time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. Each certificate evidencing Shares (and each certificate evidencing the securities issued upon conversion of any Shares, if any) shall be imprinted with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND,

EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO OXFORD FINANCE LLC DATED AUGUST 31, 2016 MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issued upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Intentionally Left Blank.

5.5 Transfer Procedure. After receipt by Oxford of the executed Warrant, Oxford may transfer all or part of this Warrant to one or more of Oxford's affiliates (each, an "**Oxford Affiliate**"), by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, Oxford, any such Oxford Affiliate and any subsequent Holder, may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any other transferee, provided, however, in connection with any such transfer, the Oxford Affiliate(s) or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). Notwithstanding any contrary provision herein, at all times prior to the IPO, Holder may not, without the Company's prior written consent, transfer this Warrant or any portion hereof, or any Shares issued upon any exercise hereof, or any shares or other securities issued upon any conversion of any Shares issued upon any exercise hereof, to any person or entity who directly competes with the Company, except in connection with an Acquisition of the Company by such a direct competitor.

5.6 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.6. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Oxford Finance LLC
133 N. Fairfax Street
Alexandria, VA 22314
Attn: Legal Department
Telephone: (703) 519-4900
Facsimile: (703) 519-5225
Email: LegalDepartment@oxfordfinance.com

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

NEURONETICS, INC.
3222 Phoenixville Pike
Malvern, Pennsylvania 19355
Attn: Mark Bausinger
Fax: (610) 640-4206
Email: MBausinger@neuronetics.com

With a copy (which shall not constitute notice) to:

Pepper Hamilton LLP
3000 Two Logan Square
Eighteenth and Arch Streets
Philadelphia , Pennsylvania 19103
Attn: J. Bradley Boericke, Esq.
Fax: (215) 981-4750
Email: boerickej@pepperlaw.com

5.7 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.8 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to its principles regarding conflicts of law.

5.10 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.11 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.12 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which banks in the State of New York are closed.

5.13 Existing Agreements. At the time this Warrant is exercised, Holder shall sign a joinder to the Company's Fifth Amended and Restated Stockholders' Agreement and Fifth Amended and Restated Investors' Rights Agreement, each dated as of April 24, 2015, as amended from time to time, provided that no such amendment shall adversely affect Holder in a manner different from or disproportionate to any adverse effect such amendment would have on any other holder of shares of the Class.

[Remainder of page left blank intentionally]

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

NEURONETICS, INC.

By: _____

Name: _____
(Print)

Title: _____

"HOLDER"

OXFORD FINANCE LLC

By: _____

Name: _____
(Print)

Title: _____

[Signature Page to Warrant to Purchase Stock]

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right to purchase _____ shares of the Common/Series F Preferred [circle one] Stock of NEURONETICS, INC. (the "**Company**") in accordance with the attached Warrant To Purchase Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

☐ check in the amount of $ _____ payable to order of the Company enclosed herewith

☐ Wire transfer of immediately available funds to the Company's account

☐ Cashless Exercise pursuant to Section 1.2 of the Warrant

☐ Other [Describe] _____

2. Please issue a certificate or certificates representing the Shares in the name specified below:

_____
Holder's Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant to Purchase Stock as of the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX 2

ASSIGNMENT

For value received, Oxford Finance LLC hereby sells, assigns and transfers unto

Name: OXFORD TRANSFEREE

Address: _____

Tax ID: _____

that certain Warrant to Purchase Stock issued by NEURONETICS, INC. (the "**Company**"), on [ ] (the "**Warrant**") together with all rights, title and interest therein.

OXFORD FINANCE LLC

By: _____

Name: _____

Title: _____

Date: _____

By its execution below, and for the benefit of the Company, [OXFORD TRANSFEREE] makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

[OXFORD TRANSFEREE]

By: _____

Name: _____

Title: _____

SCHEDULE 1

Company Capitalization Table

Exhibit 4.3

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 4 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO RULE 144 OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT TO PURCHASE STOCK

Corporation:	NEURONETICS, INC., a Delaware corporation
Number of Shares:	402,461
Class of Stock:	Series E Preferred Stock
Warrant Price:	$0.6746 per share
Issue Date:	December 20, 2012
Expiration Date:	December 20, 2022 (Subject to Section 4.1)

THIS WARRANT TO PURCHASE STOCK (THIS "WARRANT") CERTIFIES THAT, for good and valuable consideration, the receipt of which is hereby acknowledged, COMERICA BANK, a Texas banking association, or its assignee ("Holder"), is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of NEURONETICS, INC. (the "Company") at the Warrant Price, all as set forth above and as adjusted pursuant to the terms of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1
EXERCISE

1.1 Method of Exercise. Holder may exercise this Warrant by a duly executed Notice of Exercise in substantially the form attached as Appendix I to the principal office of the Company (or such other appropriate location as Holder is so instructed by the Company). Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company) or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 [Reserved].

1.3 Delivery of Certificate and New Warrant. Within 30 days after Holder exercises this Warrant and the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised and has not expired, a new warrant representing the Shares not so acquired.

1.4 Replacement of Warrants. In the case of loss, theft or destruction of this Warrant, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.5 Acquisition of the Company.

1.5.1 "Acquisition." For the purpose of this Warrant, "Acquisition" means (a) any sale, license, or other disposition of all or substantially all of the assets (including intellectual property) of the Company, or (b) any reorganization, consolidation, merger, sale of the voting securities of the

Company or other transaction or series of related transactions where the holders of the Company's securities before the transaction or series of related transactions beneficially own less than 50% of the outstanding voting securities of the surviving entity after the transaction or series of related transactions.

1.5.2 Treatment of Warrant in the Event of an Acquisition. The Company shall give Holder written notice at least 10 days prior to the closing of any proposed Acquisition. Upon consummation of an Acquisition, (a) the Holder shall be entitled to receive an amount, in the same form (cash, securities or other property) as the consideration paid to the holders of the same class and series of stock as the Shares in the Acquisition, equal in value to the number of Shares issuable hereunder, multiplied by the difference between the consideration payable in the Acquisition (including the initial consideration payable at the closing of such Acquisition, along with any additional consideration that becomes payable to the stockholders of the Company upon release from escrow or satisfaction of contingencies and any earn-out payments) payable for one Share and the Warrant Price; and (b) this Warrant, and all rights of the Holder hereunder, shall automatically be terminated immediately upon delivery of such payment.

ARTICLE 2
ADJUSTMENTS TO THE SHARES

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend on its common stock payable in common stock, or other securities, or subdivides the outstanding common stock into a greater amount of common stock, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend or subdivision occurred.

2.2 Reclassification, Exchange or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. Such an event shall include any automatic conversion of the outstanding or issuable securities of the Company of the same class or series as the Shares to common stock pursuant to the terms of the Company's Articles/Certificate of Incorporation upon the closing of a registered public offering of the Company's common stock. The Company or its successor shall promptly issue to Holder a new warrant for such new securities or other property. The new warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price, the number of securities or property issuable upon exercise of the new warrant and expiration date. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 Adjustments for Combinations, Etc. If the outstanding Shares are combined or consolidated, by reclassification, reverse split or otherwise, into a lesser Number of Shares, the Warrant Price shall be proportionately increased. If the outstanding Shares are split or multiplied, by reclassification or otherwise, into a greater Number of Shares, the Warrant Price shall be proportionately decreased.

2.4 Adjustments for Diluting Issuances. In the event of the issuance (a "Diluting Issuance") by the Company, after the Issue Date of this Warrant, of securities at a price per share less than the Warrant Price, then the number of shares of common stock issuable upon conversion of the Shares shall be adjusted in accordance with those provisions of the Company's Articles/Certificate of Incorporation, a

copy of which is attached hereto as Exhibit B, which apply to Diluting Issuances as if the Shares were outstanding on the date of such Diluting Issuance. The provisions set forth for the Shares in the Company's Articles/Certificate of Incorporation relating to the above in effect as of the Issue Date may not be amended, modified or waived, without the prior written consent of Holder unless such amendment, modification or waiver affects the rights associated with the Shares in the same manner as such amendment, modification or waiver affects the rights associated with all other shares of the same series and class as the Shares granted to the Holder Under no circumstances shall the aggregate Warrant Price payable by the Holder upon exercise of this Warrant increase as a result of any adjustment arising from a Diluting Issuance.

2.5 No Impairment. The Company shall not, by amendment of its Articles or Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article 2 against impairment.

2.6 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company at its expense shall promptly compute such adjustment, and furnish Holder with a certificate signed by its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

2.7 Fractional Shares. No fractional Shares shall be issuable upon exercise of this Warrant and the Number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise of this Warrant, the Company shall eliminate such fractional share interest by paying Holder an amount computed by multiplying the fractional interest by the fair market value, as determined by the Company's Board of Directors, of a full Share.

ARTICLE 3
REPRESENTATIONS AND COVENANTS OF THE COMPANY

3.1 Representations and Warranties. The Company hereby represents and warrants to, and agrees with, the Holder as follows:

3.1.1 The initial Warrant Price referenced on the first page of this Warrant is not greater than the fair market value of the Shares as of the date of this Warrant.

3.1.2 All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

3.1.3 The Company's capitalization table delivered to Holder as of the Issue Date is true and complete as of the Issue Date.

3.2 Information Rights. So long as the Holder holds this Warrant and/or any of the Shares, the Company shall deliver to the Holder (a) promptly after mailing, copies of all material communications, information and/or communiqués to the shareholders of the Company, (b) within one hundred twenty (120) days after the end of each fiscal year of the Company, the annual audited financial

statements of the Company certified by independent public accountants of recognized standing and (c) within forty-five (45) days after the end of each of the first three quarters of each fiscal year, the Company's quarterly, unaudited financial statements. In addition, and without limiting the generality of the foregoing, so long as the Holder holds this Warrant and/or any of the Shares, the Company shall afford to the Holder the same access to information concerning the Company and its business and financial condition as would be afforded to a holder of the class of Shares under applicable state law and/or any agreement with any holder of the class of Shares.

3.3 Registration Under the Act. The Company agrees that the Shares or, if the Shares are convertible into common stock of the Company, such common stock, shall be deemed "Registrable Securities" or otherwise entitled to "piggy back" registration rights in accordance with the terms of the that certain Fourth Amended and Restated Investors Rights Agreement between the Company and its investors dated as of May 13, 2011 (the "Agreement"), a copy of which is attached hereto as Exhibit C. The Company agrees that no amendments will be made to the Agreement which would have an adverse impact on Holder's registration rights hereunder this provision. Holder shall be deemed to be a party to the Agreement solely for the purpose of the above-mentioned registration rights.

ARTICLE 4
MISCELLANEOUS

4.1 Term; Exercise Upon Expiration. This Warrant is exercisable in whole or in part, at any time and from time to time on or before the Expiration Date set forth above. The Company shall give Holder written notice of Holder's right to exercise this Warrant not less than 90 days before the Expiration Date. If the notice is not so given, the Expiration Date shall automatically be extended until 90 days after the date the Company delivers such notice to Holder. The Company agrees that Holder may terminate this Warrant, upon notice to the Company, at any time in its sole discretion.

4.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 4 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO RULE 144 OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

4.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee. The Company shall not require Comerica Bank ("Bank") or a Bank Affiliate (as defined herein) to provide an opinion of counsel or investment representation letter if the transfer is to Bank's parent company, Comerica Incorporated ("Comerica"), or any other affiliate of Bank ("Bank Affiliate").

4.4 Transfer Procedure. After receipt of the executed Warrant, Bank will transfer all of this Warrant to Comerica Ventures Incorporated, a non-banking subsidiary of Comerica and a Bank Affiliate ("Ventures"). Subject to the provisions of Section 4.3, Holder may transfer all or part of this Warrant or

the Shares issuable upon exercise of this Warrant (or the securities issuable, directly or indirectly, upon conversion of the Shares, if any) by giving the Company notice of the portion of this Warrant being transferred setting forth the name, address and taxpayer identification number of the transferee and surrendering this Warrant to the Company for reissuance to the transferee(s) (and Holder, if applicable); provided, however, that Holder may transfer all or part of this Warrant to its affiliates, including, without limitation, Ventures, at any time without notice or the delivery of any other instrument to the Company, and such affiliate shall then be entitled to all the rights of Holder under this Warrant and any related agreements, and the Company shall cooperate fully in ensuring that any stock issued upon exercise of this Warrant is issued in the name of the affiliate that exercises this Warrant. The terms and conditions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the holders hereof and their respective permitted successors and assigns.

4.5 Notices. All notices and other communications from the Company to the Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, or sent via a nationally recognized overnight courier service, fee prepaid, or on the first business day after transmission by facsimile, at such address or facsimile number as may have been furnished to the Company or the Holder, as the case may be, in writing by the Company or such Holder from time to time. Effective upon the receipt of executed Warrant and initial transfer described in Article 5.4 above, all notices to the Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Comerica Ventures Incorporated
Attn: Warrant Administrator
1717 Main Street, 5th Floor, MC 6406
Dallas, Texas 75201
Facsimile No. (214) 462-4459

All notices to the Company shall be addressed as follows:

NEURONETICS, INC.
31 General Warren Blvd.
Malvern, PA 19355
Attn: Chief Financial Officer
FAX: (610) 640-4206

4.6 Amendments; Waiver. This Warrant and any term hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such amendment, change, waiver, discharge or termination is sought.

4.7 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

4.8 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles regarding conflicts of law.

4.9 Confidentiality. The Company hereby agrees to keep the terms and conditions of this Warrant confidential. Notwithstanding the foregoing confidentiality obligation, the Company may disclose information relating to this Warrant as required by law, rule, regulation, court order or other legal authority, provided that (i) the Company has given Holder at least ten (10) days' notice of such required disclosure, and (ii) the Company only discloses information that is required, in the opinion of counsel reasonably satisfactory to Holder, to be disclosed.

[remainder of page intentionally left blank; signature page follows]

NEURONETICS, INC.

By: _____

Name: _____

Title: _____

APPENDIX I

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase shares of the stock of NEURONETICS, INC. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

Comerica Ventures Incorporated
Attn: Warrant Administrator
1717 Main Street, 5th Floor, MC 6406
Dallas, Texas 75201
Facsimile No. (214) 462-4459

3. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

COMERICA VENTURES INCORPORATED or Assignee

_____
(Signature)

_____
(Name and Title)

_____
(Date)

Exhibit A

Reserved

Exhibit B

Certificate of Incorporation (including all amendments thereto) – ATTACHED HERETO

Exhibit C

Fourth Amended and Restated Investors Rights Agreement between the Company and its investors dated as of May 13, 2011 (including all amendments thereto) – ATTACHED HERETO

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

---

[*] = 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.

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.

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 [*]

1.1.15 "***Confidential Information***" has the meaning set forth in Section 8.1.

---

[*] = 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.

1.1.16 "***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.

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.

---

[*] = 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.

1.1.30 "***Dollar,***" "***Dollars,***" "***U.S. Dollars***" and the symbol "***$***" shall mean lawful money of the United States of America.

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 [*]

1.1.40 [***]

1.1.41 [***]

1.1.42 [*]

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.

---

[*] = 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.

1.1.47 "***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 [*]

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.

---

[*] = 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.

1.1.67 "***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 [*]

1.1.76 [*]

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.

---

[*] = 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.

1.1.78 "***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.

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.

---

[*] = 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.

1.1.93 "***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.

1.1.104 "***Territory***" means Japan.

1.1.105 "***Third Party Claim***" has the meaning set forth in Section 10.1.1.

---

[*] = 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.

1.1.106 "***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.

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-

[*] = 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.

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 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

---

[*] = 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.

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 [*]

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.

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

[*] = 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.

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.

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;

---

[*] = 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.

(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.

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***"): [*]

---

[*] = 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.

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.

(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.

---

[*] = 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.

(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.

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***"). [*] Until Distributor issues a purchase order, Distributor may adjust the forecast [*] of any Order Forecast in succeeding Order Forecasts [*]. Distributor agrees to use commercially reasonable efforts to make each Order Forecast as accurate as possible.

---

[*] = 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.

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: [*]; 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.

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.

---

[*] = 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.

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.

3.4.2 [*]

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) [*];

(b) [*];

(c) [*];

(d) [*]; 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 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 [*].

---

[*] = 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.

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 [*]

3.5.3 [*]

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 [*].

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.

---

[*] = 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.

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:	[*]
Routing and transit no.:	[*]
SWIFT Code:	[*]
For credit of:	[*]
Final credit account no.:	[*]
By order of:	(Sender's name)

[*] = 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.

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 [*]

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.

4.1.2 [*]

4.1.3 [*]

4.1.4 [*]

---

[*] = 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.

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 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:

---

[*] = 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.

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;

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.

---

[*] = 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.

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.

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.

---

[*] = 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.

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) 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

---

[*] = 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.

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.

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.

---

[*] = 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.

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 [*]

6. Company's Duties.

6.1 [*]

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.

---

[*] = 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.

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.

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.

---

[*] = 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.

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.

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

[*] = 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.

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 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.

---

[*] = 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.

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 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.

---

[*] = 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.

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.

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

[*] = 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.

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 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.

---

[*] = 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.

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 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:

---

[*] = 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.

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.

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.

---

[*] = 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.

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 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

---

[*] = 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.

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 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

[*] = 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.

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.

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.

---

[*] = 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.

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 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.

---

[*] = 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.

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 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

---

[*] = 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.

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, 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.

---

[*] = 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.

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 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) [*] OR (B) THE AMOUNTS RECEIVED BY COMPANY FROM DISTRIBUTOR UNDER THIS AGREEMENT [*] 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 (7th) 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.

---

[*] = 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.

12.2 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 [*]. If at the end of such [*] 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 [*] prior written notice to Company, and no Minimum Purchase Requirement or True-Up Payment shall apply during such [*] 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 [*]; provided that Distributor sends notice of termination to Company within thirty (30) days after Distributor receives written notice from Company that [*]. 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 [*], provided, however, that notwithstanding Section 2.1.1 Distributor will become a non-exclusive distributor during such [*], 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 [*].

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 [*] to cure the breach. If the breach has not been cured within [*] 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 [*] 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.

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 [*] after the Effective Date.

---

[*] = 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.

12.5 Termination for Failure to Achieve the Distributor Approvals. Company may terminate this Agreement at time by providing [*] prior written notice to Distributor in the event Distributor does not obtain the Distributor Approvals within [*] 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 [*] 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 [*] after the Reimbursement Approval Deadline for such termination to be effective and if Distributor does not provide such written notice with such [*] 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 [*] 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 [*] 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 [*] 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 [*] 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 less than [*]. A Party must provide such written notice to other Party no later than [*] after the date of the 1st Reimbursement Approval and if neither Party provides such written notice within such [*] 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 [*] 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 [*] period.

---

[*] = 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.

12.7.2 Either Party may terminate this Agreement by providing written notice to other Party if the Reimbursement Rate in the 1st Reimbursement Revision Approval is less than [*]. A Party must provide such written notice to other Party no later than [*] after the date of the 1st Reimbursement Revision Approval and if neither Party provides such written notice within such [*] 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 [*] 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 [*] 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 equal to or greater than [*]. Distributor must provide such written notice to Company no later than [*] 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 [*] period and also does not make the Distributor 2nd MHLW Lead Election under Section 4.1.4 within such [*] 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 [*] 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 [*] 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 equal to or greater than [*] 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 [*] 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 [*] period (but shall apply with respect to prior periods).

12.9 Termination for Failure to Achieve [*] of Initial Sales Forecast. For a period of [*] after the end of the Initial Period, Company may terminate this Agreement by providing [*] 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

[*] = 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.

12.9, 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 [*] termination period.

12.10 Termination for Failure to Achieve [*] of Fiscal Year Forecast. For a period of [*] following the completion of each Fiscal Year, Company may terminate this Agreement by providing [*] prior written notice to Distributor if, during such Fiscal Year, Distributor fails [*]. 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 [*] termination period.

12.11 Rolling Termination Right. Company may terminate this Agreement by providing [*] prior written notice to Distributor in the event that if in any [*] (the "***Rolling Termination Right***"). [*] 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 [*] 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.

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.

---

[*] = 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.

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 [*] 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 [*] 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 [*] 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 [*] 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.

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.

---

[*] = 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.

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.

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:

---

[*] = 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.

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.

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.

---

[*] = 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.

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 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

---

[*] = 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.

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)

---

[*] = 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.

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

[*] = 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 A

[*]

---

[*] = 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 B

[*]

---

[*] = 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 C

[*]

---

[*] = 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 D

[*]

---

[*] = 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 E

[*]

---

[*] = 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 F

[*]

---

[*] = 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 G

[*]

[*] = 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 H

[*]

[*] = 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 I

[*]

---

[*] = 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 J

[*]

---

[*] = 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 K

[*]

---

[*] = 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

[*]

---

[*] = 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 M

[*]

[*] = 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 N

[*]

---

[*] = 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 O

[*]

---

[*] = 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.

Exhibit 10.2

Execution Version

SIXTH AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

by and among

NEURONETICS, INC.

and

THE STOCKHOLDERS LISTED HEREIN

Dated as of June 1, 2017

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

SIXTH AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

This Sixth Amended and Restated Investors' Rights Agreement (this "Agreement"), dated as of June 1, 2017, is by and among Neuronetics, Inc., a Delaware corporation (the "Company"), those holders of Series A-1 Preferred Stock listed on the Schedule of Series A-1 Stockholders attached hereto (the "Series A-1 Stockholders"), those holders of Series A-2 Preferred Stock listed on the Schedule of Series A-2 Stockholders attached hereto (the "Series A-2 Stockholders"), those holders of Series B Preferred Stock listed on the Schedule of Series B Stockholders attached hereto (the "Series B Stockholders"), those holders of Series C Preferred Stock listed on the Schedule of Series C Stockholders attached hereto (the "Series C Stockholders"), those holders of Series D Preferred Stock listed on the Schedule of Series D Stockholders attached hereto (the "Series D Stockholders"), those holders of Series E Preferred Stock listed on the Schedule of Series E Stockholders attached hereto (the "Series E Stockholders"), those holders of Series F Preferred Stock listed on the Schedule of Series F Stockholders attached hereto (the "Series F Stockholders"), those holders of Series G Preferred Stock listed on the Schedule of Series G Stockholders attached hereto (the "Series G Stockholders"), and each person or entity that subsequently becomes a party to this Agreement (the "Additional Stockholders," and, together with the Series A-1 Stockholders, the Series A-2 Stockholders, the Series B Stockholders, the Series C Stockholders, the Series D Stockholders, the Series E Stockholders, the Series F Stockholders and the Series G Stockholders, collectively, the "Stockholders").

WHEREAS, the Series A-1 Stockholders own of record an aggregate of 4,800,000 shares of Series A-1 Preferred Stock of the Company;

WHEREAS, the Series A-2 Stockholders own of record an aggregate of 25,384,615 shares of Series A-2 Preferred Stock of the Company, which were issued pursuant to the terms of that certain Series A-2 Stock Purchase Agreement, dated as of April 3, 2003 (the "Series A-2 Purchase Agreement");

WHEREAS, the Series B Stockholders own of record an aggregate of 17,000,000 shares of Series B Preferred Stock of the Company, which were issued pursuant to the terms of that certain Series B Stock Purchase Agreement, dated as of March 4, 2005 (the "Series B Purchase Agreement");

WHEREAS, the Series C Stockholders own of record an aggregate of 20,958,084 shares of Series C Preferred Stock of the Company, which were issued pursuant to the terms of that certain Series C Preferred Stock Purchase Agreement, dated as of August 2, 2006 (the "Series C Purchase Agreement");

WHEREAS, the Series D Stockholders own of record an aggregate of 49,426,229 shares of Series D Preferred Stock of the Company, which were issued pursuant to the terms of that certain Series D Preferred Stock Purchase Agreement, dated as of August 20, 2009 (the "Series D Purchase Agreement");

WHEREAS, the Series E Stockholders own of record an aggregate of 44,470,799 shares of Series E Preferred Stock of the Company, which were issued pursuant to the terms of that certain Series E Preferred Stock Purchase Agreement, dated as of May 13, 2011 (the "Series E Purchase Agreement");

WHEREAS, the Series F Stockholders own of record an aggregate of 102,334,194 shares of Series F Preferred Stock of the Company, which were issued pursuant to the terms of that certain Series F Preferred Stock Purchase Agreement, dated as of April 24, 2015 (the "Series F Purchase Agreement");

WHEREAS, in connection with the acquisition of the Series F Preferred Stock, the Company, the Series A-1 Stockholders, the Series A-2 Stockholders, the Series B Stockholders, the Series C Stockholders, the Series D Stockholders, the Series E Stockholders and the Series F Stockholders entered into a Fifth Amended and Restated Investors' Rights Agreement, dated as of April 24, 2015 (as amended from time to time thereafter, the "Prior Agreement");

WHEREAS, the Series G Stockholders are acquiring shares of Series G Preferred Stock pursuant to the terms of that certain Series G Preferred Stock Purchase Agreement (the "Series G Purchase Agreement") dated even herewith; and

WHEREAS, but for the execution and delivery of this Agreement by the Company and the Stockholders, the Series G Stockholders would not be willing to enter into the Series G Purchase Agreement or to consummate the transactions thereby contemplated, which transactions will benefit the Company.

NOW, THEREFORE, in order to induce the Series G Stockholders to consummate the transactions contemplated by the Series G Purchase Agreement, the parties hereby amend and restate, and replace in its entirety, the Prior Agreement as follows:

Certain terms used in this Agreement are defined in Section 4 hereof.

1. PREEMPTIVE RIGHTS.

1.1. Grant of Rights. Unless waived by the written consent of the Required Senior Preferred Holders (provided that such waiver does not adversely affect the rights hereunder of any Substantial Stockholder in a manner different from or disproportionate to any adverse effect such waiver would have on the rights of any other Substantial Stockholder), and the Company hereby grants to each Substantial Stockholder, and any permitted assignee of each such Substantial Stockholder described in Section 5.6 (each a "Right Holder"), the right to purchase up to its *pro rata* share of any New Securities that the Company may, from time to time, propose to sell or issue (the "Available New Securities"). Each such Right Holder's *pro rata* share of the Available New Securities for purposes of this Section 1, is equal to the ratio of (i) the number of shares of Common Stock issued and outstanding or issuable upon conversion of any shares of Preferred Stock of the Company convertible into shares of Common Stock then held of record by such Right Holder, to (ii) the sum of the total number of shares of the Common Stock issued and outstanding or issuable upon conversion of any then-outstanding shares of Preferred Stock of the Company convertible into shares of Common Stock.

1.2. New Securities. "New Securities" shall mean any equity securities of the Company, whether now authorized or not, and rights, options or warrants to purchase said equity securities, and securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for said equity securities; *provided*, that "New Securities" does not include (i) shares of Common Stock issued by the Company pursuant to stock dividends, stock splits, recapitalizations and similar transactions; (ii) shares of Common Stock issued upon conversion of shares of Preferred Stock that are outstanding on the date hereof; (iii) shares of capital stock of the Company issued upon exercise, conversion or exchange of Derivative Securities (as defined in Section 4 hereof) that are outstanding on the date hereof; (iv) shares of Common Stock, or options, warrants or other rights to acquire shares of Common Stock, that are issued or issuable by the Company to officers, directors, employees or consultants of the Company with the prior approval of the Board of Directors of the Company (the "Board of Directors") or an appropriate committee thereof pursuant to the Company's Amended and Restated 2003 Stock Incentive Plan, as amended, or any other stock option, stock purchase or other plan approved by the Board of Directors, and the stockholders if necessary; (v) securities issued in consideration of the grant by or to the Company of marketing rights, license rights or similar rights or in consideration of the exchange of proprietary technology (for which raising equity capital was not a significant purpose of such issuance), in each such case with prior Super Board Approval; or (vi) securities issued in connection with acquisitions or strategic alliances or issued to landlords, commercial financing or leasing companies (for which raising equity capital was not a significant purpose of such issuance), in each such case with prior Super Board Approval.

1.3. Notice. The Company shall not issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange any New Securities unless the Company shall first deliver to each Right Holder a written notice of any proposed or intended issuance, sale or exchange of New Securities (the "Offer"), which Offer shall (i) identify and describe the New Securities, (ii) describe the price and other terms upon which they are to be issued, sold or exchanged, and the number or amount of the New Securities to be issued, sold or exchanged, (iii) identify the persons or entities, if known, to which or with which the New Securities are to be offered, issued, sold or exchanged, and (iv) offer to issue and sell to, or exchange with, each such Right Holder (A) the amount of New Securities that each such Person is entitled to purchase pursuant to Section 1.1 and (B) any additional portion of the New Securities required to be offered pursuant to Section 1.1 as any such Person shall indicate it will purchase or acquire should any other Right Holders subscribe for less than the amount of New Securities that each such Person is entitled to purchase pursuant to Section 1.1 (the "Undersubscription Amount"). Each Right Holder shall have the right, for a period of 30 days following delivery of the Offer, to elect to purchase or acquire, at the price and upon the other terms specified in the Offer, the number or amount of New Securities described above. The Offer by its terms shall remain open and irrevocable for such 30-day period.

1.4. Acceptance of Offer. To accept an Offer, in whole or in part, a Right Holder must deliver a written notice to the Company prior to the end of the 30-day period of the Offer, setting forth the amount of New Securities that such Person elects to purchase and the Undersubscription Amount (if any) that such Person elects to purchase (the "Notice of Acceptance"). If the amount of New Securities subscribed for by all Right Holders is less than the amount of New Securities to which all Right Holders are entitled, then each Right Holder who has set forth an Undersubscription Amount in its Notice of Acceptance shall be entitled to purchase, in addition to the amount of New Securities subscribed for, the Undersubscription Amount it has subscribed for; *provided*, that should the Undersubscription Amounts subscribed for exceed the difference between the amount of New Securities to which all Right Holders are entitled pursuant to Section 1.1 and the amount of New Securities actually subscribed for (the "Available Undersubscription Amount"), each Person's Undersubscription Amount shall be reduced such that the Available Undersubscription Amount is allocated among such Persons *pro rata*, based on the amount of New Securities that each such Person is entitled to purchase pursuant to Section 1.1 (but not in excess of their respective Undersubscription Amounts), with any Available Undersubscription Amount after such reallocation being further reallocated in the same manner until the entire Available Undersubscription Amount has been so allocated.

1.5. Company Sales of Refused Securities. The Company shall have 90 days from the expiration of the period set forth in Section 1.3 above to issue, sell or exchange all or any part of such New Securities as to which a Notice of Acceptance has not been given by the Right Holders (the "Refused Securities"), but only upon terms and conditions (including unit prices and interest rates) which are not more favorable in any material respect to the acquiring party or parties or less favorable in any material respect to the Company than those described in the Offer.

1.6. Reduction in Amount of Offered Securities. In the event the Company shall propose to sell less than all the Refused Securities (any such sale to be in the manner and on the terms specified in Section 1.5 above), then each Right Holder may, at its sole option and in its sole discretion, reduce the number or amount of the New Securities specified in its Notice of Acceptance to an amount that shall be not less than the number or amount of the New Securities that such Person elected to purchase pursuant to Section 1.4 above multiplied by a fraction, (i) the numerator of which shall be the number or amount of New Securities the Company actually proposes to issue, sell or exchange (including New Securities to be issued or sold to the Right Holders pursuant to Section 1.4 above prior to such reduction) and (ii) the denominator of which shall be the amount of all New Securities that the Company initially proposed to offer, sell or exchange as described in the Offer. In the event that any Right Holder so elects to reduce the number or amount of New Securities specified in its Notice of Acceptance, the Company may not issue, sell or exchange more than the reduced number or amount of the New Securities unless and until such securities have again been offered to the Right Holders in accordance with Section 1.3 above.

1.7. Completion of Purchase. Upon the closing of the issuance, sale or exchange of all or less than all the Refused Securities, the Right Holders shall acquire from the Company, and the Company shall issue to the Right Holders, the number or amount of New Securities specified in

the Notices of Acceptance, as reduced pursuant to Section 1.6 above if applicable, upon the terms and conditions specified in the Offer. Any obligations of the Right Holders to purchase any New Securities after delivery of Notices of Acceptance will be subject in all cases to the preparation, execution and delivery by the Company and the Right Holders, as applicable, of a purchase agreement relating to such New Securities reasonably satisfactory in form and substance to the Right Holders, as applicable, and their respective counsel.

1.8. Reservation of Rights. Any New Securities not acquired by the Right Holders or other persons in accordance with Section 1.5 above may not be issued, sold or exchanged until they are again offered to the Right Holders under the procedures specified in this Agreement.

1.9. Termination of Rights. The prohibitions and rights provided in this Section 1 will not apply to, and will terminate upon (i) the closing of a Qualified Public Offering, or (ii) any Acquisition in connection with which the stockholders of the Company receive cash and/or unrestricted securities that are actively traded on a national securities exchange and are of an entity subject to and in compliance with the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, whichever event occurs first.

2. COVENANTS. The Company covenants that for so long as any shares of Preferred Stock are outstanding, the Company will comply (and should it at any time have any Subsidiaries, cause each of such Subsidiaries to comply) with each of the following covenants, except as otherwise waived by the written consent of the Required Senior Preferred Holders.

2.1. Budgets. The Company will deliver to each Substantial Stockholder, as soon as practical after preparation thereof, but in no event later than 30 days prior to the beginning of each fiscal year of the Company, preliminary, and in no event later than 30 days after the beginning of each fiscal year of the Company, final, *pro forma* financial projections and budgets (which will contain projected balance sheets and statements of income, retained earnings and cash flows (including capital expenditures)) for the Company for such fiscal year, including month-by-month projections and budgets, which final, *pro forma* financial projections and budgets shall have been approved by the Board of Directors, which approval shall be by Super Board Approval.

2.2. Investments. The Company will not have outstanding, or acquire or commit itself to acquire or hold, any investment in excess of $100,000 not in the budget delivered pursuant to Section 2.1, except for (a) short-term government obligations or other cash equivalent investments, and (b) other investments made by the Company in accordance with the Corporate Investment Policy of the Company, approved September 15, 2006, as amended from time to time, or any replacement policy adopted with the prior approval of the Board of Directors, which approval must be by Super Board Approval.

2.3. Annual Financial Statements. As soon as available and in any event within 90 days after the close of each fiscal year of the Company, the Company will deliver to each Substantial Stockholder a balance sheet and statements of income, retained earnings and cash flows, audited by KPMG LLP or another reputable independent public accounting firm approved by the Board

of Directors, which approval shall be by Super Board Approval, showing the financial condition of the Company as of the close of such fiscal year and the results of its operations during such fiscal year. Each of the financial statements delivered hereunder will be certified by such accounting firm without material qualification to have been prepared in accordance with GAAP consistently applied.

2.4. Quarterly and Monthly Financial Statements.

(a) As soon as available, and in any event within 30 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, commencing with the first fiscal quarter ending after the date hereof, the Company will deliver to each Substantial Stockholder an unaudited balance sheet and statements of income, retained earnings and cash flows of the Company, and a summary of bookings and backlog, as of the end of and for such fiscal quarter, subject to the absence of footnotes and to adjustments consisting of normal year-end accruals, the effect of which, both individually and in the aggregate, is not material.

(b) As soon as available, and in any event within 30 days after the end of each month, commencing with the first month ending after the date hereof, the Company will deliver to each Substantial Stockholder unaudited balance sheets and statements of income and cash flows of the Company as of the end of each such month, subject to the absence of footnotes and to adjustments consisting of normal quarter-end and year-end accruals, the effect of which, both individually and in the aggregate, is not material. The Company will also deliver, along with such unaudited balance sheets and statements of income and cash flows, a comparison of the unaudited balance sheets and statements of income and cash flows of the Company as of the end of each such month against (i) the final *pro forma* financial projections and budgets for such month, and (ii) the balance sheets and statements of income and cash flows of the Company as of the end of such month for the prior year.

2.5. Officers' Certificates. Together with delivery of financial statements of the Company pursuant to Sections 2.3 and 2.4(a) above, the Company will deliver to each Substantial Stockholder a certificate of the Company signed by the chief executive or financial officer of the Company stating that such statements have been prepared in accordance with GAAP and present fairly the financial position of the Company as of the dates specified and the results of its operations and cash flows with respect to the periods specified (in the case of the financial statements delivered under Section 2.4(a), subject to the absence of footnotes and to adjustments consisting of normal quarter-end or year-end accruals, the effect of which, both individually and in the aggregate, is not material).

2.6. Other Financial Information. The Company will further deliver to each Substantial Stockholder as soon as practical after preparation thereof but in no event (in the case of clause (a) below) later than 10 days prior to the beginning of the fiscal period to which such financial forecast relates, complete and correct copies of (a) all quarterly (if any) or annual budgetary analyses or forecasts of the Company not referred to in Section 2.1 hereof, in the form customarily prepared by management for its own internal use or the use of the Board of Directors, (b) all registration statements proposed to be filed by the Company under the

Securities Act, and (c) all other financial and other reports prepared for the use of the Board of Directors and/or any bank lender to the Company (and not otherwise required to be delivered hereunder).

2.7. Other Information; Inspection and Audit Rights.

(a) From time to time upon the request of a Substantial Stockholder, the Company will (i) furnish to such holder such information regarding the business, affairs, finances and prospects of the Company as is prepared by the Company in the ordinary course of business or as can be readily prepared from materials prepared by the Company in the ordinary course of business, and will make available to such holder, such officers, directors, key employees and accountants of the Company as such holder may reasonably request, and (ii) permit each Substantial Stockholder to visit and inspect the Company's properties upon reasonable advance notice and during normal business hours.

(b) Each Substantial Stockholder will have the right during normal business hours to examine the books and records of the Company, to make copies, notes and abstracts therefrom, to discuss the Company's affairs with the officers, directors, key employees and accountants of the Company, and to make or cause to be made an independent examination and/or audit (at such holder's expense) of the books and records of the Company.

2.8. Rights to Attend Meetings, Etc. The Company will call and hold a meeting of its Board of Directors at least once each fiscal quarter, and will reimburse the reasonable travel expenses of each director incurred in connection with such director's attendance at each meeting of the Company's Board of Directors and/or any committee thereof. Each Series A-2 Substantial Stockholder, each Series B Substantial Stockholder, Investor Growth Capital, QPIV, New Leaf, Pfizer, Polaris, GE Ventures and CHV (without duplication) also shall have the right to appoint one participating, but non-voting, observer (each, an "Observer") (so long as no director designated by such Series A-2 Substantial Stockholder or such Series B Substantial Stockholder, as the case may be, pursuant to Section 1.2 of the Stockholders' Agreement is currently serving on the Board of Directors; provided, that each of Investor Growth Capital's, QPIV's, New Leaf's, Pfizer's, Polaris', GE Ventures' and CHV's right to appoint an Observer shall exist without regard to the current composition of the Board of Directors). Any Observer appointed pursuant to this Section 2.8 shall be entitled to receive notice of all Board meetings in the same manner that such notice is delivered to the Company's directors, shall be entitled to receive all materials delivered to the Company's directors in connection with Board meetings (subject to the execution of confidentiality agreements as the Company may reasonably request), and shall be entitled to participate (in a non-voting capacity) in all Board meetings; *provided however*, that only the Observers appointed by CHV, GE Ventures, Onset IV, L.P. and QPIV may attend Board meetings in person; *provided further*, that if the director designee of the Stockholder who designates such Observer is unable to attend a board meeting in person, then the Observer may attend such meeting in person irrespective of the foregoing. Notwithstanding the foregoing, the Company may withhold any information and exclude any such Observer from any meeting or materials of its Board of Directors for that period of time that the Company believes in good

faith that access to any information or attendance at any meeting or materials (i) would result in a clear conflict of interest (in which case such Observer may be excluded only from that portion of a meeting or materials in which such conflict of interest exists), (ii) where sharing certain information considered in the meeting or materials would result in a breach by the Company of a duty of confidentiality to a third party (in which case such Observer may be excluded only from that portion of a meeting or materials during which such information is considered), and (iii) would adversely affect the attorney-client privilege between the Company and its counsel with respect to such information.

2.9. Notices of Litigation, Etc. The Company will promptly give to each Substantial Stockholder notice of any litigation or any administrative proceeding to which the Company may hereafter become a named party, excepting only those in which the only relief sought is money damages in an amount not exceeding $100,000 in any one instance, or $250,000 in the aggregate with respect to all such litigations or proceedings. Upon the request of a Substantial Stockholder, the Company will promptly furnish to such Substantial Stockholder copies of all correspondence, notices, pleadings, reports and other documents in connection with any litigation or proceeding in which it is currently involved or of which it is required to give notice hereunder or that may be received from any governmental agency or other person asserting a claim or potential claim against the Company, except with respect to such correspondence, notices, pleadings, reports and other documents that the Company reasonably believes are subject to attorney-client privilege, work-product doctrine, or such other evidentiary privilege or similar doctrine. Promptly after the receipt thereof, the Company will provide to each Substantial Stockholder copies of any reports (including management letters and reports and letters with respect to the adequacy of the Company's internal accounting controls) submitted by independent accountants with respect to the Company.

2.10. Records and Accounts. The Company will keep true and accurate records and books of account in which full, true and correct entries will be made so as to permit the preparation of financial statements in accordance with GAAP and maintain adequate accounts and reserves in accordance with good accounting practice for all taxes (including income taxes), all depreciation, depletion, obsolescence and amortization of its properties, all contingencies and all other reserves.

2.11. Corporate Existence; Maintenance of Properties. The Company will preserve and keep in full force and effect its corporate existence, rights and franchises. The Company will not engage in any business other than as presently conducted by it, businesses reasonably ancillary thereto and other businesses approved by the Board of Directors, which approval must be by Super Board Approval. The Company will maintain all of its properties used or useful in the conduct of its business in good condition, repair and working order and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however*, that nothing in this Section 2.11 will prevent the Company from discontinuing the operation and maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business and does not in the aggregate materially and adversely affect the business of the Company.

2.12. Insurance. The Company will use commercially reasonable efforts in good faith to obtain by no later than July 15, 2017 and thereafter maintain in place key-man life insurance with respect to the life of the Chief Executive Officer of the Company, with such policy having a death benefit of at least $1,000,000, payable to the Company; *provided, however,* that such insurance may not be canceled without at least 30 days' prior written notice to the Substantial Stockholders delivered by the Company in accordance with Section 5.2 of this Agreement. The Company will maintain this key-man life insurance with respect to the Chief Executive Officer for so long as such person continues to be employed by the Company; and the Company will maintain with financially sound and reputable insurance companies, funds or underwriters insurance of the kinds, covering the risks (including directors' and officers' liability) and in the relative proportionate amounts usually carried by reasonable and prudent companies conducting businesses similar to that of the Company. The Company shall use its commercially reasonable efforts to maintain in full force and effect director and officer liability insurance with a coverage amount typical for similarly situated companies, which insurance shall not be cancelable by the Company without prior approval by the Board of Directors.

2.13. Taxes. The Company will pay and discharge, or cause to be paid and discharged, before they become delinquent, all taxes, assessments and other governmental charges imposed upon the Company or any of the properties, sales or activities of the Company, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials or supplies, which, if unpaid might by law give rise to a Lien upon any of its properties; *provided, however*, that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof is currently being contested in good faith by appropriate proceedings and if the Company has set aside on its books adequate reserves with respect thereto.

2.14. Compliance with Laws, Contracts, Licenses, and Permits. The Company will comply in all material respects with (a) its charter documents and by-laws, (b) all judgments, decrees, orders, statutes, rules and regulations binding on or applicable to the Company or its business or properties, and (c) any agreement or instrument to which it is a party or by which it or any of its properties are subject (including the Other Agreements). If at any time any authorization, consent, approval, permit or license from any officer, agency or instrumentality of any government becomes necessary or required in order that the Company may fulfill any of its obligations hereunder, the Company will promptly take or cause to be taken all necessary steps within its power to obtain such authorization, consent, approval, permit or license and will promptly furnish evidence thereof.

2.15. Transactions with Affiliates. The Company will not engage in any transaction with any Affiliate on terms more favorable to the Affiliate than would have been obtainable by an unaffiliated person on an arms'-length basis in the ordinary course of business. Without limiting the foregoing sentence, the Company will not, without the affirmative vote or consent of the Super Board Approval, amend, waive any valuable right under, enter into any agreement in

conflict with, or terminate any agreement with any officer or key employee of the Company, including any agreement relating to confidentiality, ownership or assignment of any intellectual property to the Company or non-competition with the Company.

2.16. Key Personnel.

(a) The Company will not engage any employee unless such person first executes and delivers to the Company an agreement, in substantially the form attached hereto as Exhibit A, with respect to: (i) the confidentiality of the Company's proprietary and/or confidential information; (ii) the assignment to the Company of any and all rights they might have or acquire with respect to technology, inventions, developments, etc., developed in connection with their employment relationship with the Company and (iii) a covenant not to compete with the Company (unless the Board of Directors, by Super Board Approval, determines that such person is not a key employee).

(b) The Company will not engage any consultant (other than academic institutions or individuals governed by the rules, regulations and/or policies of an academic institution) or advisor (including any member of an advisory board of the Company established by the Board of Directors) with access to confidential information or trade secrets, unless such person first executes and delivers to the Company an agreement containing provisions substantially similar in content to the provisions contained in Exhibit A relating to: (i) confidentiality of the Company's proprietary and/or confidential information; and (ii) the assignment to the Company of any and all rights such person might have or acquire with respect to technology, inventions, developments, etc., developed in connection with their consulting relationship with the Company.

(c) The Company will not engage any academic institution or individuals governed by the rules, regulations and/or policies of an academic institution unless (i) such person first executes and delivers to the Company an agreement containing provisions substantially similar in content to the provisions contained in Exhibit A relating to confidentiality of the Company's proprietary and/or confidential information and (ii) the Company uses commercially reasonable efforts in good faith to obtain from such person an agreement containing provisions substantially similar in content to the provisions contained in Exhibit A relating to the assignment to the Company of any and all rights such person might have or acquire with respect to technology, inventions, developments, etc., developed in connection with their consulting relationship with the Company; *provided*, that if the resulting assignment agreement, if any, is not so substantially similar or no such assignment is forthcoming, then the Company will not engage such person unless such person first executes and delivers to the Company an agreement containing provisions relating to the Company's right or option to license from such person rights such person might have or might acquire with respect to such technology, inventions, developments, etc.

(d) The compensation of all officers, senior management and key employees of the Company will be as determined from time to time by the Compensation Committee of the Board of Directors.

2.17. Changes to the Management Team. The Company will not appoint, terminate or remove the Chief Executive Officer or other Key Officers without the affirmative vote or consent of the Super Board Approval.

2.18. Indebtedness. The Company will not incur any indebtedness in excess of $500,000 individually or $1,000,000 in the aggregate in any twelve (12) month period, without the affirmative vote or consent of the Super Board Approval.

2.19. Agreements Relating to Intellectual Property. The Company will not enter into any material agreement with respect to any material Intellectual Property of the Company (including both licenses of such Intellectual Property to the Company and by the Company to third parties) without the affirmative vote or consent of the Super Board Approval.

2.20. Termination of Rights. The covenants set forth in this Section 2 will terminate (i) upon the closing of a Qualified Public Offering, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon any Acquisition; *provided*, *however*, that with regard to (iii), the covenants set forth in Sections 2.3, 2.4 and 2.7 shall not terminate unless the stockholders of the Company receive cash and/or unrestricted securities that are actively traded on a national securities exchange and are of an entity subject to and in compliance with the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, whichever event occurs first.

2.21. Remedies. In case any one or more of the covenants and/or agreements set forth in this Agreement shall have been breached by any party hereto, the party or parties entitled to the benefit of such covenants or agreements may proceed to protect and enforce its or their rights, either by suit in equity and/or action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Agreement. The rights, powers and remedies of the parties under this Agreement are cumulative and not exclusive of any other right, power or remedy which such parties may have under any other agreement or law. No single or partial assertion or exercise of any right, power or remedy of a party hereunder shall preclude any other or further assertion or exercise thereof.

2.22. Right of First Refusal Upon Issuances of Common Stock. The Company shall not issue shares of Common Stock constituting greater than 1% of the issued and outstanding Common Stock (for purposes of this calculation only, after giving effect to the conversion and/or exercise of all then outstanding Derivative Securities) to any person unless, as a condition to such issuance, such person (i) provides the Company with a right-of-first-refusal on such shares substantially equivalent to that provided by Section 3.2(a) of the Stockholders' Agreement, and (ii) agrees to restrictions on the sale of such shares of Common Stock no less restrictive in any manner than those provided by Section 3.3 hereof.

2.23. Qualified Small Business Stock. The Company shall use commercially reasonable efforts to cause the shares of Series G Preferred Stock, Series F Preferred Stock, Series E Preferred Stock and Series D Preferred Stock issued pursuant to the Series G Purchase

Agreement, Series F Purchase Agreement, Series E Purchase Agreement and Series D Purchase Agreement, respectively, to constitute "qualified small business stock" as defined in Section 1202(c) of the Code; *provided, however*, that such requirement shall not be applicable if the Board of Directors determines, in its good-faith business judgment, that such qualification is inconsistent with the best interests of the Company. The Company shall prepare and submit to the Internal Revenue Service any reports that may be required under Section 1202(d)(1)(C) of the Code and the regulations promulgated thereunder. In addition, if the Company proposes to enter into a transaction which would (solely as a result of such transaction and not as a result of an action or fact specific to any Substantial Stockholder) result in the loss of benefits under Section 1202 of the Code to such Substantial Stockholders, the Company will promptly notify the Substantial Stockholders prior to the implementation of such proposed transaction.

2.24. FCPA Compliance. The Company shall not, and shall not permit any of its subsidiaries or affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to, promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, any non-U.S. government official, in each case, in violation of the U.S. Foreign Corrupt Practices Act ("FCPA") or any other applicable anti-bribery or anti-corruption law. The Company shall, and shall cause each of its subsidiaries and affiliates to, cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or Affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA or any other applicable anti-bribery or anti-corruption law. The Company shall, and shall cause each of its subsidiaries and affiliates to, maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA or any other applicable anti-bribery or anti-corruption law.

3. REGISTRATION RIGHTS.

3.1. Demand Registrations.

(a) Request for Demand Registration.

(i) Commencing upon 180 days after the closing of the Initial Public Offering, subject to the limitations set forth in the following paragraphs of this Section 3.1, the Holders of 20% of the then-outstanding Registrable Securities may at any time give to the Company a written request for the registration (a "Demand Registration") by the Company under the Securities Act of all or any part of the Registrable Securities held by such Holders. Within ten business days after the receipt by the Company of any such written request, the Company will give written notice of such request to all Holders.

(ii) Subject to the limitations set forth in the following paragraphs of this Section 3.1, after the receipt of a written request for a Demand Registration, (A) the Company will be obligated to include in such Demand Registration all Registrable Securities with respect to which the Company receives from Holders the written requests

of such Holders for inclusion in such Demand Registration within 20 days after the date on which the Company gives to all Holders a written notice of registration request pursuant to Section 3.1(a)(i) of this Agreement, and (B) the Company will use its best efforts in good faith to effect promptly the registration of all such Registrable Securities. All written requests made by Holders pursuant to this Section 3.1(a)(ii) will specify the number of Registrable Securities to be registered and will also specify the intended method of disposition thereof. Such method of disposition will, in any case, be an underwritten offering unless the Holders of at least 40% of the Registrable Securities to be included in such Demand Registration otherwise request.

(iii) The registration statement filed pursuant to a Demand Registration pursuant to this Section 3.1(a) may, subject to the limitations set forth in Section 3.1(c) hereof, include other securities of the Company which are held by persons other than the Holders who, by virtue of agreements with the Company, are entitled to include their securities in any such registration.

(b) Limitations on Demand Registrations.

(i) The Company will not be obligated to effect more than two Demand Registrations pursuant to Section 3.1(a) of this Agreement.

(ii) Any registration initiated by Holders as a Demand Registration pursuant to Section 3.1(a) hereof will not count as a Demand Registration for purposes of Section 3.1(b)(i) of this Agreement if (A) any shares are included in such registration for the account of the Company and/or stockholders other than Holders, or (B) such registration does not become effective or at least 50% of all Registrable Securities held by Holders and requested by them to be included in such registration are not actually sold pursuant to such registration.

(iii) The Company will not be obligated to effect the Demand Registration of any Registrable Securities pursuant to Section 3.1(a) hereof during the period commencing on the date falling 90 days prior to the Company's estimated date of filing of, and ending on the date 180 days following the effective date of, any registration statement pertaining to any registration initiated by the Company, for the account of the Company and/or stockholders other than Holders (other than with respect to securities registered solely in connection with acquisitions, employee benefit plans and the like), if the written request of Holders for such Demand Registration pursuant to Section 3.1(a) hereof is received by the Company after the Company has given to all Holders a written notice stating that the Company is commencing an underwritten registration initiated by the Company and provides reasonable evidence that it commenced activities directly related to such filing before receiving the written request of the Holders; *provided*, *however*, that the Company will use its best efforts in good faith to cause any such registration statement to be filed and to become effective as expeditiously as is reasonably possible.

(iv) The Company will not be obligated to effect any Demand Registration of Registrable Securities for any 90-day period following receipt of any written request for registration if, in the good faith judgment of the Board of Directors, the filing of any registration statement during such 90-day period would adversely affect a material proposed or pending acquisition, merger or similar corporate event to which the Company is or expects to be party. The Company may rely on this Section 3.1(b)(iv) only one time during any 12-month period whether in connection with a registration pursuant to Section 3.1(a) or Section 3.9(a).

(c) Priority in Demand Registrations. If the managing underwriters in any Demand Registration advise the Company that the number of securities proposed to be included in such registration exceeds the Underwriters' Maximum Number therefor, then: (i) the Company will be obligated to include in such registration that number of Registrable Securities requested by Holders to be included in such registration as does not exceed the Underwriters' Maximum Number, and such number of Registrable Securities will be allocated *pro rata* among such Holders on the basis of the number of Registrable Securities held by each such Holder; (ii) if the Underwriters' Maximum Number exceeds the number of Registrable Securities requested by Holders to be included in such registration, then the Company will be entitled to include in such registration that number of securities as has been requested by the Company to be included in such registration for the account of the Company and that is not greater than such excess; and (iii) if the Underwriters' Maximum Number exceeds the sum of the number of Registrable Securities that the Company is obligated under clause (i) above to include in such Demand Registration plus the number of securities that the Company proposes to offer and sell for its own account in such registration, then the Company may include in such registration that number of other securities as security holders other than Holders may have requested be included in such registration and that is not greater than such excess, and such number of securities will be allocated *pro rata* among such security holders on the basis of the number of such securities requested to be included in such registration by each such security holder. Neither the Company nor any of its other security holders will be entitled to include any securities in any underwritten Demand Registration unless the Company or such security holders (as the case may be) agree in writing to sell such securities on the same terms and conditions as apply to the Registrable Securities held by Holders to be included in such Demand Registration.

(d) Selection of Underwriters. If any Demand Registration is an underwritten offering, the investment bankers and managing underwriters in such registration will be selected by the Company with the approval of a majority in interest of the initiating Holders, such approval not to be unreasonably withheld or delayed.

3.2. Piggyback Registrations.

(a) Rights to Piggyback.

(i) If (and on each occasion that) the Company proposes to register any of its securities under the Securities Act, either for the Company's own account or for the account of any of its security holders (other than for Holders pursuant to Section 3.1

hereof) (each such registration not withdrawn or abandoned prior to the effective date thereof, a "Piggyback Registration"), the Company will give written notice to each of the Holders of such proposal not later than the earlier to occur of (A) the tenth day following the receipt by the Company of notice of exercise of any registration rights by any persons, and (B) 30 days prior to the anticipated filing date of such Piggyback Registration. Notwithstanding the foregoing, the Company will not be obligated to give notice to Holders as to, or to include any Registrable Securities in, any registration (y) on Form S-8 or similar limited-purpose form of registration statement effected solely to implement an employee benefit plan, or (z) any registration on Form S-4 or similar limited-purpose form of registration statement effected solely to implement an acquisition or business combination transaction.

(ii) Subject to the provisions contained in paragraphs (b) and (c) of this Section 3.2 and in the last sentence of this clause (ii): (A) the Company will be obligated to include in each Piggyback Registration all Registrable Securities with respect to which the Company receives, within 20 business days after the date on which the Company has given written notice of such Piggyback Registration to Holders pursuant to Section 3.2(a)(i) hereof, the written requests of such Holders for inclusion in such Piggyback Registration, and (B) the Company will use its best efforts in good faith to effect promptly the registration of all such Registrable Securities. Holders will be permitted to withdraw all or any part of their Registrable Securities from any Piggyback Registration at any time prior to the effective date of such Piggyback Registration.

(b) Priority in Piggyback Registrations. If a Piggyback Registration is an underwritten registration, and the managing underwriters thereof give written advice to the Company of an Underwriters' Maximum Number, then: (i) the Company will be obligated to include in such registration that number of Registrable Securities that have been requested by Holders to be so included and which is not less than 25% of the Underwriters' Maximum Number, and such number of Registrable Securities will be allocated *pro rata* among such Holders on the basis of the number of Registrable Securities held by each such Holder; (ii) the Company will be entitled to include in such registration that number of securities that the Company proposes to offer and sell for its own account in such registration and which does not exceed the difference between the Underwriters' Maximum Number and the number of Registrable Securities that the Company is required under clause (i) above to include in such registration; and (iii) if the Holders have been permitted to include in such registration all Registrable Securities that they have requested so to include and the Underwriters' Maximum Number exceeds the sum of the number of Registrable Securities that the Company has been requested to include in such registration for the account of Holders and the number of securities that the Company proposes to offer and sell for its own account in such registration, then the Company may include in such registration that number of other securities that persons other than Holders have requested be included in such registration and which is not greater than such excess.

(c) Selection of Underwriters. In any Piggyback Registration, the Company will have the right to select the investment bankers and managing underwriters in such registration.

3.3. Lockup Agreements.

(a) Restrictions on Public Sale by Stockholders. Subject to the Company's compliance with the terms of Section 3.2, each of the Stockholders, if the Company or the managing underwriters so request of the Stockholders in connection with the Company's first underwritten registration, will not, without the prior written consent of the Company or such underwriters, effect any public sale or other distribution of any equity securities of the Company, including any sale pursuant to Rule 144, under the Securities Act, during a period of up to 180 days plus such additional period (up to an additional fifteen (15) days) as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the Financial Industry Regulatory Authority and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules); *provided*, that each officer and director of the Company and each other person who is also an Affiliate of the Company enter into similar agreements, and *provided*, *further*, that to the extent that any such officer, director or other Affiliate of the Company is released (in whole or in part) from such lock-up agreement prior to its scheduled termination date, each Stockholder executing such a lock-up agreement will have a proportionate percentage of its securities released from such lock-up agreement.

(b) Restrictions on Public Sale by Company. The Company will not effect any public sale or other public distribution of equity securities or securities exercisable or exchangeable for, or convertible into, equity securities, during the seven days prior to, and during (i) in the case of the Company's first registration to become effective, the 180-day period, or (ii) in the case of any subsequent registration, the 90-day period, following the effective date of such underwritten registration, except in connection with such underwritten registration.

3.4. Registration Procedures. If (and on each occasion that) the Company becomes obligated to effect any registration of any Registrable Securities hereunder, the Company will use its best efforts in good faith to effect promptly the registration of such Registrable Securities under the Securities Act and to permit the public offering and sale of such Registrable Securities in accordance with the Holders' intended methods of disposition thereof, and, in connection therewith, the Company, as expeditiously as is reasonably possible, will:

(a) prepare and file with the Commission a registration statement with respect to such Registrable Securities, and use its best efforts in good faith to cause such registration statement to become effective and remain effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of the Company or an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus included in such registration statement as may be necessary or advisable to comply in all material respects with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement or as may be necessary to keep such registration statement effective and current;

(c) furnish to each seller of Registrable Securities such reasonable number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as any such seller may reasonably request in order to facilitate the disposition of the Registrable Securities held by such seller;

(d) enter into such customary agreements and take all such other action in connection therewith as any Holder may reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(e) use its best efforts in good faith (i) to list the Registrable Securities to be registered in such registration on each securities exchange or quotation system on which similar securities of the Company are then listed (or if not so listed, then on each securities exchange or quotation system on which securities of companies similar to the Company are then listed), and (ii) to register or qualify the Registrable Securities covered by such registration statement under such securities or blue sky laws of such jurisdictions as any Holder may reasonably request and do any and all such other acts and things as may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities held by such seller; *provided, however,* that the Company will not be required in connection with such blue sky registration or qualification to qualify to do business or file a general consent to service of process in any such jurisdiction;

(f) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(g) in the event of any underwritten public offering, furnish and address to the underwriters (and provide to the Holders a copy thereof) a signed (i) opinion of counsel for the Company, dated the effective date of the registration statement, and (ii) "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included in the registration statement, covering substantially the same matters with respect to the registration statement (and the prospectus included therein) and (in the case of the comfort letter, with respect to events subsequent to the date of the financial statements), as are customarily covered (at the time of such registration) in opinions of issuer's counsel and in comfort letters delivered to the underwriters in underwritten public offerings of securities;

(h) promptly notify the Holders of the effectiveness of such registration statement and any stop order, and furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(i) following the effective date of such registration statement, notify the Holders of any request by the Commission that the Company amend or supplement such registration statement, or the associated prospectus;

(j) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(k) cause all such Registrable Securities registered pursuant to this Section 3 to be listed on a national exchange or trading system and on each securities exchange and trading system on which similar securities issued by the Company are then listed;

(l) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration; and

(m) make generally available to its security holders, and deliver to each Holder participating in the registration statement, an earnings statement of the Company that will satisfy the provisions of Section 11(a) of the Securities Act covering a period of 12 months beginning after the effective date of such registration statement, as soon as reasonably practicable after the termination of such 12-month period.

3.5. Cooperation by Prospective Sellers, Etc.

(a) Each prospective seller of Registrable Securities will furnish to the Company, in writing, such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such prospective seller's Registrable Securities as the Company may reasonably require from such seller, and otherwise reasonably cooperate with the Company in connection with any registration statement with respect to such Registrable Securities.

(b) The failure of any prospective seller of Registrable Securities to furnish any information or documents in accordance with any provision contained in this Section 3 will not affect the obligations of the Company under this Section 3 to any remaining sellers who furnish such information and documents unless, in the reasonable opinion of counsel to the Company or the underwriters, such failure impairs or may impair the viability of the offering or the legality of the registration statement or the underlying offering.

(c) In the event that, in the judgment of the Company, it is advisable to suspend use of a prospectus included in a registration statement due to pending material developments or other events that have not yet been publicly disclosed and as to which the Company believes public disclosure would be detrimental to the Company, the Company shall deliver to each selling Holder a certificate signed by the Company's President or Chief Executive Officer stating that the Board of Directors of the Company has made such determination in good faith, and, upon receipt of such notice, each such selling Holder shall immediately discontinue any sales of Registrable Securities pursuant to such registration statement until such selling Holder has received copies of a supplemented or amended prospectus or until such selling Holder is advised in writing by the Company that the then current prospectus may be used and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such prospectus. During any such suspension period, none of the Company's executive officers or directors shall offer or sell any Registrable Securities pursuant to or in reliance upon the registration statement (or the prospectus relating thereto). Notwithstanding anything to the contrary herein, the Company shall not exercise its rights under this paragraph (c) to suspend sales of Registrable Securities for a period in excess of 60 days in any 365-day period and the obligations of the Company with respect to maintaining any registration statement current and effective will be extended by a period of days equal to the aggregate period any such discontinuance or suspension hereunder is in effect.

(d) At the end of any period during which the Company is obligated to keep any registration statement current and effective as provided by Section 3.4 hereof (and any extensions thereof required by the preceding paragraph (c) of this Section 3.5), the Holders included in such registration statement will discontinue sales of shares pursuant to such registration statement upon notice from the Company to such Holders of its intention to remove from registration the shares covered by such registration statement which remain unsold, and such Holders will notify the Company of the number of shares registered that remain unsold promptly after receipt of such notice from the Company.

3.6. Registration Expenses.

(a) The Company will be responsible for and will pay all costs and expenses incurred or sustained in connection with or arising out of each registration pursuant to this Section 3, including all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel for the underwriters in connection with the blue sky qualification of Registrable Securities), printing expenses, messenger, telephone, and delivery expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of one counsel representing the Holders, fees and disbursements of all independent certified public accountants (including the expenses relating to the preparation and delivery of any special audit or comfort letters required by or incident to such registration), and fees and disbursements of underwriters (excluding discounts and commissions), the reasonable fees and expenses of any special experts retained by the Company on its own initiative or at the request of the managing underwriters in connection with such registration, and fees and expenses of all (if any) other persons retained by the Company (all

such costs and expenses, collectively, "Registration Expenses"). The Company will also pay its internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the securities to be registered on each securities exchange or quotation system on which similar securities of the Company are then listed (or if not so listed, then on each securities exchange or quotation system on which securities of companies similar to the Company are then listed).

(b) The Company will not bear the cost of nor pay for any stock transfer taxes imposed in respect of the transfer of any Registrable Securities to any purchaser thereof by any Holder of Registrable Securities in connection with any registration of Registrable Securities pursuant to this Section 3.

(c) To the extent that Registration Expenses incident to any registration are, under the terms of this Section 3, not required to be paid by the Company, each Holder of Registrable Securities included in such registration will pay all Registration Expenses that are clearly solely attributable to the registration of such Holder's Registrable Securities so included in such registration, and all other Registration Expenses not so attributable to one Holder will be borne and paid by all sellers of securities included in such registration *pro rata* in proportion to the number of securities so included by each such seller.

3.7. Indemnification.

(a) Indemnification by Company. The Company will indemnify each Holder joining in a registration and each underwriter of the securities so registered, the officers, directors and partners and stockholders of each such person and each person who controls (within the meaning of the Securities Act) any of the foregoing, and their respective successors and assigns, against any and all Damages arising out of or based on any untrue statement (or alleged untrue statement) of any material fact contained in any prospectus, offering circular or other document incident to any registration, qualification or compliance (or in any related registration statement (or any amendment or supplement thereto), notification or the like) or any omission (or alleged omission) to state therein any material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company (or any of its agents or Affiliates) of any rule or regulation promulgated under the Securities Act, the Exchange Act, any state securities law applicable to the Company and relating to any action or inaction required of the Company in connection with any such prospectus, registration statement, qualification or compliance; *provided*, *however*, that the Company will not be liable in any such case to the extent that any such Damages arise out of or are based on any untrue statement or omission based upon written information furnished to the Company in an instrument duly executed by such Holder, underwriter, officer, director, partner or controlling person and stated to be specifically for use in such prospectus, registration statement, offering circular or other document.

(b) Indemnification by Each Holder. Each Holder including Registrable Securities in a registration will indemnify each underwriter of the securities so registered, the Company and

its officers and directors and each person, if any, who controls (within the meaning of the Securities Act) any of the foregoing, and their respective successors and assigns, against any and all Damages arising out of or based on any untrue statement (or alleged untrue statement) of any material fact contained in any prospectus, offering circular or other document incident to any registration, qualification or compliance (or in any related registration statement (or any amendment or supplement thereto), notification or the like) or any omission (or alleged omission) to state therein any material fact required to be stated therein or necessary to make the statement therein not misleading, but only if and to the extent that such statement or omission was made in reliance upon written information furnished to such underwriter or the Company in an instrument duly executed by such Holder and stated to be specifically for use in such prospectus, offering circular or other document (or related registration statement, notification or the like) or any amendment or supplement thereto; *provided*, *however*, that the indemnity agreement contained in this Section 3.7(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld, delayed or conditioned; and *provided*, *further*, that each Holder's liability with respect to any particular registration will be limited to an aggregate amount equal to the net proceeds received by such Holder from the Registrable Securities sold by such Holder in such registration.

(c) Indemnification Proceedings. Each party entitled to indemnification pursuant to this Section 3.7 (the "indemnified party") will give notice to the party required to provide indemnification pursuant to this Section 3.7 (the "indemnifying party") promptly after such indemnified party acquires actual knowledge of any claim as to which indemnity may be sought, and will permit the indemnifying party (at its expense) to assume the defense of any claim or any litigation resulting therefrom; *provided*, that counsel for the indemnifying party, who will conduct the defense of such claim or litigation, must be reasonably acceptable to the indemnified party, and the indemnified party may participate in such defense at such indemnified party's expense; and; *provided*, *further*, that the failure by any indemnified party to give notice as provided in this paragraph (c) will not relieve any indemnifying party of its obligations under this Section 3.7 except if and to the extent that such failure results in a failure of actual notice to the indemnifying party and such indemnifying party is actually prejudiced solely as a result of such failure to give notice. Notwithstanding the preceding sentence, an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. No indemnifying party, in the defense of any such claim or litigation, will, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. The reimbursement required by this Section 3.7 will be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred, and may be conditioned upon an undertaking by the indemnified party to reimburse the indemnifying party in the event the indemnified party is finally determined by a court of competent jurisdiction not to be entitled to indemnification.

3.8. Contribution in Lieu of Indemnification. If the indemnification provided for in Section 3.7 hereof is unavailable to a party that would have been an indemnified party in respect of any Damages referred to therein, then each party that would have been an indemnifying party thereunder will, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such Damages in such proportion as is appropriate to reflect the relative fault of the indemnifying party and such indemnified party, respectively, in connection with the statements or omissions which resulted in such Damages. Relative fault will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or such indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission *provided*, that each Holder's liability with respect to any particular registration will be limited to an amount equal to the net proceeds received by such Holder from the Registrable Securities sold by such Holder in such registration. The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 3.8 were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 3.8. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

3.9. Rule 144 Requirements; Form S-3 Registrations.

(a) From time to time after the earlier to occur of (a) the ninetieth (90^{th}) day following the date on which there first becomes effective a registration statement filed by the Company under the Securities Act, or (b) the date on which the Company registers a class of securities under Section 12 of the Exchange Act, the Company will make commercially reasonable efforts in good faith to take all steps necessary to ensure that the Company will be eligible to register securities on Form S-3 (or any comparable or successor form adopted by the Commission) as soon thereafter as possible, and to make publicly available and available to the Holders, pursuant to Rule 144 of the Commission under the Securities Act, such current public information as is necessary to enable the Holders of Registrable Securities to make sales of Registrable Securities pursuant to that Rule. The Company will furnish to the Holders, upon request at any time after the undertaking of the Company in the preceding sentence first becomes effective, a written statement signed by the Company, addressed to each Holder, describing briefly the action the Company has taken or proposes to take to comply with the current public information requirements of Rule 144. Upon receipt of a certificate certifying (i) that such Holder has held and fully paid for such Registrable Securities for a period of not less than one year (or such lesser period after which the exemption from registration pursuant to which Rule 144 may be available), and (ii) that such Holder has not been an affiliate (as defined in Rule 144) of the Company during the preceding three months, the Company will, at the request of any Holder of Registrable Securities, remove from the stock certificates representing such

Registrable Securities any restrictive legend (or portion thereof) relating to the registration provisions of the Securities Act. After the Company qualifies for the use of Form S-3, then, subject to the provisions of Sections 3.1(b)(iii) and (iv) of this Agreement, the Holders of the Registrable Securities then outstanding will have the right to require the Company to effect an unlimited number of registrations on Form S-3 (or any equivalent successor form); *provided*, that the aggregate offering price to the public for each such registration exceeds $2,000,000. The Company shall keep such registration statement on Form S-3 effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that in the event that such registration of Registrable Securities is intended to be offered on a continuous or delayed basis, subject to compliance with applicable Commission rules, such one hundred twenty (120) day period shall be extended for up to 60 days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

(b) Suspension Period. Notwithstanding anything in this Agreement to the contrary, if the Company shall furnish to the Holders a certificate signed by the President or Chief Executive Officer of the Company stating that the Board of Directors of the Company has made the good faith determination (i) that continued use by the Holders of the registration statement on Form S-3 for purposes of effecting offers or sales of Registrable Securities pursuant thereto would require, under the Securities Act, premature disclosure in the registration statement (or the prospectus relating thereto) of material, nonpublic information concerning the Company, its business or prospects or any proposed material transaction involving the Company, (ii) that such premature disclosure would be materially adverse to the Company, its business or prospects or any such proposed material transaction or would make the successful consummation by the Company of any such material transaction significantly less likely and (iii) that it is therefore essential to suspend the use by the Holders of such registration statement (and the prospectus relating thereto) for purposes of effecting offers or sales of Registrable Securities pursuant thereto, then the right of the Holders to use the registration statement (and the prospectus relating thereto) for purposes of effecting offers or sales of Registrable Securities pursuant thereto shall be suspended for a period (the "Suspension Period") of not more than 90 days after delivery by the Company of the certificate referred to in this paragraph (b). During the Suspension Period, none of the Holders or the Company's executive officers or directors shall offer or sell any Registrable Securities pursuant to or in reliance upon the registration statement (or the prospectus relating thereto). The Company agrees not to exercise the rights set forth in this paragraph (b) more than twice in any 12-month period. If, in connection therewith, the Company considers it appropriate for such registration statement to be amended, the Company shall so amend such registration statement as promptly as practicable and such Holders shall suspend any further sales of their Registrable Securities until the Company advises them that such registration statement has been amended. The time periods referred to herein during which such registration statement must be kept effective shall be extended for an additional number of days equal to the number of days during which the right to sell securities was suspended pursuant to this paragraph.

3.10. Participation in Underwritten Registrations. No person may participate in any underwritten registration pursuant to this Section 3 unless such person (a) agrees to sell such person's securities on the basis provided in any underwriting arrangements approved by the persons entitled, under the provisions hereof, to approve such arrangements, and (b) completes and executes all questionnaires, powers of attorney, custody agreements, indemnities, underwriting agreements and other documents reasonably required by the terms of such underwriting arrangements. Any Holder to be included in any underwritten registration will be entitled at any time to withdraw such Registrable Securities from such registration prior to its effective date in the event that such Holder disapproves of any of the terms of the related underwriting agreement.

3.11. Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders holding at least 60% of the Registrable Securities then outstanding (or deemed outstanding), enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include any of such securities in any registration filed under this Section 3, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders that are included, (b) to demand registration of their securities, (c) any registration rights unless such holder is bound by obligations similar to the obligations of the Holders set forth in Sections 3.3, 3.5, 3.6, 3.7, 3.8, 3.9, and 3.10, or (d) otherwise conflict with the registration rights granted to the Holders under this Agreement.

4. DEFINITIONS.

For all purposes of this Agreement the following terms will have the meanings set forth or cross-referenced in this Section 4:

"Acquisition" shall have the meaning ascribed to such term in the Charter.

"Affiliate" means any other person directly or indirectly controlling, controlled by, or under direct or indirect common control with the Company (or other referenced person) and includes (a) any person who is an officer, director, or direct or indirect beneficial holder of at least 5% of the then outstanding capital stock of the Company (or other referenced person), and any of the Family Members of any such beneficial holder, or (b) any person of which the Company (or other referenced person) and/or its Affiliates (as defined in clause (a) above), directly or indirectly, either beneficially own(s) at least 5% of the then outstanding equity securities or constitute(s) at least a 5% equity participant.

"Affiliate Stockholder" of any Right Holder shall mean any general or limited partner or retired partner of any such person that is a partnership, any member or retired member of any such person that is a limited liability company, or any person or entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Right Holder, including any affiliated funds.

"Charter" means the Company's Eighth Amended and Restated Certificate of Incorporation, as the same may be amended and/or restated and in effect from time to time.

"CHV" means CHV IV, L.P.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Common Stock, $0.01 par value per share, of the Company.

"Convertible Note Purchase Agreement" shall mean each of the Convertible Subordinated Note Purchase Agreement dated as of February 18, 2014 by and among the Company and the investors listed on the schedule thereto, and the Convertible Subordinated Note Purchase Agreement dated as of November 21, 2014, as amended, by and among the Company and the investors listed on the schedule thereto, and "Convertible Note Purchase Agreements" shall mean the foregoing agreements, collectively.

"Damages" (whether or not such term is capitalized) means all damages, losses, claims, demands, actions, causes of action, suits, litigations, arbitrations, liabilities, costs and expenses, including investigatory and court costs and the fees and expenses of counsel and experts.

"Derivative Securities" means (i) all shares of stock and other securities that are convertible into or exchangeable for shares of capital stock of the Company, including shares of Preferred Stock, and (ii) all options, warrants and other rights to acquire shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Family Members" means, as applied to any individual, his or her spouse, his or her and his or her spouse's lineal ancestors and descendants and their respective spouses, any trust created for the benefit of any such person(s), and each custodian of property of any such person(s), and/or the estate of any such person(s).

"GAAP" means generally accepted accounting principles that are (i) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, (ii) applied on a basis consistent with prior periods, and (iii) such that, insofar as the use of accounting principles is pertinent, a certified public accountant could deliver an unqualified opinion with respect to financial statements in which such principles have been properly applied.

"GE Ventures" means GE Ventures Limited and/or its Affiliates.

"Holders" means the holders of Registrable Securities that are parties to this Agreement, and "Holder" means any one of the Holders. Unless the context otherwise requires, a Holder will be deemed to hold, at any particular time, all shares of Common Stock issued or issuable upon exercise, conversion or exchange of Derivative Securities held by such Holder at such time.

"including" (regardless of whether capitalized) means including without limitation.

"Initial Public Offering" shall mean the closing of the Company's first underwritten public offering of Common Stock under the Securities Act.

"Intellectual Property" shall mean intellectual property or proprietary rights of any description including (i) rights in any patent, patent application (including any provisionals, continuations, divisions, continuations-in-part, extensions, renewals, reissues, revivals and reexaminations, any national phase PCT applications, any PCT international applications, and all foreign counterparts), copyright, industrial design, URL, domain name, trademark, service mark, logo, trade dress or trade name, (ii) related registrations and applications for registration, (iii) trade secrets, moral rights or publicity rights, (iv) inventions, discoveries, or improvements, modification, know-how, technique, methodology, writing, work of authorship, design or data, whether or not patented, patentable, copyrightable or reduced to practice, including any inventions, discoveries, improvements, modification, know-how, technique, methodology, writing, work of authorship, design or data embodied or disclosed in any: (1) computer source codes (human readable format) and object codes (machine readable format); (2) specifications; (3) manufacturing, assembly, test, installation, service and inspection instructions and procedures; (4) engineering, programming, service and maintenance notes and logs; (5) technical, operating and service and maintenance manuals and data; (6) hardware reference manuals; and (7) user documentation, help files or training materials, and (v) good will related to any of the foregoing.

"Investor Growth Capital" means Investor Growth Capital Limited, Investor Group, L.P. and IGC Fund VI, L.P.

"Key Officers" shall mean the Chief Executive Officer and each Vice President (or higher level) who reports directly to the Chief Executive Officer of the Company.

"Lien" means any lien, claim, mortgage, security interest, charge, encumbrance and restriction on transfer of any kind, except, in the case of references to securities, any of the same arising under (i) applicable securities laws solely by reason of the fact that such securities were issued pursuant to exemptions from registration under such securities laws or (ii) this Agreement or the Other Agreements.

"New Leaf" means New Leaf Ventures II, L.P. and its Affiliates.

"Other Agreements" means the Purchase Agreements and the Stockholders' Agreement.

"person" (regardless of whether capitalized) means any natural person, entity or association, including any corporation, partnership, limited liability company, government (or agency or subdivision thereof), trust, joint venture or proprietorship.

"Pfizer" means Pfizer Inc. and its Affiliates.

"Polaris" means Polaris Venture Partners V, L.P. and its Affiliates.

"Preferred Stock" means the Series A-1 Preferred Stock, the Series A-2 Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock.

"Proportional Adjustment" means 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.

"Purchase Agreements" means 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 Convertible Note Purchase Agreements, the Series F Purchase Agreement and the Series G Purchase Agreement.

"QPIV" means QPIV, LLC and its Affiliates.

"Qualified Public Offering" shall have the meaning ascribed to such term in the Charter.

"registration" (regardless of whether capitalized) refers to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the declaration or ordering by the Commission of effectiveness of such registration statement.

"Registrable Securities" means, at any particular time, (i) all shares of Common Stock issued, or issuable, in respect of the Series A-2 Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock, (ii) any Common Stock, or any Common Stock issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, acquired by the Stockholder after the date hereof, and (iii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above. Securities will cease to be Registrable Securities when they have been sold pursuant to an effective registration statement under the Securities Act, or distributed to the public through a broker, dealer or market maker pursuant to Rule 144 under the Securities Act, or any other exemption from the registration requirements of the Securities Act under which the transferee receives securities that are not "restricted securities" within the meaning of that term as defined in Rule 144(a)(3).

"Required Senior Preferred Holders" shall have the meaning ascribed to such term in the Charter.

"Securities Act" means the Securities Act of 1933, as amended, or any successor federal statute and the rules and regulations of the Commission thereunder, all as the same are in effect at the relevant time of reference.

"Series A-1 Preferred Stock" means the Series A-1 Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

"Series A-2 Preferred Stock" means the Series A-2 Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

"Series A-2 Substantial Stockholder" means any Series A-2 Stockholder holding of record not less than 1,200,000 shares of Series A-2 Preferred Stock (such number to be subject to Proportional Adjustment), *provided*, that KBL Healthcare, L.P. shall also be deemed to be a Series A-2 Substantial Stockholder for purposes of all sections of this Agreement other than Section 2.8 for such time as such entity holds of record at least 500,000 shares of Series A-2 Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Investor Growth Capital Limited and Investor Group, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by KBL Healthcare, L.P. and KBL Partnership, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate.

"Series B Preferred Stock" means the Series B Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

"Series B Substantial Stockholder" means any Series B Stockholder holding of record not less than 850,000 shares of Series B Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Investor Growth Capital Limited and Investor Group, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by KBL Healthcare, L.P. and KBL Partnership, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate;

and all shares of capital stock held by Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate.

"Series C Preferred Stock" means the Series C Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

"Series C Substantial Stockholder" means any Series C Stockholder holding of record not less than 1,047,904 shares of Series C Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Investor Growth Capital Limited and Investor Group, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by KBL Healthcare, L.P. and KBL Partnership, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; and all shares of capital stock held by QPIV, LLC shall be aggregated with those of its Affiliates and permitted transferees.

"Series D Preferred Stock" means the Series D Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

"Series D Substantial Stockholder" means any Series D Stockholder holding of record not less than 2,459,016 shares of Series D Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Investor Growth Capital Limited and Investor Group, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by KBL Healthcare Ventures, L.P. and its Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other

such entity, as appropriate; all shares of capital stock held by QPIV, LLC shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by New Leaf Ventures II, L.P. shall be aggregated with those of its Affiliates and permitted transferees.

"Series E Preferred Stock" means the Series E Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

"Series E Substantial Stockholder" means any Series E Stockholder holding of record not less than 2,000,000 shares of Series E Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held 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., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Investor Growth Capital Limited and Investor Group, L.P., and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by QPIV, LLC shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by New Leaf Ventures II, L.P. shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by Pfizer Inc. shall be aggregated with those of its Affiliates and permitted transferees.

"Series F Preferred Stock" means the Series F Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are set forth in the Charter.

"Series F Substantial Stockholder" means any Series F Stockholder holding of record not less than 10,000,000 shares of Series F Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held by Polaris Venture Partners V, L.P., Polaris Venture P Entrepreneurs' Fund V, L.P., Polaris Venture Partners Special Founders' Fund V, L.P. and Polaris Venture Partners Founders' Fund V, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by Investor Growth Capital Limited, Investor Group, L.P. and IGC Fund VI, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares

of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by QPIV, LLC shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by New Leaf Ventures II, L.P. shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by Pfizer Inc. shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by GE Ventures Limited shall be aggregated with those of its Affiliates and permitted transferees.

"Series G Preferred Stock" means the Series G Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are set forth in the Charter.

"Series G Substantial Stockholder" means any Series G Stockholder holding of record not less than 2,029,164 shares of Series G Preferred Stock (such number to be subject to Proportional Adjustment). For purposes of this definition: all shares of capital stock held by Polaris Venture Partners V, L.P., Polaris Venture P Entrepreneurs' Fund V, L.P., Polaris Venture Partners Special Founders' Fund V, L.P. and Polaris Venture Partners Founders' Fund V, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by InterWest Partners VIII, L.P., InterWest Investors VIII, L.P. and InterWest Investors Q VIII, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by IGC Fund VI, L.P. and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by ONSET IV, L.P. shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P. and TAC Associates, L.P., respectively, and their Affiliates and permitted transferees, shall be aggregated with those shares of capital stock held by each other such entity, as appropriate; all shares of capital stock held by QPIV, LLC shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by New Leaf Ventures II, L.P. shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by Pfizer Inc. shall be aggregated with those of its Affiliates and permitted transferees; all shares of capital stock held by GE Ventures Limited shall be aggregated with those of its Affiliates and permitted transferees; and all shares of capital stock held by CHV shall be aggregated with those of its Affiliates and permitted transferees.

"Stockholders' Agreement" means the Sixth Amended and Restated Stockholders' Agreement, dated as of the date hereof, among the Company and certain of its stockholders, as amended from time to time.

"Subsidiary(ies)" means, with respect to any person, any corporation a majority (by number of votes) of the outstanding shares of any class or classes of which are at the relevant time of reference owned directly or indirectly by such person or by a Subsidiary of such person, if the holders of the shares of such class or classes (a) are ordinarily, in the absence of contingencies, entitled to vote for the election of a majority of the directors (or persons performing similar functions) of the issuer thereof, even though the right so to vote has been suspended by the happening of such a contingency, or (b) are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the issuer thereof, whether or not the right so to vote exists by reason of the happening of a contingency.

"Substantial Stockholder" means any Series A-2 Substantial Stockholder, any Series B Substantial Stockholder, any Series C Substantial Stockholder, any Series D Substantial Stockholder, any Series E Substantial Stockholder, any Series F Substantial Stockholder and any Series G Substantial Stockholder.

"Super Board Approval" shall have the meaning ascribed to such term in the Charter.

"Three Arch Partners" means Three Arch Partners IV, L.P., Three Arch Associates IV, L.P., Three Arch Capital, L.P., TAC Associates, L.P. and their Affiliates.

"Underwriters' Maximum Number" means, with respect to an underwritten registration, that number of securities to which such registration should be limited, in the reasonable opinion of the managing underwriters of such registration, in the light of marketing factors.

5. MISCELLANEOUS PROVISIONS.

5.1. Amendments, Consents, Waivers, Etc.

(a) This Agreement or any provision hereof may be amended or terminated by the agreement of the Company and Stockholders holding at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), and, except as otherwise provided by this Agreement, the observance of any provision of this Agreement that is for the benefit of any party other than the Company may be waived (either generally or in a particular instance, and either retroactively or prospectively), and any consent, approval or other action to be given or taken by the Stockholders pursuant to this Agreement may be given or taken by the written consent of Stockholders holding at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock). Notwithstanding any provision contained herein to the contrary, (i) no such amendment, termination or waiver shall adversely affect any Stockholder, Series A-2 Stockholder, Series B Stockholder, Series C Stockholder, Series D Stockholder, Series E Stockholder, Series F Stockholder or Series G Stockholder in a manner different from or disproportionate to any adverse effect such amendment, termination or waiver would have on any other Stockholder, Series A-2 Stockholder, Series B Stockholder, Series C Stockholder,

Series D Stockholder, Series E Stockholder, Series F Stockholder or Series G Stockholder, respectively, without such party's consent, (ii) any person may in writing waive, as to and for itself, the benefits of any provision of this Agreement without the consent of any other party, (iii) the right of any Stockholder to appoint an Observer pursuant to Section 2.8 may not be amended, modified or waived without the consent of that Stockholder, (iv) the definition of "Series F Substantial Stockholder" cannot be amended, modified or waived without the consent of GE Ventures and (v) the definition of "Series G Substantial Stockholder" cannot be amended, modified or waived without the consent of CHV.

(b) No course of dealing between the Company and any of the Stockholders will operate as a waiver of any of the Company's or any Stockholder's rights under this Agreement. No waiver of any breach or default hereunder will be valid unless in a writing signed by the waiving party. No failure or other delay by any person in exercising any right, power or privilege hereunder will be or operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(c) The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Section 5.1 shall be binding on all parties hereto, regardless of whether any such party has consented thereto.

(d) Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Company's Series G Preferred Stock after the date hereof pursuant to the Series G Purchase Agreement or the exercise of any Derivative Security, any purchaser of such shares of Series G Preferred Stock shall become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed a "Series G Stockholder" and a "Stockholder" for all purposes hereunder. No action or consent by the Stockholders shall be required to add such Additional Stockholder to the Schedule of Series G Stockholders hereto or for such joinder to this Agreement by such Additional Stockholder, so long as such Additional Stockholder has agreed in writing to be bound by all of the obligations as a "Series G Stockholder" and "Stockholder" hereunder.

5.2. Notices. All notices, requests, payments, instructions or other documents to be given hereunder will be in writing or by written telecommunication, and will be deemed to have been duly given if (a) delivered personally (effective upon delivery), (b) mailed by certified mail, return receipt requested, postage prepaid (effective five business days after dispatch), (c) sent by a reputable, established courier service that provides evidence of delivery and guarantees next business day delivery (effective the next business day), or (d) sent by telecopier or email followed within 24 hours by confirmation by one of the foregoing methods (effective upon receipt of the telecopy or email in complete, readable form), addressed to (i) the Company at 3222 Phoenixville Pike, Malvern, PA 19355, Attention: Chief Executive Officer, Facsimile (610) 482-9986 and (ii) the Stockholders at the addresses listed on the Schedules to this Agreement (or to such other address as the recipient party may have furnished to the Company for the purposes of this Section 5.2).

5.3. Counterparts. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same agreement. In pleading or proving this Agreement, it will not be necessary to produce or account for more than one such counterpart. Each party hereto will receive by delivery, facsimile transmission or electronic mail a duplicate original of this Agreement executed by each party, and each party agrees that the delivery of this Agreement by facsimile transmission or by electronic mail in "portable document format" will be deemed to be an original of this Agreement so transmitted.

5.4. Captions. The captions of sections or subsections of this Agreement are for reference only and will not affect the interpretation or construction of this Agreement.

5.5. Binding Effect and Benefits. This Agreement will bind and inure to the benefit of the parties hereto and their respective successors and permitted transferees and assigns, *provided* such transferees and assigns agree in writing to be bound by the terms and conditions of this Agreement. The provisions of this Agreement that are for the Stockholders' benefit will inure to the benefit of all permitted transferees 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, and the applicable provisions of this Agreement that bind the Stockholders will bind all transferees 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. Such transferees and assigns to whom rights are transferred or assigned pursuant to this Section 5.5 will be thereafter deemed to be Stockholders for the purpose of the execution of such transferred rights and may not again transfer such rights to any other person or entity, other than in accordance with this terms and conditions of this Agreement and the Other Agreements.

Nothing in this Agreement is intended to or will confer any rights or remedies on any person other than the parties hereto, permitted transferees 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, and their respective successors and permitted transferees. Neither this Agreement nor any of the rights or duties of the Company set forth herein shall be assigned by the Company, in whole or in part, without having first received the written consent of Stockholders holding at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock).

5.6. Assignment of Rights. The rights of the Stockholders under this Agreement may be assigned, in whole or in part, to (i) any Affiliate Stockholder or (ii) an assignee or transferee who, after such assignment or transfer, holds at least five percent (5%) of the outstanding shares of capital stock of the Company on a fully-diluted basis (subject to Proportional Adjustment), it being acknowledged and agreed that any such assignment, including an assignment contemplated

by the preceding clauses (i) or (ii) shall be subject to and conditioned upon any such assignee's delivery to the Company and the other Stockholders of an agreement in writing to be bound by the terms and conditions of this Agreement that were applicable to the assignor of such assignee.

5.7. Construction. The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

5.8. Further Assurances. From time to time on and after the date hereof, the Company will promptly execute and deliver all such further instruments and assurances, and will promptly take all such further actions, as the Stockholders or any of them may reasonably request in order more effectively to effect or confirm the transactions contemplated by this Agreement and/or any of the Other Agreements and to carry out the purposes hereof and thereof.

5.9. Severability. No invalidity or unenforceability of any section of this Agreement or any portion thereof will affect the validity or enforceability of any other section or the remainder of such section.

5.10. Equitable Relief. Each of the parties acknowledges that any breach by such party of his, her or its obligations under this Agreement would cause substantial and irreparable damage to one or more of the other parties and that money damages would be an inadequate remedy therefor. Accordingly, each party agrees that the other parties or any of them will be entitled to an injunction, specific performance, and/or other equitable relief to prevent the breach of such obligations.

5.11. Entire Agreement. This Agreement, together with the exhibits and schedules hereto and the Other Agreements, contains the entire understanding and agreement among the parties, or between or among any of them, and supersedes any prior or contemporaneous understandings or agreements between or among any of them, with respect to the subject matter hereof.

5.12. Publicity. The purchasers of Series G Preferred Stock or any of them will have the right to publicize their investment in the Company as contemplated hereby by means of a "tombstone" advertisement or other customary advertisement in newspapers and other media. No party to this Agreement shall issue any press release or other public document or make any public statement relating to CHV's purchase and ownership of shares of Preferred Stock, this Agreement, the Stockholders Agreement, the Series G Purchase Agreement, or the matters contained herein or therein, in each case, which mentions CHV or any Affiliate thereof (including without limitation amounts invested by, rights granted to and other terms applicable to any of the foregoing entities) without the prior written consent of CHV; provided, that the foregoing shall not apply to any announcement by any party required pursuant to applicable law or regulations so long as CHV is provided with a reasonable time to review and provide comments on any such announcement prior to its publication (and the party proposing to make such announcement shall reasonably and in good faith consider such revisions as are requested by CHV).

5.13. Confidentiality. Each Stockholder agrees that such Stockholder will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Subsection 5.13 by such Stockholder), (b) is or has been independently developed or conceived by the Stockholder without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Stockholder by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that a Stockholder may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Stockholder, if such prospective purchaser agrees to be bound by the provisions of this Subsection 5.13; (iii) to any existing or prospective Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Stockholder in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Stockholder promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

5.14. Governing Law. This Agreement will be governed by and interpreted and construed in accordance with the internal laws of the State of Delaware, as applied to agreements under seal made, and entirely to be performed, within Delaware.

5.15. Jurisdiction. The parties hereto agree that any suit, action or proceeding instituted against one or more of them with respect to this Agreement (including any exhibits hereto) shall be brought in federal court in the Southern District of New York. The parties hereto, by the execution and delivery of this Agreement, irrevocably waive any obligation or any right of immunity on the ground of venue, the convenience of the forum or the jurisdiction of such court, or from the execution of judgments resulting therefrom, and the parties hereto irrevocably accept and submit to the jurisdiction of the aforesaid court in any suit, action or proceeding and consent to the service of process by certified mail at the address specified in Section 5.2 hereof.

[The remainder of this page is intentionally left blank.]

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

COMPANY:

NEURONETICS, INC.

By: /s/ Christopher Thatcher
Name: Christopher Thatcher
Title: President and Chief Executive Officer

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

CHV IV, L.P.

By Ascension Health Ventures IV, LLC,
Its General Partner

By: /s/ Matthew I. Hermann
Name: Matthew I. Hermann
Title: Senior Managing Director

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

GE VENTURES LIMITED

By: /s/ David Mayhew
Name: David Mayhew
Title: Authorized Signatory

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

POLARIS VENTURE PARTNERS V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

POLARIS VENTURE PARTNERS ENTREPRENEURS' FUND V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

POLARIS VENTURE PARTNERS FOUNDERS' FUND V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

POLARIS VENTURE PARTNERS SPECIAL FOUNDERS' FUND V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

PFIZER INC.

By: /s/ Barbara Dalton
Name: Barbara Dalton
Title: Vice President

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

NEW LEAF VENTURES II, L.P.

By: New Leaf Venture Associates II, L.P.
Its: General Partner

By: New Leaf Venture Management II, L.L.C.
Its: General Partner

By: /s/ Ronald M. Hunt
Name: Ronald M. Hunt
Title: Managing Director

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

QPIV, LLC

By: /s/ P. Sherill Neff
Name: P. Sherrill Neff
Title: Authorized Member on behalf of Quaker Partners

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

Industry Ventures Healthcare, L.L.C.

By: Industry Ventures Management VII, L.L.C.,
its General Partner

By: /s/ Justin Burden
Name: Justin Burden
Title: Member

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

THREE ARCH PARTNERS IV, L.P.

By: Three Arch Management IV, L.L.C.,
its General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

THREE ARCH ASSOCIATES IV, L.P.

By: Three Arch Management IV, L.L.C., its
General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

THREE ARCH CAPITAL, L.P.

By: TAC Management, L.L.C., its General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

TAC ASSOCIATES, L.P.

By: TAC Management, L.L.C., its General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

INVESTOR GROWTH CAPITAL LIMITED

By: /s/ Michael V. Oporto
Name: Michael V. Oporto
Title: Director

INVESTOR GROUP, L.P.

By: Investor Growth Capital, LLC, its General Partner

By: /s/ Michael V. Oporto
Name:Michael V. Oporto
Title:Secretary

IGC FUND VI, L.P.

By: Investor Growth Capital, LLC, its General Partner

By: /s/ Michael V. Oporto
Name:Michael V. Oporto
Title:Secretary

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

ONSET IV, L.P.

By: ONSET IV Management, LLC,
its General Partner

By: /s/ Rob Kuhling
Name: Rob Kuhling
Title:

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

INTERWEST PARTNERS VIII, L.P.
By: InterWest Management Partners VIII, LLC,
its General Partner

By: /s/ Gilbert H. Kliman
Name: Gilbert H. Kliman
Title: Managing Director

INTERWEST INVESTORS VIII, L.P.
By: InterWest Management Partners VIII, LLC,
its General Partner

By: /s/ Gilbert H. Kliman
Name: Gilbert H. Kliman
Title: Managing Director

INTERWEST INVESTORS Q VIII, L.P.
By: InterWest Management Partners VIII, LLC,
its General Partner

By: /s/ Gilbert H. Kliman
Name: Gilbert H. Kliman
Title: Managing Director

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

KBL HEALTHCARE VENTURES, L.P.
By: KBL Healthcare, LLC its General Partner

By: /s/ Marlene Krauss
Name: Marlene Krauss
Title:

KBL HEALTHCARE, L.P.
By: KBL SBIC, Inc., its General Partner

By: /s/ Marlene Krauss
Name:
Title:

KBL PARTNERSHIP, L.P.
By: KBL Healthcare, LLC, its General Partner

By: /s/ Marlene Krauss
Name:
Title:

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

AMV PARTNERS I, L.P.

By: Accuitive Medical Ventures, LLC, its General Partner

By: /s/ Thomas Weldon
Name: Thomas Weldon
Title:

The undersigned, consisting of the Company, the purchasers of Series G Preferred Stock and those Stockholders who hold at least 60% of the outstanding Registrable Securities held by all Stockholders (assuming the conversion of all outstanding Preferred Stock into shares of Common Stock), hereby execute and deliver this Agreement as of the date first set forth above.

STOCKHOLDERS:

/s/ Brian Farley

Brian Farley

Schedule of Series G Stockholders

CHV IV, L.P.

GE Ventures Limited

Polaris Venture Partners V, L.P.
Polaris Venture Partners Entrepreneurs' Fund V, L.P.
Polaris Venture Partners Special Founders' Fund V, L.P.
Polaris Venture Partners Founders' Fund V, L.P.

Pfizer Inc.

New Leaf Ventures II, L.P.

Industry Ventures Healthcare, L.L.C.

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

IGC Fund VI, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL Partnership, L.P.
KBL Healthcare Ventures, L.P.

AMV Partners I, L.P.

Brian Farley

Schedule of Series F Stockholders

GE Ventures Limited

Polaris Venture Partners V, L.P.
Polaris Venture Partners Entrepreneurs' Fund V, L.P.
Polaris Venture Partners Special Founders' Fund V, L.P.
Polaris Venture Partners Founders' Fund V, L.P.

Pfizer Inc.

New Leaf Ventures II, L.P.

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

IGC Fund VI, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL Healthcare, L.P.
KBL Partnership, L.P.
KBL Healthcare Ventures, L.P.

Weldon Foundation

AMV Partners I, L.P.

Michael Dale

Brian Farley

Bruce Shook

Charles E. Larsen

Schedule of Series E Stockholders

Polaris Venture Partners V, L.P.
Polaris Venture Partners Entrepreneurs' Fund V, L.P.
Polaris Venture Partners Special Founders' Fund V, L.P.
Polaris Venture Partners Founders' Fund V, L.P.

Pfizer Inc.

New Leaf Ventures II, L.P.

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

Weldon Foundation

Michael Dale

Brian Farley

Schedule of Series D Stockholders

New Leaf Ventures II, L.P.

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE VENTURES, L.P.

Weldon Foundation

Michael Dale

Brian E. Farley

Schedule of Series C Stockholders

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

AMV Partners I, L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE, L.P.
KBL Partnership, L.P.

Schedule of Series B Stockholders

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

AMV Partners I, L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE, L.P.
KBL Partnership, L.P.

Schedule of Series A-2 Stockholders

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE, L.P.
KBL Partnership, L.P.

Schedule of Series A-1 Stockholders

Thomas D. Weldon Revocable Trust

Charles E. Larsen

Norman R. Weldon

EXHIBIT A

RESTRICTIVE COVENANT AND INVENTION ASSIGNMENT AGREEMENT
FOR EMPLOYEES AND CONSULTANTS

Exhibit 10.3

Execution Version

SIXTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

by and among

NEURONETICS, INC.

and

THE STOCKHOLDERS LISTED HEREIN

Dated as of June 1, 2017

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

SIXTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT

This Sixth Amended and Restated Stockholders' Agreement (this "Agreement"), dated as of June 1, 2017, is by and among (i) Neuronetics, Inc., a Delaware corporation (the "Company"); (ii) the persons listed as owners of the Company's Common Stock listed on the Schedule of Common Stockholders attached hereto (the "Common Stockholders"); (iii) the persons listed as owners of Series A-1 Preferred Stock, listed on the Schedule of Series A-1 Stockholders attached hereto (the "Series A-1 Holders"); (iv) the persons listed as owners of Series A-2 Preferred Stock, listed on the Schedule of A-2 Stockholders attached hereto (the "Series A-2 Holders"); (v) the persons listed as owners of Series B Preferred Stock, listed on the Schedule of Series B Stockholders attached hereto (the "Series B Holders"); (vi) the persons listed as owners of Series C Preferred Stock, listed on the Schedule of Series C Stockholders attached hereto (the "Series C Holders"); (vii) the persons listed as owners of Series D Preferred Stock, listed on the Schedule of Series D Stockholders attached hereto (the "Series D Holders"); (viii) the persons listed as owners of Series E Preferred Stock, listed on the Schedule of Series E Stockholders attached hereto (the "Series E Holders"); (ix) the persons listed as owners of Series F Preferred Stock, listed on the Schedule of Series F Stockholders attached hereto (the "Series F Holders"); (x) the persons listed as owners of Series G Preferred Stock, listed on the Schedule of Series G Stockholders attached hereto (the "Series G Holders"); (xi) the Key Officers listed on the Schedule of Key Officers attached hereto; and (xii) each person or entity that subsequently becomes a party to this Agreement by signing an Instrument of Adherence pursuant to Section 8 hereof (the "Additional Stockholders," and, together with the Common Stockholders, Series A-1 Holders, Series A-2 Holders, Series B Holders, Series C Holders, Series D Holders, Series E Holders, Series F Holders, the Series G Holders and Key Officers, collectively, the "Stockholders").

WHEREAS, the Series A-1 Holders own of record an aggregate of 4,800,000 shares of Series A-1 Preferred Stock;

WHEREAS, the Series A-2 Holders own of record an aggregate of 25,384,615 shares of Series A-2 Preferred Stock, which were issued pursuant to the terms of that certain Series A-2 Preferred Stock Purchase Agreement dated as of April 3, 2003 (the "Series A-2 Purchase Agreement");

WHEREAS, the Series B Holders own of record an aggregate of 17,000,000 shares of Series B Preferred Stock, which were issued pursuant to the terms of that certain Series B Preferred Stock Purchase Agreement dated as of March 4, 2005 (the "Series B Purchase Agreement");

WHEREAS, the Series C Holders own of record an aggregate of 20,958,084 shares of Series C Preferred Stock, which were issued pursuant to the terms of that certain Series C Preferred Stock Purchase Agreement dated as of August 2, 2006 (the "Series C Purchase Agreement");

WHEREAS, the Series D Holders own of record an aggregate of 49,426,229 shares of Series D Preferred Stock, which were issued pursuant to the terms of that certain Series D Preferred Stock Purchase Agreement dated as of August 20, 2009 (the "Series D Purchase Agreement");

WHEREAS, the Series E Holders own of record an aggregate of 44,470,799 shares of Series E Preferred Stock, which were issued pursuant to the terms of that certain Series E Preferred Stock Purchase Agreement dated as of May 13, 2011 (the "Series E Purchase Agreement");

WHEREAS, the Series F Holders own of record an aggregate of 102,334,194 shares of Series F Preferred Stock, which were issued pursuant to the terms of that certain Series F Preferred Stock Purchase Agreement dated as of April 24, 2015 (the "Series F Purchase Agreement");

WHEREAS, in connection with the purchase of the Series F Preferred Stock, the Company, the Series A-1 Holders, the Series A-2 Holders, the Series B Holders, the Series C Holders, the Series D Holders, the Series E Holders, the Series F Holders and the Common Stockholders entered into that certain Fifth Amended and Restated Stockholders' Agreement dated as of April 24, 2015 (as amended from time to time thereafter, the "Prior Agreement");

WHEREAS, the Company and the Series G Holders desire to enter into a Series G Preferred Stock Purchase Agreement (the "Series G Purchase Agreement"), to be dated as of or about the date hereof, pursuant to which the Company will issue and sell shares of Series G Preferred Stock to the Series G Holders, subject to the terms and conditions set forth in the Series G Purchase Agreement;

WHEREAS, but for the execution and delivery of this Agreement by the Company, the Stockholders and the Key Officers, the Series G Holders would not be willing to enter into the Series G Purchase Agreement or to consummate the transactions thereby contemplated, which transactions will benefit the Company, such Stockholders and Key Officers; and

WHEREAS, in connection with the sale and issuance of the Series G Preferred Stock, the Stockholders and the Company wish to set forth certain agreements regarding their future relationships and their rights and obligations with respect to the Shares (as this term is defined below) and to amend and restate the Prior Agreement in its entirety as set forth herein.

NOW, THEREFORE, in order to induce the Series G Holders to consummate the transactions contemplated by the Series G Purchase Agreement, the parties hereby agree as follows:

1. VOTING AGREEMENT.

1.1. Agreement with Respect to Voting. For so long as this Agreement remains in effect, each Stockholder shall vote (whether at a meeting or by written consent in lieu of a meeting) any and all shares of the Company's capital stock held by him, her or it from time to time (to the extent such shares may have the right to vote with respect to such matters), to maintain the size and membership of the Company's board of directors (the "Board of Directors"), and to cause the Company to act, or abstain from acting, in accordance with all of the provisions of this Agreement. The Company will not recognize or give effect to any vote or consent of any Stockholder in violation of this Agreement.

1.2. Board of Directors. The Stockholders agree to vote all shares of the Company's Common Stock, Preferred Stock and any other class of voting security of the Company now or hereafter owned or controlled by them (the "Shares"), to the extent such Shares may have the right to vote with respect to such matters, and otherwise to use their respective best efforts as stockholders of the Company, to (i) fix the authorized number of directors constituting the whole Board of Directors at up to nine (9), and (ii) elect as directors of the Company on the date hereof and in any subsequent election of directors the following persons: (a) as the Series A-2 Directors (as defined in the Charter), up to two (2) persons nominated by the Majority Series A-2 Holders, voting together as a single class, one of whom shall at all times be the nominee of Investor Growth Capital Limited or its successors and who shall initially after the date hereof be Stephen Campe, and one (1) of whom may be the nominee of ONSET IV, L.P. or its successors, provided that this seat shall initially after the date hereof be left vacant; (b) as the Series B Director (as defined in the Charter), one (1) person nominated by Three Arch Partners, who shall initially after the date hereof be Wilfred Jaeger; (c) as the Series C Director (as defined in the Charter), up to one (1) person nominated by QPIV, LLC, provided that this seat shall initially after the date hereof be left vacant; (d) as the Series D Director (as defined in the Charter), one (1) person nominated by New Leaf, who shall initially after the date hereof be Ronald Hunt; (e) as the Series E Director (as defined in the Charter), one (1) person nominated by Polaris, who shall initially after the date hereof be Kevin Bitterman; and (f) as the Remaining Directors (as defined in the Charter), up to three (3) persons nominated by the Stockholders holding at least a majority of the outstanding shares of Common Stock and Preferred Stock, voting together as a single class on an as-converted to Common Stock basis (the "Majority Holders"); provided, that one (1) of the Remaining Directors shall be the Chief Executive Officer of the Company as appointed by the Board of Directors from time to time (the "CEO Director") and at least one (1) of such Remaining Directors shall be an independent director (who shall initially after the date hereof be Brian Farley), as determined by the remaining members of the Board of Directors (x) who is not an employee of the Company or any Preferred Stockholder owning Preferred Stock constituting greater than 0.5% of the fully-diluted issued and outstanding Common Stock (after giving effect to the conversion and/or exercise of all then outstanding Derivative Securities) and (y) who has experience in the Company's industry.

In the event of termination of employment, resignation, death, removal or disqualification of the Company's Chief Executive Officer, the Board of Directors shall appoint a new Chief Executive Officer (who may be, for avoidance of doubt, an interim chief executive officer). Upon such appointment, the Majority Holders shall nominate such new Chief Executive Officer as the CEO Director and if necessary, remove the former Chief Executive Officer as the CEO Director. Other than with respect to the CEO Director, the power to nominate a director pursuant to this Section 1.2 includes the exclusive power to recommend the removal of such director for any reason or no reason (subject to the bylaws of the Company as in effect from time to time and any requirements of applicable law). If any person or group specified in this Section 1.2 as having the right to nominate a director (a "Nominator") gives written notice to the other Stockholders of a desire to remove a director nominated by the Nominator, the other Stockholders will vote all of their Shares in favor of removing that director. If for any reason any director nominated by a Nominator ceases to hold office, the Nominator will have the right to nominate another individual to fill the vacancy so created for the unexpired term of office of such former director, and the other Stockholders will vote all of their Shares in favor of electing the individual so nominated to fill such vacancy.

The Board of Directors shall continue to maintain an audit committee consisting of at least two (2) directors, and such committee shall be charged with the customary responsibilities of an audit committee. The Board of Directors shall continue to maintain a compensation committee consisting of at least three (3) directors, including the Series E Director, and such committee shall continue to be charged with the customary responsibilities of a compensation committee, including responsibility for approval of base salaries, incentive bonuses and grants of options, restricted stock awards and warrants for officers and other key employees of the Company.

There will not be any other committee (including, without limitation, any executive committee) of the Board of Directors unless such committee is specifically approved by the Board of Directors, including the Super Board Approval, and one (1) of the Series A-2 Directors, the Series B Director, the Series C Director, the Series D Director or the Series E Director is the Chairman of each such committee and each of the remaining members of the Board of Directors has the option to be a member of each such committee. Members of the Board of Directors who are not members of a particular committee shall have the right to attend any meeting of such committee.

1.3. No "Bad Actor" Designees. Each Person with the right to designate or participate in the designation of a director as specified above hereby represents and warrants to the Company that, to such Person's knowledge, none of the "bad actor" disqualifying events described in Rule 506(d)(1)(i)-(viii) promulgated under the Securities Act of 1933, as amended (the "Securities Act") (each, a "Disqualification Event"), is applicable to such Person's initial designee named above except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable. Any director designee to whom any Disqualification Event is applicable, except for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable, is hereinafter referred to as a "Disqualified Designee". Each Person with the right to designate or participate in the designation of a director as specified above hereby covenants and agrees (A) not to designate or participate in the designation of any director designee who, to such Person's knowledge, is a Disqualified Designee and (B) that in the event such Person becomes aware that

any individual previously designated by any such Person is or has become a Disqualified Designee, such Person shall as promptly as practicable take such actions as are necessary to remove such Disqualified Designee from the Board and designate a replacement designee who is not a Disqualified Designee.

2. RESTRICTIONS ON ISSUANCE AND TRANSFER OF SECURITIES.

2.1. Certain Definitions. As used in this Agreement:

(a) "Affiliate Stockholder" of any Stockholder or permitted assignee means any general or limited partner or retired partner of any such person that is a partnership, any member or retired member of any such person that is a limited liability company, or any person or entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Stockholder or permitted assignee.

(b) "Acquisition" shall have the meaning assigned to such term in the Charter.

(c) "Change of Control" means a transaction or series of related transactions in which a person, or a group of related persons, acquires from stockholders of the Company shares representing more than fifty percent (50%) of the outstanding voting power of the Company.

(d) "Charter" means the Company's Eighth Amended and Restated Certificate of Incorporation, as amended and in effect from time to time.

(e) "CHV" means CHV IV, L.P.

(f) "Common Stock" means the Common Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(g) "Derivative Securities" means (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.

(h) "Key Officer" shall mean the Chief Executive Officer and each Vice President (or higher level) who reports directly to the Chief Executive Officer of the Company, for so long as such officer is providing services to the Company as an officer, employee or consultant, and thereafter. The Key Officers on the date of this Agreement are listed on the Schedule of Key Officers attached hereto. For avoidance of doubt, once an individual is a Key Officer, such individual shall remain a "Key Officer" for purposes of this Agreement even if such individual ceases to provide services to the Company).

(i) "Majority Series A-2 Holders" means, collectively, the Stockholders holding at least a majority of the then-outstanding shares of Series A-2 Preferred Stock.

(j) "Majority Series B Holders" means, collectively, the Stockholders holding at least a majority of the then-outstanding shares of Series B Preferred Stock.

(k) "Majority Series C Holders" means, collectively, the Stockholders holding at least a majority of the then-outstanding shares of Series C Preferred Stock.

(l) "Majority Series G Holders" means, collectively, the Stockholders holding at least a majority of the then-outstanding shares of Series G Preferred Stock.

(m) "One Percent Common Stockholder" means any Common Stockholder who holds issued and outstanding shares of Common Stock (whether acquired by exercise of options or otherwise) representing at least one percent (1.0%) of the issued and outstanding Common Stock of the Company (for purposes of this calculation, assuming the conversion and/or exercise of all then outstanding Derivative Securities). For avoidance of doubt, once a Common Stockholder is a One Percent Common Stockholder, such Common Stockholder shall remain a "One Percent Common Stockholder" for purposes of this Agreement even if the Company issues additional shares of capital stock (including any Derivative Securities).

(n) "Permitted Transferee(s)" means, with respect to any Restricted Holder, such Restricted Holder's Family Members (as defined below) or any transferee by will, descent, distribution or gift. "Family Members" means, as applied to any individual, whether by blood or adoption, his or her spouse, his or her and his or her spouse's lineal ancestors and descendants and their respective spouses, any trust created for the benefit of any such person(s), and each custodian of property of any such person(s), and/or the estate of any such person(s).

(o) "Person" (regardless of whether capitalized) means any natural person, entity or association, including any corporation, partnership, limited liability company, government (or agency or subdivision thereof), trust, joint venture or proprietorship.

(p) "Polaris" means 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.

(q) "Preferred Stock" means the Series A-1 Preferred Stock, the Series A-2 Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock.

(r) "Preferred Stockholders" means the Stockholders holding Preferred Stock.

(s) "Qualified Public Offering" shall have the meaning assigned to such term in the Charter.

(t) "Required Series D Holders" means, collectively, the Stockholders holding at least sixty-five percent (65%) of the then-outstanding shares of Series D Preferred Stock.

(u) "Required Series E Holders" means, collectively, the Stockholders holding at least sixty percent (60%) of the then-outstanding shares of Series E Preferred Stock.

(v) "Required Series F Holders" means, collectively, the Stockholders holding at least seventy-five percent (75%) of the then-outstanding shares of Series F Preferred Stock.

(w) "Required Series G Holders" means, collectively, the Stockholders holding at least fifty-five percent (55)% of the then-outstanding shares of Series G Preferred Stock.

(x) "Restricted Holder" means each of the Key Officers, the Common Stockholders and the Series A-1 Holders.

(y) "Series A-1 Preferred Stock" means the Series A-1 Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(z) "Series A-2 Preferred Stock" means the Series A-2 Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(aa) "Series B Preferred Stock" means the Series B Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(bb) "Series C Preferred Stock" means the Series C Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(cc) "Series D Preferred Stock" means the Series D Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(dd) "Series E Preferred Stock" means the Series E Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(ee) "Series F Preferred Stock" means the Series F Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(ff) "Series G Preferred Stock" means the Series G Convertible Preferred Stock, $0.01 par value per share, of the Company, the terms of which are as set forth in the Charter.

(gg) "Super Board Approval" shall have the meaning assigned to such term in the Charter.

(hh) "Transfer" (whether used as a noun or a verb) refers to any sale, pledge, assignment, encumbrance, gift or other disposition or transfer of shares of capital stock or other equity securities of the Company (as used in this Agreement, the terms "equity security" and "equity securities" include, without limitation, options, warrants and other rights to acquire shares of the Company's capital stock, and securities and other instruments that are convertible into or exchangeable for shares of the Company's capital stock, and/or any legal or beneficial interest in any of the foregoing), or any legal or beneficial interest therein, including any tender

or transfer in connection with any merger, recapitalization, reclassification, or tender or exchange offer (for all or any part of the Company's equity securities), whether or not the person making any such transfer votes for or against any transaction involving any such Transfer.

2.2. General. No Restricted Holder will make any Transfer, or enter into, consent to or vote in favor of any transaction that would result in any Transfer by him, her or it, unless all the provisions of this Agreement that are applicable to such Transfer have been complied with; provided, that a Restricted Holder may make a Transfer to any Permitted Transferee, if prior to such Transfer such Permitted Transferee agrees in a writing delivered to the Company and each of the Preferred Stockholders (naming the Company and such Preferred Stockholders as intended third-party beneficiaries) to be bound by all of the terms of this Agreement that are applicable to Restricted Holders and; provided, further, that, if the transferee is an individual, such Transfer will not be permitted unless such Transfer is effected pursuant to and in conformity with any applicable state securities or blue sky laws and, if reasonably requested by the Company, such Restricted Holder shall have obtained and delivered to the Company a written legal opinion of counsel (reasonably satisfactory to the Company as to such counsel and as to the substance of such opinion) to the effect that any such proposed Transfer does not violate the registration provisions of the Securities Act of 1933, as amended, and any applicable state securities or blue sky laws (any such Transfer, a "Permitted Transfer").

2.3. Prohibited Transfers Void. Any attempted Transfer in violation of the terms of this Agreement will be ineffective to vest in any purported transferee any right, title or interest in or to the securities purported to be Transferred, and the Company will not recognize any such purported transferee as the holder or owner of such securities for any purpose, including, without limitation, for purposes of exercising voting rights or rights to receive dividends or other distributions in respect of such securities.

3. FIRST-REFUSAL AND CO-SALE RIGHTS AS TO STOCK TRANSFERS.

3.1. Transfer Notice. At least 30 days prior to any proposed Transfer (other than a Permitted Transfer) by a Restricted Holder, such Restricted Holder (the "Transferring Stockholder") will give notice (the "Transfer Notice") to the Company and each of the Preferred Stockholders in accordance with Section 10.2 hereof, setting forth (i) the number and class of equity securities proposed to be sold by the Transferring Stockholder (the "Offered Securities"), (ii) the anticipated date of the proposed Transfer (the "Transfer Date") and the names and addresses of the proposed transferees, and (iii) the material terms of the proposed Transfer, including the cash and/or other consideration to be received in respect of such Transfer.

3.2. Company's and Preferred Stockholders' Options. Upon the giving of any Transfer Notice, then, subject to all of the provisions of this Section 3.2, the Company and the Preferred Stockholders will have certain rights and options, as follows:

(a) **Rights of First Refusal**. The Company and the Preferred Stockholders will have the option, but not the obligation, to purchase some or all of the Offered Securities on the same terms as are specified in the Transfer Notice, including any deferred payment terms; *provided*,

that the Company and the Preferred Stockholders will have the right to substitute cash in the amount of the fair market value of any non-cash consideration proposed to be received from the proposed transferees. Within fifteen (15) days after the effective date of the Transfer Notice, the Company and each of the Preferred Stockholders will give written notice to the Transferring Stockholder stating whether he, she or it elects to exercise such option, and if so, how many of the Offered Securities he, she or it elects to purchase (the "Subscription Amount"). Failure by the Company or any Preferred Stockholder to give such notice within such time period will be deemed an election by him, her or it not to exercise his, her or its option. If the aggregate number of securities for which the Company and the Preferred Stockholders exercise such options exceeds the total number of Offered Securities, then the Company will be entitled to purchase all of the Offered Securities as to which it has exercised its option if such number does not exceed the total number of Offered Securities and otherwise will be entitled to purchase all of the Offered Securities, and each Preferred Stockholder who has exercised his, her or its option will be entitled to purchase a number of the remaining Offered Securities (the "Basic Amount"), if any, equal to the proportion that the number of shares of Common Stock held by such Preferred Stockholder bears to the number of shares of Common Stock held by all such Preferred Stockholders (for this purpose, including shares of Common Stock issuable upon exercise, conversion or exchange of shares of Preferred Stock and other Derivative Securities held by such Preferred Stockholder). If the total number of Offered Securities exceeds the aggregate number of securities for which the Company and the Preferred Stockholders exercise such options (such excess being referred to herein as the "Available Overallotment Amount"), then each Preferred Stockholder whose Subscription Amount exceeds such Preferred Stockholder's Basic Amount (the difference between the Preferred Stockholder's Subscription Amount and the Preferred Stockholder's Basic Amount being referred to herein as such Preferred Stockholder's "Overallotment Amount") shall be entitled to purchase such Preferred Stockholder's Overallotment Amount; *provided*, that should the Overallotment Amounts subscribed for exceed the Available Overallotment Amount, then each Preferred Stockholder's Overallotment Amount shall be reduced such that the Available Overallotment Amount is allocated among such Preferred Stockholders *pro rata*, based on their respective Basic Amounts (but not in excess of their respective Overallotment Amounts), with any Available Overallotment Amount remaining after such reallocation being further re-allocated in the same manner until the entire Available Overallotment Amount has been so allocated. The closing of the purchase and sale of the Offered Securities will take place as soon as is reasonably practicable at such date (but in any event within ten (10) days after the expiration of the fifteen (15) day period referred to above) (or the next business day if such tenth (10^{th}) day is not a business day), time and place as the Company and the Preferred Stockholders exercising their purchase options hereunder may reasonably determine. If the Company and the Preferred Stockholders do not elect to purchase some or all of the Offered Securities hereunder, then subject to the provisions of Section 3.2(b) hereof, the Transferring Stockholder will thereafter be free for a period of ninety (90) days after the date of the Transfer Notice to consummate, with respect to the Offered Securities not purchased, the Transfer described in the Transfer Notice to the transferee(s) specified therein, at the price and on the other terms set forth therein; *provided*, that such transferee(s) first executes and delivers to the Company a written agreement to be bound by all of the provisions of this Agreement applicable to Restricted Holders and naming the Company and the Preferred

Stockholders as intended third-party beneficiaries of such agreement. If such Transfer is not consummated within such ninety (90) day period, however, the Transferring Stockholder will not Transfer any of the Offered Securities without again complying with all of the provisions of this Section 3.

(b) **Co-Sale Rights**. Upon receipt of a Transfer Notice, each of the Preferred Stockholders (other than any of them who elect to purchase any of the Offered Securities pursuant to Section 3.2(a) hereof), may elect to participate in the contemplated Transfer by delivering written notice to the Transferring Stockholder within fifteen (15) days after the effective date of such Transfer Notice. Each of the Preferred Stockholders so electing will be entitled to sell in the contemplated Transfer, at the same price and on the same terms as specified in the Transfer Notice, a number of shares of Common Stock equal to (and not less than) the product of (i) the quotient determined by dividing (A) the number of shares of Common Stock held by such Preferred Stockholder (for this purpose, including shares of Common Stock issuable upon exercise, conversion or exchange of shares of Preferred Stock and other Derivative Securities held by such Preferred Stockholder), by (B) the aggregate number of shares of Common Stock held by the Transferring Stockholder and all such Preferred Stockholders (for this purpose, including shares of Common Stock issuable upon exercise, conversion, or exchange of shares of Preferred Stock and other Derivative Securities held by the Transferring Stockholder and all such Preferred Stockholders), and (ii) after giving effect to Section 3.2(a), the remaining Offered Securities to be sold in the contemplated Transfer. The Transferring Stockholder will be entitled to sell in the contemplated Transfer the balance of the equity securities proposed to be so sold. The Transferring Stockholder will use his, her or its best efforts to obtain the agreement of the prospective transferee(s) to allow the participation of the Preferred Stockholders in any contemplated Transfer and will not Transfer any equity securities to such prospective transferee(s) unless (y) such prospective transferee(s) allows the participation of the Preferred Stockholders on the terms specified herein or (z) simultaneously with such sale, the Transferring Stockholder purchases all securities subject to the right of co-sale from such participating Preferred Stockholder(s) on the same terms and conditions (including the proposed purchase price) as set forth in the Transfer Notice; provided, however, if such sale constitutes a Change of Control, the portion of the aggregate consideration paid by the Transferring Stockholder to such participating Preferred Stockholder(s) shall be made in accordance with Section 3.2(c) below. Subject to the foregoing and to the provisions of Section 3.2(a) hereof, the Transferring Stockholder may, within ninety (90) days after the date of the Transfer Notice, transfer the Offered Securities (reduced by the number of equity securities with respect to which any of the Preferred Stockholders have elected to participate, if any) at a price and on terms specified in the Transfer Notice; *provided*, that such transferee(s) first executes and delivers to the Company a written agreement to be bound by all of the provisions of this Agreement applicable to Restricted Holders and naming the Company and the Preferred Stockholders as intended third-party beneficiaries of such agreement. If such Transfer is not consummated within such ninety (90) day period, however, the Transferring Stockholder will not transfer any of the Offered Securities that have not been purchased within such period without again complying with all of the provisions of this Section 3.

The Preferred Stockholders shall effect their participation in the Transfer by (A) converting the shares of Preferred Stock to be sold to Common Stock, if necessary, immediately prior to the completion of such Transfer, and (B) delivering to the Transferring Stockholder, on or prior to the Transfer Date, for transfer to the prospective purchaser, one or more certificates, properly endorsed for transfer, which represent the number of shares of Common Stock that any such participating Preferred Stockholder elects to sell. In the event that such Preferred Stockholder elects to sell less than all of the shares represented by any stock certificate in accordance with the terms hereof, upon surrender of such certificate to the Company, the Company shall promptly issue to such Preferred Stockholder both a certificate representing that number of shares that such Preferred Stockholder elects to sell in such Transfer and a residual certificate representing the number of shares that will not be sold in such Transfer (the "Residual Certificate"). The stock certificate or certificates representing shares that the participating Preferred Stockholder elects to sell shall be transferred to the prospective purchaser in consummation of the sale of the Common Stock pursuant to the terms and conditions specified in the Transfer Notice and the Residual Certificate shall be returned to the participating Preferred Stockholder. Subject to Section 3.2(c) below, the Transferring Stockholder shall immediately upon receipt of the proceeds from the sale of the Common Stock held by the participating Preferred Stockholders remit to each such participating Preferred Stockholder that portion of the proceeds to which such participating Preferred Stockholder is entitled by reason of its participation in such sale.

(c) In the event that a proposed Transfer constitutes a Change of Control, the aggregate consideration from such transfer shall be allocated to the participating Preferred Stockholder(s) and the Transferring Stockholder in accordance with Section 3 of Article IV(A) of the charter as if (i) such Transfer were a Deemed Liquidation Event (as defined in the Charter), and (ii) the capital stock sold was the only capital stock outstanding.

(d) **Prohibited Transfers**. In the event that a Restricted Holder should sell any equity securities in contravention of the first refusal rights or co-sale rights of the Preferred Stockholders under Section 3.2(a) or Section 3.2(b) (a "Prohibited Transfer"), the Preferred Stockholders, in addition to such other remedies as may be available at law, in equity or hereunder, shall have the call option and put option provided under this Section 3.2(d), and the Restricted Holder shall be bound by the applicable provisions of such option. In the event of a Prohibited Transfer in violation of the first refusal rights of the Preferred Stockholders, each Preferred Stockholder shall have the right to send to such Transferring Stockholder the purchase price for such Offered Securities as is herein specified and transfer to the name of such Preferred Stockholder (or request that the Company effect such transfer in the name of a Preferred Stockholder) on the Company's books any certificates, instruments, or book entry representing the Offered Securities to be sold. In the event of a Prohibited Transfer in violation of the co-sale rights of the Preferred Stockholders, each Preferred Stockholder shall have the right to sell to the Restricted Holder making such Prohibited Transfer the type and number of shares of equity securities equal to the number of shares each Preferred Stockholder would have been entitled to transfer to the third-party transferee(s) under this Section 3.2 had the Prohibited Transfer been effected pursuant to and in compliance with the terms hereof. Such sale will be made on the

same terms and subject to the same conditions as would have applied had the Restricted Holder not made the Prohibited Transfer, including that:

(i) The price per share at which the shares are to be sold to the Restricted Holder shall be equal to the price per share paid by the third-party transferee(s) to the Restricted Holder in the Prohibited Transfer. The Restricted Holder shall also reimburse each Preferred Stockholder for any and all reasonable and documented out-of-pocket fees and expenses, including reasonable legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of the Preferred Stockholder's rights under this Section 3.2.

(ii) Within ninety (90) days after the later of the date on which the Preferred Stockholder (A) receives notice of the Prohibited Transfer or (B) otherwise becomes aware of the Prohibited Transfer, each Preferred Stockholder shall, if exercising the option created hereby, deliver to the Restricted Holder the certificate or certificates representing shares to be sold, each certificate to be properly endorsed for transfer.

(iii) The Restricted Holder shall, upon receipt of the certificate or certificates for the shares to be sold by a Preferred Stockholder pursuant to this Section 3.2(d), pay the aggregate purchase price therefor and the amount of reimbursable fees and expenses, as specified in Section 3.2(d)(i), in cash or by other means acceptable to the Preferred Stockholder.

4. DRAG-ALONG RIGHT OF SECURITIES.

4.1. Definitions Used in This Section.

(a) "Buyer" shall have the meaning assigned to such term in Section 4.2(b).

(b) "Drag-Along Notice" shall have the meaning assigned to such term in Section 4.2.

(c) "Drag-Along Stockholders" shall mean, collectively, (i) the Preferred Stockholders, (ii) the Key Officers, and (iii) the One Percent Common Stockholders.

(d) "Liquidation Event" means any liquidation, dissolution, or winding-up of the affairs of the Company, including an Acquisition, which entitles the stockholders of the Company to certain payments pursuant to Section A.3 of Article IV of the Charter.

(e) "Proposed Sale" shall have the meaning assigned to such term in Section 4.2(c).

(f) "Required Senior Preferred Holders" shall have the meaning assigned to such term in the Charter.

(g) "Sale of the Company" means either: (i) a transaction or series of related transactions in which stockholders of the Company representing more than 50% of the outstanding voting power of the Company sell their shares directly to a person or entity, or a group of related persons or entities (a "Stock Sale"); or (ii) a transaction that qualifies as a "Liquidation Event".

(h) "Selling Investors" shall have the meaning assigned to such term in Section 4.2(a).

4.2. Actions to be Taken.

(a) In the event that (i) the Board (other than in connection with a Stock Sale), by prior Super Board Approval, and (ii) the Required Senior Preferred Holders (the "Selling Investors") approve a Sale of the Company specifying that this Section 4 shall apply to such transaction, then the Company shall provide written notice of such approval (the "Drag-Along Notice") to each Drag-Along Stockholder and each Drag-Along Stockholder hereby agrees (subject to Section 4.2(c) below):

(i) to vote (in person, by proxy or by action by written consent, as applicable), with respect to all Shares, in favor of such Sale of the Company (and in favor of any related amendment to the Charter required in order to implement such Sale of the Company) and to vote in opposition to any and all other proposals that would result in a breach of any covenant, representation, warranty or any other obligation or agreement of the Company under the definitive agreement(s) related to such Sale of the Company or which could delay or impair the ability of the Company to consummate such Sale of the Company, if such transaction requires the approval of the Company's stockholders;

(ii) if such transaction is a Stock Sale, to sell the same proportion of shares of capital stock of the Company beneficially held by such Drag-Along Stockholder as is being sold by the Selling Investors to the person or entity to whom the Selling Investors propose to sell their Shares, and, except as permitted in Section 4.2(c) below, on the same terms and conditions as the Selling Investors;

(iii) to execute and deliver all related documentation and take such other action in support of the Sale of the Company as shall reasonably be requested by the Company or the Selling Investors in order to carry out the terms and provision of this Section 4, including, without limitation, executing and delivering instruments of conveyance and transfer, and any purchase agreement, merger agreement, indemnity agreement, escrow agreement, consent, waiver, governmental filing, share certificates duly endorsed for transfer (free and clear of impermissible liens, claims and encumbrances), and any similar or related documents;

(iv) not to deposit, and to cause its Affiliate Stockholders not to deposit, except as provided in this Agreement, any Shares of the Company owned by such Drag-Along Stockholder or Affiliate Stockholders in a voting trust or subject any such Shares to any arrangement or agreement with respect to the voting of such securities, unless specifically requested to do so by the acquirer in connection with the Sale of the Company;

(v) to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Sale of the Company; and

(vi) if the consideration to be paid in exchange for the Shares pursuant to this Section 4.2 includes any securities and due receipt thereof by any Drag-Along Stockholder would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (y) the provision to any Drag-Along Stockholder of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act of 1933, as amended, the Company may cause to be paid to any such Drag-Along Stockholder in lieu thereof, against surrender of the Shares which would have otherwise been sold by such Drag-Along Stockholder, an amount in cash equal to the fair value (as determined in good faith by the Company) of the securities which such Drag-Along Stockholder would otherwise receive as of the date of the issuance of such securities in exchange for the Shares.

(b) Drag-Along Notice. Each Drag-Along Notice required by Section 4.2(a) shall include reasonable details of the Sale of the Company including, but not limited to, the following: (i) the proposed time and place of the closing of the Sale of the Company; (ii) the substantive terms and conditions of the Sale of the Company including (A) the purchase price and terms of payment and (B) the identity, beneficial ownership (if known by any Selling Investors), address and telephone number of the third-party purchaser (the "Buyer") having made the bona fide offer; (iii) the number and class of capital stock of the Company held by the Buyer and its affiliates (if any) and the substantive terms and conditions of any previous transactions under which the Buyer or any of its affiliates purchased capital stock of the Company from the Selling Investors, including the price per share at which such capital stock was purchased; (iv) the number and class of the Selling Investors' shares; and (v) any written consent of stockholders, stockholder resolutions (if the Sale of the Company is being approved at a stockholders' meeting), agreement, instrument or other document the Drag-Along Stockholders are required to execute together with all exhibits, attachments and schedules thereto.

(c) Exceptions. Notwithstanding the foregoing:

(i) Without the prior written consent of the Majority Series G Holders, no Series G Stockholder that is a Drag Along Stockholder will be required to comply with Section 4.2(a) above in connection with any proposed Sale of the Company (the "Proposed Sale") unless each Series G Stockholder would reasonably be expected to receive, in connection with such Proposed Sale, an amount in respect of each share of Series G Preferred Stock held by such Series G Stockholder at least equal to the Series G Liquidation Preference (as defined in the Charter); and

(ii) No Drag-Along Stockholder will be required to comply with Section 4.2(a) above in connection with any Proposed Sale unless:

(A) any representations and warranties to be made by such Drag-Along Stockholder (other than representations and warranties being made by a Drag-Along Stockholder in his or her capacity as a current or former employee of or consultant to the Company) in connection with the Proposed Sale are limited to representations and warranties related to authority, ownership of the shares of Common Stock and/or Preferred Stock held by such Drag-Along Stockholder and the ability to convey title to such Shares, including but not limited to representations and warranties that (1) the Drag-Along Stockholder holds all right, title and interest in and to the Shares such Drag-Along Stockholder purports to hold, free and clear of all liens and encumbrances, (2) the obligations of the Drag-Along Stockholder in connection with the transaction have been duly authorized, if applicable, (3) the documents to be entered into by the Drag-Along Stockholder have been duly executed by the Drag-Along Stockholder and delivered to the acquirer and are enforceable against the Drag-Along Stockholder in accordance with their respective terms and (4) neither the execution and delivery of documents to be entered into in connection with the transaction, nor the performance of the Drag-Along Stockholder's obligations thereunder, will cause a breach or violation of the terms of any agreement, law or judgment, order or decree of any court or governmental agency applicable to such Drag-Along Stockholder;

(B) the Drag-Along Stockholder shall not be liable for the inaccuracy of any representation or warranty made by any other person in connection with the Proposed Sale other than the Company (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any stockholder of any of identical representations, warranties and covenants provided by all stockholders (an "Escrow"));

(C) liability for indemnification, if any, of the Drag-Along Stockholder for the inaccuracy of any representations and warranties, or for the breach of any covenant, made by the Company or its Stockholders in connection with such Proposed Sale, is several and not joint with any other person (except to the extent that funds may be paid out of an Escrow) and is pro rata in proportion to, and does not exceed, the aggregate consideration receivable by such Drag-Along Stockholder (whether directly or out of an Escrow) in the Proposed Sale;

(D) liability shall be limited to the amount of consideration actually paid to such Drag-Along Stockholder in connection with such Proposed Sale, except with respect to claims related to fraud by such Drag-Along Stockholder, the liability for which need not be limited as to such Drag-Along Stockholder;

(E) upon the consummation of the Proposed Sale, the aggregate consideration receivable by all holders of the Preferred Stock and Common Stock shall be allocated among the holders of Preferred Stock and Common Stock on the basis of the relative liquidation preferences and amounts to which the holders of each respective series of Preferred Stock and the holders of Common Stock are entitled in a Liquidation Event (assuming for this purpose that the Proposed Sale is a Liquidation Event even if it is structured as a Stock Sale) in accordance with the Charter in effect immediately prior to the Proposed Sale; and

(F) the Proposed Sale does not result in such Preferred Stockholder (or affiliate thereof) having any obligation to agree to any: (i) covenant not to compete; (ii) covenant not to solicit customers, employees or suppliers of any party to the Proposed Sale (or affiliate thereof); or (iii) covenant to amend, modify or terminate any contracts or commercial arrangements to which such Preferred Stockholder (or affiliate thereof) is a party.

(d) No Interference. For avoidance of doubt, the obligations under this Section 4.2 shall not limit, restrict or otherwise interfere with the right of any Series E Holder, Series F Holder or Series G Holder to vote (in person, by proxy or by action by written consent, as applicable) with respect to all shares of Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock that such Series E Holder, Series F Holder or Series G Holder owns or over which such Series E Holder, Series F Holder or Series G Holder otherwise exercises voting power, in any way such Series E Holder, Series F Holder or Series G Holder determines in its sole discretion with respect to any proposal on which the holders of Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock are entitled to vote as a separate series pursuant to the Charter, including without limitation, the right to approve an automatic conversion of the Series E Preferred Stock, Series F Preferred Stock or Series G Preferred Stock into Common Stock.

(e) Restrictions on Sales of Control of the Company. No Stockholder shall be a party to any Stock Sale unless all holders of Preferred Stock are allowed to participate in such transaction and the consideration received pursuant to such transaction is allocated among the parties thereto in the manner specified in the Company's Charter in effect immediately prior to the Stock Sale (as if such transaction were a Deemed Liquidation Event), unless (i) the Required Senior Preferred Holders, (ii) holders holding at least 60% of the then outstanding shares of Series E Preferred Stock voting together as a single class, (iii) holders holding at least 60% of the then outstanding shares of Series F Preferred Stock, and (iv) holders holding at least 55% of the then outstanding shares of Series G Preferred Stock, voting together as a single class elect otherwise by written notice given to the Company on or prior to consummation of such transaction or series of related transactions.

(f) Consent Required to Amend, Terminate or Waive. This Section 4 may be amended or terminated and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (a) the Company; (b) the Drag-Along Stockholders holding at least a majority of the Shares then held by the Drag-Along Stockholders then subject to this Section 4; (c) the Required Senior Preferred Holders; (d) the Required Series E Holders; and (e) the Required Series F Holders. Notwithstanding the foregoing:

(i) no term or provision of this Section 4 applicable to the Drag-Along Stockholders may be amended or terminated or the observance thereof waived with respect to or on behalf of the Drag-Along Stockholders in a manner that effects the various constituencies

thereof (i.e., the Preferred Stockholders, the Key Officers or the One Percent Common Stockholders) differently from one another without the written consent of the Preferred Stockholders (by Preferred Stockholders holding at least a majority of the Shares held by the Preferred Stockholders), the Key Officers (by Key Officers holding at least a majority of the Shares held by the Key Officers) or the One Percent Common Stockholders (by One Percent Common Stockholders holding at least a majority of the Shares held by the One Percent Common Stockholders), as the case may be;

(ii) the consent of the Drag-Along Stockholders shall not be required for any amendment or waiver if such amendment or waiver either (A) is not directly applicable to the rights of the Drag-Along Stockholders hereunder or (B) does not adversely affect the rights of the Drag-Along Stockholders in a manner that is different from the effect on the rights of the other parties hereunder; and

(iii) Section 4.2(d) may not be amended or terminated and the observance of that provision may not be waived without the consent of (A) the Required Series E Holders as it relates to the rights of the Series E Holders, (B) the Required Series F Holders as it relates to the rights of the Series F Holders and/or (C) the Required Series G Holders as it relates to the rights of the Series G Holders.

(iv) Section 4.2(c)(i) may not be amended or terminated and the observance of that provision may not be waived without the consent of the Majority Series G Holders.

5. PROCEDURES FOR INVOLUNTARY TRANSFERS.

5.1. Transfers by Operation of Law. In the event that any Restricted Holder, Series A-2 Holder, Series B Holder, Series C Holder, Series D Holder, Series E Holder, Series F Holder or Series G Holder: (i) files a voluntary petition under any bankruptcy or insolvency law or a petition for the appointment of a receiver or makes an assignment for the benefit of creditors, (ii) is subjected involuntarily to such a petition or assignment or to an attachment or other legal or equitable interest with respect to any equity securities of the Company and such involuntary petition or assignment or attachment is not discharged within 90 days, or (iii) is subjected to any other possible transfer of any equity securities of the Company by operation of law, including, without limitation, an assignment pursuant to a divorce decree or other similar proceeding, then such Restricted Holder, Series A-2 Holder, Series B Holder, Series C Holder, Series D Holder, Series E Holder, Series F Holder or Series G Holder will notify the Company and each Preferred Stockholder of such event and the Company and each such Preferred Stockholder will have an option to purchase from any receiver, petitioner, assignee, transferee or other person obtaining an interest in such equity securities (a "Transferee by Law") all or any portion of such equity securities and all interests therein as if, and upon the same terms and conditions as if, at the time of such event such Transferee by Law had given a Transfer Notice in accordance with the provisions of Section 3.1 of this Agreement, stating a price equal to the Fair Market Value of such equity securities (as determined in accordance with Section 5.2 hereof); provided, that the time period during which the Company and the Preferred Stockholders may elect to exercise their options to purchase such equity securities of the Transferee by Law will not begin to run

until such transferring Restricted Holder, Series A-2 Holder, Series B Holder, Series C Holder, Series D Holder, Series E Holder, Series F Holder or Series G Holder gives actual written notice of the transfer of such equity securities to the Company and the Preferred Stockholders in accordance with Section 10.2 hereof.

5.2. Determination of Fair Market Value. For the purposes of this Agreement, the "Fair Market Value" of securities of the Company will be determined in good faith by the Board of Directors, which determination must include the affirmative vote or consent by Super Board Approval.

6. RESTRICTIVE LEGENDS. For so long as this Agreement remains in effect, the certificates representing any shares of capital stock or other securities of the Company held by any Restricted Holder will bear a restrictive legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS WITH RESPECT TO THE VOTING AND THE TRANSFER OF SUCH SECURITIES SET FORTH IN THE SIXTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT DATED AS OF JUNE 1, 2017 (AS AMENDED AND/OR RESTATED AND IN EFFECT FROM TIME TO TIME), BY AND AMONG THE ISSUER OF SUCH SECURITIES AND THE REGISTERED HOLDER OF THIS CERTIFICATE (OR SUCH HOLDER'S PREDECESSOR-IN-INTEREST) AND CERTAIN OTHERS. A COPY OF SUCH AGREEMENT IS ON FILE AND MAY BE INSPECTED BY THE REGISTERED HOLDER OF THIS CERTIFICATE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE ISSUER."

7. TERMINATION OF AGREEMENT. Except as provided in Section 4.2(e), this Agreement, and all restrictions on transfer and other provisions contained herein, will terminate upon the earliest to occur of: (a) the closing of a Qualified Public Offering; (b) an Acquisition in connection with which the stockholders of the Company receive cash and/or unrestricted securities that are actively traded on a national securities exchange and are of an entity subject to and in compliance with the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act**,** provided that, if applicable, the provisions of Section 4 hereof will continue after the closing of any Sale of the Company to the extent necessary to enforce the provisions of Section 4 with respect to such Sale of the Company; or (c) termination of this Agreement in accordance with Section 10.1 below.

8. ADDITIONAL STOCKHOLDERS. Any Person that is or becomes (i) a holder of record of shares of any class or series of capital stock of the Company or (ii) a Key Officer, may become a party to this Agreement by executing and delivering to the Company an Instrument of Adherence, substantially in the form of Exhibit A attached hereto; provided, that the Company consents to such Person becoming a party to this Agreement (which consent shall be

conclusively deemed to have been given by the Company if and when the Company countersigns the Instrument of Adherence executed by such Person). In addition, the Company agrees that it shall not issue any securities to (x) any Key Officer, (y) any Person who, together with their Affiliates, after such acquisition would be a One Percent Common Stockholder or (z) any Person who purchases shares of Preferred Stock upon the exercise of Derivative Securities, unless such Key Officer or Person executes and delivers an Instrument of Adherence to this Agreement. Any such Instrument of Adherence executed by any such Key Officer or Person and countersigned by the Company shall become a part of this Agreement. It is hereby understood and agreed that such Key Officer or Person may become a party to this Agreement without having to obtain the signature, consent, approval or permission of any of the parties hereto other than the Company and that, immediately upon such Key Officer or Person becoming a party to this Agreement, such Key Officer or Person shall be deemed to be a Common Stockholder, One Percent Common Stockholder, Key Officer, Series A-1 Holder, Series A-2 Holder, Series B Holder, Series C Holder, Series D Holder, Series E Holder, Series F Holder or Series G Holder hereunder, as the case may be, and the Schedule of Common Stockholders, the Schedule of Key Officers, the Schedule of Series A-1 Stockholders, the Schedule of Series A-2 Stockholders, the Schedule of Series B Stockholders, the Schedule of Series C Stockholders, the Schedule of Series D Stockholders, the Schedule of Series E Stockholders, the Schedule of Series F Stockholders or the Schedule of Series G Stockholders, as the case may be, shall be updated automatically without any action required by the parties hereto.

9. "BAD ACTOR" MATTERS.

9.1. Representation.

Each Person with the right to designate or participate in the designation of a director pursuant to this Agreement hereby represents that none of the "bad actor" disqualifying events described in Rule 506(d)(1)(i)-(viii) promulgated under the Securities Act (a "Disqualification Event") is applicable to such Person or any of its Rule 506(d) Related Parties, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable. For purposes of this Agreement, "Rule 506(d) Related Party" shall mean with respect to any Person any other Person that is a beneficial owner of such first Person's securities for purposes of Rule 506(d) of the Securities Act.

9.2. Covenant.

Each Person with the right to designate or participate in the designation of a director pursuant to this Agreement hereby agrees that it shall notify the Company promptly in writing in the event a Disqualification Event becomes applicable to such Person or any of its Rule 506(d) Related Parties, except, if applicable, for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable.

10. MISCELLANEOUS PROVISIONS.

10.1. Amendments, Consents, Waivers, Etc.

(a) Except as otherwise provided in this Agreement, this Agreement or any provision hereof may be amended or terminated by the written agreement of the Company and the Stockholders then party to this Agreement holding at least 60% of the Shares then held by all Stockholders (on an as-converted to Common Stock basis). The observance of any provision of this Agreement that is for the specific benefit of the Series A-2 Holders, Series B Holders, Series C Holders, the Series D Holders, the Series E Holders, the Series F Holders or the Series G Holders may be waived (either generally or in a particular instance, and either retroactively or prospectively), and any consent, approval or other action to be given or taken specifically by the Series A-2 Holders, Series B Holders, Series C Holders, the Series D Holders, the Series E Holders, the Series F Holders or the Series G Holders pursuant to this Agreement may be given or taken, by the consent of the Majority Series A-2 Holders, the Majority Series B Holders, the Majority Series C Holders, the Required Series D Holders, the Required Series E Holders, the Required Series F Holders or the Majority Series G Holders, as the case may be. Notwithstanding anything to the contrary herein, the rights of any of the specific Series A-2 Holders provided under Section 1.2(ii)(a) of this Agreement, the rights of any of the specific Series B Holders provided under Section 1.2(ii)(b) of this Agreement, the rights of any of the specific Series C Holders provided under Section 1.2(ii)(c) of this Agreement, the rights of any of the specific Series D Holders provided under Section 1.2(ii)(d) of this Agreement and the rights of Polaris provided under Section 1.2(ii)(e) of this Agreement shall not be amended without such party's consent, and may be waived only by such party. The observance of any provision of this Agreement that is for the specific benefit of the Series A-1 Holders may be waived (either generally or in a particular instance, and either retroactively or prospectively), and any consent, approval or other action to be given or taken specifically by the Series A-1 Holders pursuant to this Agreement may be given or taken by, the consent of holders of record of a majority of the shares of the Series A-1 Preferred Stock then held by Series A-1 Holders. The observance of any provision of this Agreement that is for the specific benefit of the Common Stockholders may be waived (either generally or in a particular instance, and either retroactively or prospectively), and any consent, approval or other action to be given or taken specifically by the Common Stockholders pursuant to this Agreement may be given or taken, by the consent of Common Stockholders holding at least a majority of the shares of the Company's Common Stock then held by Common Stockholders. Subject to the foregoing provisions of this paragraph, any Stockholder may in writing waive, as to him-, her- or itself only, the benefits of any provision of this Agreement. Notwithstanding any provision contained herein to the contrary, no such amendment, termination or waiver shall adversely affect any Stockholder, Series A-1 Holder, Series A-2 Holder, Series B Holder, Series C Holder, Series D Holder, Series E Holder, Series F Holder or Series G Holder in a manner different from or disproportionate to any other Stockholder, Series A-1 Holder, Series A-2 Holder, Series B Holder, Series C Holder, Series D Holder, Series E Holder, Series F Holder or Series G Holder, respectively, without such party's consent.

(b) No course of dealing between or among any of the parties to this Agreement will operate as a waiver of any rights under this Agreement. No waiver of any breach or default hereunder will be valid unless in writing signed by the waiving party. No failure or other delay by any person in exercising any right, power or privilege hereunder will be or operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(c) The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Section 10.1 shall be binding on all parties hereto, regardless of whether any such party has consented thereto.

10.2. Notices. All notices, requests, payments, instructions or other documents to be given hereunder will be in writing or by written telecommunication, and will be deemed to have been duly given if (i) delivered personally (effective upon delivery), (ii) mailed by certified mail, return receipt requested, postage prepaid (effective five business days after dispatch), (iii) sent by a reputable, established courier service that provides evidence of delivery and guarantees next business day delivery (effective the next business day), or (iv) sent by telecopier or email followed within 24 hours by confirmation by one of the foregoing methods (effective upon receipt of the telecopy or email in complete, readable form), addressed as follows:

(a) If to the Company:

Neuronetics, Inc.
3222 Phoenixville Pike
Malvern, Pennsylvania 19355
Attention: Chief Executive Officer
Telecopier No. (610) 482-9986

with a copy (which shall not constitute notice) to:

Christopher S. Miller and Timothy C. Atkins
Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Berwyn, PA 19312-1183
Telecopier No. (610) 640-7835

(b) If to any Series G Holder, the address and telecopier information set forth on the Schedule of Series G Stockholders attached hereto, with copies (which shall not constitute notice) to:

Michael H. Bison
Goodwin Procter LLP
100 Northern Avenue
Boston, Massachusetts 02210

(c) If to any Series F Holder, the address and telecopier information set forth on the Schedule of Series F Stockholders attached hereto, with copies (which shall not constitute notice) to:

Deborah Marshall
Sidley Austin LLP
1001 Page Mill Road, Building 1
Palo Alto, CA 94304

(d) If to any Series E Holder, the address and telecopier information set forth on the Schedule of Series E Stockholders attached hereto, with copies (which shall not constitute notice) to:

Jay K. Hachigian
Gunderson Dettmer Stough Villeneuve
Franklin & Hachigian, LLP
850 Winter Street
Waltham, MA 02451
Telecopier No. (781) 622-1622

(e) If to any Series D Holder, the address and telecopier information set forth on the Schedule of Series D Holders attached hereto, with a copy (which shall not constitute notice) to:

Amy Paye
Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306-2155
Telecopier No. (650) 618-1601

(f) If to any Series C Holder, the address and telecopier information set forth on the Schedule of Series C Holders attached hereto, with a copy (which shall not constitute notice) to:

P. Sherrill Neff
Quaker BioVentures
Cira Centre, 2929 Arch Street
Philadelphia, PA 19104-2868

(g) If to any Series B Holder, the address and telecopier information set forth on the Schedule of Series B Holders attached hereto, with copies (which shall not constitute notice) to:

J. Casey McGlynn
Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304-1050
Telecopier No (650) 493-6811

Three Arch Partners
3200 Alpine Road
Portola Valley, CA 94028
Attn: Richard Lin

(h) If to any Series A-2 Holder, the address and telecopier information set forth on the Schedule of Series A-2 Stockholders attached hereto, with copies (which shall not constitute notice) to:

Gloria M. Skigen
Holland & Knight
One Stamford Plaza
263 Tresser Blvd.
Stamford, CT 06901-3271
Telecopier:: (203) 724-1576

Stephen Campe, Managing Director
Investor Growth Capital, Inc.
c/o Patricia Industries
1177 Avenue of the Americas, 47th Floor
New York, NY 10036
Telecopier: (212) 515-9039

(i) If to any Series A-1 Holder, the address and telecopier information set forth on the Schedule of Series A-1 Stockholders attached hereto, with a copy (which shall not constitute notice) to:

Jeffrey K. Haidet
McKenna Long Aldridge
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Telecopier no. (404) 527-4198

(j) If to any Common Stockholder or to any Key Officers, the address and telecopier information set forth on the Schedule of Common Stockholders, the Schedule of Key Officers attached hereto or the Instrument of Adherence, as the case may be.

10.3. Pepper Hamilton Representation. Each of the Stockholders and the Company acknowledges that Pepper Hamilton LLP ("Pepper") may have represented and may currently represent certain of the Stockholders or their affiliates. In the course of such representation, Pepper may have come into possession of confidential information relating to such Stockholders

or affiliates. Each of the Stockholders and the Company acknowledges that Pepper is representing only the Company in the transactions contemplated by this Agreement. Pursuant to Rule 1.7 of the Rules of Professional Conduct adopted by the Supreme Court of Pennsylvania, an attorney must avoid representations in which the attorney has or had a relationship with another party interested in the representation without the informed written consent of all parties affected. By executing this Agreement, each of the Stockholders and the Company hereby consents to Pepper's representation of the Company in the transactions contemplated by this Agreement and Pepper's previous or continuing representation of one or more of the Stockholders or their affiliates in matters unrelated to such transactions.

10.4. Counterparts. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same agreement. In pleading or proving this Agreement, it will not be necessary to produce or account for more than one such counterpart. Each party hereto will receive by delivery, facsimile transmission or electronic mail a duplicate original of this Agreement executed by each party, and each party agrees that the delivery of this Agreement by facsimile transmission or by electronic mail in "portable document format" will be deemed to be an original of this Agreement so transmitted.

10.5. Captions. The captions of sections or subsections of this Agreement are for reference only and will not affect the interpretation or construction of this Agreement.

10.6. Binding Effect and Benefits. This Agreement will bind and inure to the benefit of the parties hereto and their respective successors and permitted transfers and assigns. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for the Series A-2 Holders' benefit, as the holders of Series A-2 Preferred Stock, will inure to the benefit of all permitted transferees of such Series A-2 Holders, and the applicable provisions of this Agreement that bind the Series A-2 Holders will bind all permitted transferees of such Series A-2 Preferred Stock. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for the Series B Holders' benefit, as the holders of Series B Preferred Stock, will inure to the benefit of all permitted transferees of such Series B Holders, and the applicable provisions of this Agreement that bind the Series B Holders will bind all permitted transferees of such Series B Preferred Stock. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for the Series C Holders' benefit, as the holders of Series C Preferred Stock, will inure to the benefit of all permitted transferees of such Series C Holders, and the applicable provisions of this Agreement that bind the Series C Holders will bind all permitted transferees of such Series C Preferred Stock. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for the Series D Holders' benefit, as the holders of Series D Preferred Stock, will inure to the benefit of all permitted transferees of such Series D Holders, and the applicable provisions of this Agreement that bind the Series D Holders will bind all permitted transferees of such Series D Preferred Stock. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for the Series E Holders' benefit, as the holders of any Series E Preferred Stock, will inure to the benefit of all permitted transferees of such Series E Holders, and the applicable provisions of this Agreement that bind the Series E

Holders will bind all permitted transferees of such Series E Preferred Stock. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for Series F Holders' benefit, as the holders of Series F Preferred Stock, will inure to the benefit of all permitted transferees of such Series F Holders, and the applicable provisions of this Agreement that bind the Series F Holders will bind all permitted transferees of such Series F Preferred Stock. Except as otherwise provided in this Agreement, the provisions of this Agreement that are for Series G Holders' benefit, as the holders of Series G Preferred Stock, will inure to the benefit of all permitted transferees of such Series G Holders, and the applicable provisions of this Agreement that bind the Series G Holders will bind all permitted transferees of such Series G Preferred Stock.

10.7. Construction. The language used in this Agreement is the language chosen by the parties to express their mutual intent and no rule of strict construction will be applied against any party.

10.8. Entire Agreement. This Agreement together with the exhibits and schedules hereto and the transactions contemplated hereby contain the entire understanding and agreement among the parties, or between or among any of them, and supersedes any prior or contemporaneous understandings or agreements between or among any of them, with respect to the subject matter hereof, including the Prior Agreement; provided however, that any right of first refusal contained in an option agreement to which an individual and the Company may be a party is superseded only for so long as such individual is a Key Officer or a One Percent Common Stockholder and consequently subject to the provisions of Section 3 hereof.

10.9. Severability. No invalidity or unenforceability of any section of this Agreement or any portion thereof will affect the validity or enforceability of any other section or the remainder of such section.

10.10. Equitable Relief. Each of the parties acknowledges that any breach by such party of his, her or its obligations under this Agreement would cause substantial and irreparable damage to one or more of the other parties and that money damages would be an inadequate remedy therefor. Accordingly, each party agrees that the other parties or any of them will be entitled to an injunction, specific performance and/or other equitable relief to prevent the breach of such obligations.

10.11. Governing Law. This Agreement will be governed by and interpreted and construed in accordance with the internal laws of the State of Delaware, as applied to agreements under seal made, and entirely to be performed, within Delaware.

10.12. Assignment of Rights. The rights of the Preferred Stockholders under this Agreement may be assigned, in whole or in part, to (i) any Affiliate Stockholder or (ii) an assignee or transferee who, after such assignment or transfer, holds at least five percent (5%) of the outstanding shares of capital stock of the Company on a fully-diluted basis (as adjusted for any stock combination, stock split, stock dividend, recapitalization or other similar transaction), it being acknowledged and agreed that any such assignment, including an assignment contemplated

by the preceding clauses (i) or (ii) shall be subject to and conditioned upon any such assignee's delivery to the Company and the other Stockholders of an Instrument of Adherence pursuant to which such assignee shall confirm their agreement to be subject to and bound by all of the provisions set forth in this Agreement that were applicable to the assignor of such assignee. Except as specifically permitted hereby, no party hereto may assign its rights or delegate its obligations under this Agreement without (i) the prior written consent of the Company (which shall not be unreasonably withheld, delayed or conditioned) and (ii) complying with Section 4.4 of the Series G Purchase Agreement, and any attempted assignment or delegation without such consent or compliance will be void and of no effect. Nothing in this Agreement will confer any rights or remedies on any person other than the parties hereto and their respective successors and permitted assigns.

10.13. Jurisdiction. The parties hereto agree that any suit, action or proceeding instituted against one or more of them with respect to this Agreement (including any exhibits hereto) shall be brought in federal court in the Southern District of New York. The parties hereto, by the execution and delivery of this Agreement, irrevocably waive any obligation or any right of immunity on the ground of venue, the convenience of the forum or the jurisdiction of such court, or from the execution of judgments resulting therefrom, and the parties hereto irrevocably accept and submit to the jurisdiction of the aforesaid court in any suit, action or proceeding and consent to the service of process by certified mail at the address specified in Section 10.2 hereof.

11. AGGREGATION OF STOCK. All Shares held or acquired by a Stockholder and/or its Affiliates shall be aggregated together for the purpose of determining the availability of any rights or of any obligations under this Agreement, and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

12. REMEDIES. In case any one or more of the covenants and/or agreements set forth in this Agreement shall have been breached by any party hereto, the party or parties entitled to the benefit of such covenants or agreements may proceed to protect and enforce its or their rights, either by suit in equity and/or action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Agreement. The rights, powers and remedies of the parties under this Agreement are cumulative and not exclusive of any other right, power or remedy which such parties may have under any other agreement or law. No single or partial assertion or exercise of any right, power or remedy of a party hereunder shall preclude any other or further assertion or exercise thereof.

13. OWNERSHIP. Each Restricted Holder represents and warrants that such Restricted Holder is the sole legal and beneficial owner of the shares of capital stock subject to this Agreement and that no other person or entity has any interest in such shares (other than a community property interest as to which the holder thereof has acknowledged and agreed in writing to the restrictions and obligations hereunder).

14. SPOUSAL CONSENT. If any individual Stockholder is married on the date of this Agreement, to the extent required by applicable law of such Stockholder's state of residence in

connection with a transfer of shares of capital stock of the Company, such Stockholder's spouse shall execute and deliver to the Company a consent of spouse in the form of Exhibit B hereto ("Consent of Spouse"), effective on the date hereof. Notwithstanding the execution and delivery thereof, such consent shall not be deemed to confer or convey to the spouse any rights in such Stockholder's Shares that do not otherwise exist by operation of law or the agreement of the parties. If any individual Stockholder should marry or remarry subsequent to the date of this Agreement, such Stockholder shall within thirty (30) days thereafter obtain his/her new spouse's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by causing such spouse to execute and deliver a Consent of Spouse acknowledging the restrictions and obligations contained in this Agreement and agreeing and consenting to the same.

[*The rest of this page is intentionally left blank.*]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

COMPANY:

NEURONETICS, INC.

By: /s/ Christopher Thatcher
Name: Christopher Thatcher
Title: President and Chief Executive Officer

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

CHV IV, L.P.

By Ascension Health Ventures IV, LLC,
Its General Partner

By: /s/ Matthew I. Hermann
Name: Matthew I. Hermann
Title: Senior Managing Director

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

GE VENTURES LIMITED

By: /s/ David Mayhew
Name: David Mayhew
Title: Authorized Signatory

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

INVESTOR GROWTH CAPITAL LIMITED

By: /s/ Michael V. Oporto
Name: Michael V. Oporto
Title: Director

INVESTOR GROUP, L.P.
By: Investor Growth Capital, LLC, its General Partner

By: /s/ Michael V. Oporto
Name: Michael V. Oporto
Title: Secretary

IGC FUND VI, L.P.
By: Investor Growth Capital, LLC, its General Partner

By: /s/ Michael V. Oporto
Name: Michael V. Oporto
Title: Secretary

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

ONSET IV, L.P.

By: ONSET IV Management, LLC
its General Partner

By: /s/ Rob Kuhling
Name: Rob Kuhling
Title:

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

INTERWEST INVESTORS VIII, L.P.

By: InterWest Management Partners VIII, LLC,
its General Partner

By: /s/ Gilbert H. Kliman
Name: Gilbert H. Kliman
Title: Manging Director

INTERWEST PARTNERS VIII, L.P.

By: InterWest Management Partners VIII, LLC,
its General Partner

By: /s/ Gilbert H. Kliman
Name: Gilbert H. Kliman
Title: Manging Director

INTERWEST INVESTORS Q VIII, L.P.

By: InterWest Management Partners VIII, LLC,
its General Partner

By: /s/ Gilbert H. Kliman
Name: Gilbert H. Kliman
Title: Manging Director

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

KBL HEALTHCARE, L.P.

By: KBL SBIC, Inc., its General Partner

By: /s/ Marlene Krauss
Name: Marlene Krauss
Title:

KBL PARTNERSHIP, L.P.

By: KBL Healthcare, LLC, its General Partner

By: /s/ Marlene Krauss
Name: Marlene Krauss
Title:

KBL HEALTHCARE VENTURES, L.P.

By: KBL Healthcare, LLC its General Partner

By: /s/ Marlene Krauss
Name: Marlene Krauss
Title:

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

THREE ARCH PARTNERS IV, L.P.

By: Three Arch Management IV, L.L.C., its
General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

THREE ARCH ASSOCIATES IV, L.P.

By: Three Arch Management IV, L.L.C., its
General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

THREE ARCH CAPITAL, L.P.

By: Three Arch Management IV, L.L.C., its
General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

TAC ASSOCIATES, L.P.

By: TAC Management, L.L.C., its
its General Partner

By: /s/ Wilfred Jaeger
Name: Wilfred Jaeger
Title: Managing Member

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

AMV PARTNERS I, L.P.
By: Accuitive Medical Ventures, LLC.,
its General Partner

By: /s/ Thomas Weldon
Name: Thomas Weldon
Title:

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

QPIV, LLC

By: /s/ P. Sherrill Neff
Name: P. Sherrill Neff
Title: Authorized Member on behalf of Quaker Partners

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

Industry Ventures Healthcare, L.L.C.

By: Industry Ventures Management VII, L.L.C.,
its General Partner

By: /s/ Justin Burden
Name: Justin Burden
Title: Member

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

NEW LEAF VENTURES II, L.P.

By: New Leaf Venture Associates II, L.P.
Its: General Partner

By: New Leaf Venture Management II, L.L.C.
Its: General Partner

By: /s/ Craig Slutzkin
Name: Craig Slutzkin
Title: Chief Financial Officer

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

POLARIS VENTURE PARTNERS V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

POLARIS VENTURE PARTNERS ENTREPRENEURS' FUND V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

POLARIS VENTURE PARTNERS FOUNDERS' FUND V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

POLARIS VENTURE PARTNERS SPECIAL FOUNDERS' FUND V, L.P.

By: Polaris Venture Management Co. V, L.L.C.,
Its General Partner

By: /s/ Max Eisenberg
Max Eisenberg, Attorney-in-Fact

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

PFIZER INC.

By: /s/ Barbara Dalton
Name: Barbara Dalton
Title: Vice President

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by the Company and the Stockholders listed below.

STOCKHOLDERS:

/s/ Brian Farley
Brian Farley

Schedule of Series G Stockholders

CHV IV, L.P.

GE Ventures Limited

Polaris Venture Partners V, L.P.
Polaris Venture Partners Entrepreneurs' Fund V, L.P.
Polaris Venture Partners Special Founders' Fund V, L.P.
Polaris Venture Partners Founders' Fund V, L.P.

Pfizer Inc.

New Leaf Ventures II, L.P.

Industry Ventures Healthcare, L.L.C.

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

IGC Fund VI, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL Partnership, L.P.
KBL Healthcare Ventures, L.P.

AMV Partners I, L.P.

Brian Farley

Schedule of Series F Stockholders

GE Ventures Limited

Polaris Venture Partners V, L.P.
Polaris Venture Partners Entrepreneurs' Fund V, L.P.
Polaris Venture Partners Special Founders' Fund V, L.P.
Polaris Venture Partners Founders' Fund V, L.P.

Pfizer Inc.

New Leaf Ventures II, L.P.

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

IGC Fund VI, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL Healthcare, L.P.
KBL Partnership, L.P.
KBL Healthcare Ventures, L.P.

Weldon Foundation

AMV Partners I, L.P.

Michael Dale

Brian Farley

Bruce Shook

Charles E. Larsen

Schedule of Series E Stockholders

Polaris Venture Partners V, L.P.
Polaris Venture Partners Entrepreneurs' Fund V, L.P.
Polaris Venture Partners Special Founders' Fund V, L.P.
Polaris Venture Partners Founders' Fund V, L.P.

Pfizer Inc.

New Leaf Ventures II, L.P.

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

Weldon Foundation

Michael Dale

Brian Farley

Schedule of Series D Stockholders

New Leaf Ventures II, L.P.

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE VENTURES, L.P.

Weldon Foundation

Michael Dale

Brian E. Farley

Schedule of Series C Stockholders

QPIV, LLC

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

AMV Partners I, L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE, L.P.
KBL Partnership, L.P.

Schedule of Series B Stockholders

Three Arch Partners IV, L.P.
Three Arch Associates IV, L.P.
Three Arch Capital, L.P.
TAC Associates L.P.

AMV Partners I, L.P.

Investor Growth Capital Limited
Investor Group, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE, L.P.
KBL Partnership, L.P.

Schedule of Series A-2 Stockholders

Investor Growth Capital Limited
Investor Group, L.P.
IGC Fund VI, L.P.

ONSET IV, L.P.

InterWest Partners VIII, L.P.
InterWest Investors VIII, L.P.
InterWest Investors Q VIII, L.P.

KBL HEALTHCARE, L.P.
KBL Partnership, L.P.

Schedule of Series A-1 Stockholders

Thomas D. Weldon Revocable Trust

Charles E. Larsen

Norman R. Weldon

Schedule of Common Stockholders

David W. Ankney

Debi Decker

Brian E. Farley

Linda Faupel

Mark Gelinas

Carolyn George

Kevin Hahnen

William A. Hawkins

Richard Hillstead

Katherine Lane

Stanford Miller

Edward Peterson

John Roccamo

Vidmantas A. Ruksys

Joshua Salisbury

Stephen Shapiro

Gregory Toso

Roelof Trip

Steven Waite

Laura Wilson

Gordon Wyatt

Matthew Benoit

Jaime Binder

Paul Boatman

James Breidenstein

Brian Chugg

Jessica Cowherd

Gregory DeNardo

David DePiro

Heather Elrod

Jonathan Fitzgerald

Amy Garraty

Kathleen Garstka

Matthew Gelfman

Evelyn Gittinger

Todd Goldberg

David Hartman

Holly Hayes

Rosemary Healy

Paul Holman

Steven P. Iskenderian

Jonathan Law

Laura Leonard

William Leonhard

Ashley Linn

Christopher Martin

Michael Miller

Christopher Morra

Greg Morris

Sara Mueller

Deborah Mulligan

Michael Ogar

Joy Paterno

Suzanne Prescott

Daniel Puskas

Ann Rossi

Eric Roux

Alyssa Schwartz

Stacey Scoma

Robert Shek

Ellen Smith

Shanen Taylor

Sara Thompson

Kim Tietz

Mark Williams

Cynthia Zajac

Schedule of Key Officers

Chris Thatcher

Bruce Shook

Mark Bausinger

Mark Demitrack, MD

Mark Riehl

Judy Ways, Ph.D.

James Breidenstein

Mary K. Hailey

Suzanne McMonigle

Steve MacKinnnon

Stanford W. Miller

EXHIBIT A to Sixth Amended and Restated Stockholders' Agreement

Neuronetics, Inc.

Instrument of Adherence

Reference is made to that certain Sixth Amended and Restated Stockholders' Agreement, dated as of June 1, 2017, a copy of which is attached hereto (as amended and in effect from time to time, the "Stockholders' Agreement"), by and among Neuronetics, Inc., a Delaware corporation (the "Company"), and the Stockholders party thereto. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Stockholders' Agreement.

The undersigned, , in order to become the owner or holder of shares [or options, warrants, or other rights to purchase such shares] (the "Acquired Shares") of [Common Stock/Preferred Stock] of the Company, hereby agrees that, from and after the date hereof, (i) the undersigned has become [an Additional Stockholder][a Key Officer] party to the Stockholders' Agreement as a [Common Stockholder/Series A-1 Holder/Series A-2 Holder/Series B Holder/Series C Holder/Series D Holder/Series E Holder/Series F Holder/Series G Holder/Key Officer] party thereunder and is entitled to all of the benefits under and is subject to all of the obligations, restrictions and limitations set forth in the Stockholders' Agreement that are applicable to the [Common Stockholders/Series A-1 Holders/Series A-2 Holders/Series B Holders/Series C Holders/Series D Holders/Series E Holders/Series F Holders/Series G Holders/Key Officers], (ii) all of the Acquired Shares are entitled to all of the benefits, and are subject to all of the obligations, restrictions, limitations, provisions and conditions, under the Stockholders' Agreement that are applicable to the Shares held by the undersigned, if any, (iii) the Stockholders party to the Stockholders' Agreement are intended third-party beneficiaries of this Instrument of Adherence, and (iv) any notice required to be given to the Company pursuant to Section 10.2 of the Stockholders' Agreement should be sent to Neuronetics, Inc., 3222 Phoenixville Pike, Malvern, Pennsylvania 19355. This Instrument of Adherence shall take effect and shall become a part of the Stockholders' Agreement immediately upon execution.

Executed as of the date set forth below.

Signature:_____

Name:_____

Address:_____

_____

_____

Tel. No.:_____

Fax No.: _____

E-mail: _____

Date: _____

Acknowledged and Accepted:

NEURONETICS, INC.

By: _____
Name:
Title:

EXHIBIT B to Sixth Amended and Restated Stockholders' Agreement

Consent of Spouse

I, [ ], spouse of [ ], acknowledge that I have read the Sixth Amended and Restated Stockholders' Agreement, dated as of June 1, 2017, to which this Consent is attached as Exhibit B (the "**Agreement**"), and that I know the contents of the Agreement. I am aware that the Agreement contains provisions regarding (i) voting and transfer of shares of capital stock, and/or (ii) certain rights to certain other holders of capital stock of the Company upon a proposed Transfer of Offered Securities of the Company which my spouse may own including any interest I might have therein.

I hereby agree that my interest, if any, in any Offered Securities of the Company subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in such Offered Securities of the Company shall be similarly bound by the Agreement.

I am aware that the legal, financial and related matters contained in the Agreement are complex and that I am free to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Agreement carefully that I will waive such right.

Dated as of the [ ] day of [,].

Exhibit 10.4

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of November 1, 2014, (the "Effective Date") is made and entered into by and between Neuronetics, Inc., a Delaware corporation (the "Company"), and Christopher Thatcher (the "Executive").

WHEREAS, the Company desires to employ Executive as the Company's President and Chief Executive Officer on at at-will basis, and the Executives wishes to enter into such employment with the Company on at-will basis, on the terms and conditions set forth herein.

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 "Effective Date" of this Agreement shall mean a mutually-agreed date (not later than December 31, 2014) following the Executive's receipt of notice from the Company that the Company (i) has entered into a convertible subordinated debt financing of at least Ten Million Dollars ($10,000,000) and up to Twenty-Five Million Dollars ($25,000,000) with one or more investors on substantially the same terms and has received initial proceeds of at least Nine Million Dollars ($9,000,000) at a closing to occur in November 2014 and a final closing to occur no later than March 31, 2016 (the "Initial Financing"); and (ii) has executed a binding letter of intent with Oxford Finance LLC ("Oxford") providing for, among other things, revised terms of affirmative and negative covenants in connection with that certain lending facility, between the Company and Oxford. Unless terminated or amended in writing by the parties, this Agreement will govern the Executive's continued employment by the Company until that employment ceases in accordance with Section 5 hereof.

_____

Executive's Initials & Date

2. Position; Duties. The Executive will be employed as the Company's President and Chief Executive Officer, reporting directly to the Company's Board of Directors (the "Board"). The Executive shall devote his best efforts and all of his business time and services to the Company and its Affiliates and shall have such duties, scope of authority, and responsibilities as may be customarily incident to his position and as are more fully described in Schedule A hereto. The Company shall use its best efforts to encourage the shareholders of the Company to elect the Executive to be a voting member of the Board at the next election of directors occurring as of the Effective Date and continuing for so long as the Executive remains employed with the Company as its President and Chief Executive Officer; provided that, if so elected, the Executive will serve on the Board without compensation (other than the compensation set forth herein). The Executive shall not, in any capacity, engage in other business activities or perform services for any other Person without the prior written consent of the Company; *provided, however*, that without such consent, the Executive may engage in charitable or public service, so long as such activities do not interfere with the Executive's performance of his duties and obligations hereunder. Notwithstanding the foregoing, the Executive may continue to serve on the board of directors of MicroInterventional Devices until such time as the Board determines in good faith that the Executive's service on such board presents a conflict of interest and/or is interfering with the Executive's performance of his duties and obligations hereunder.

3. Place of Performance. The Executive will perform his services hereunder at the principal executive offices of the Company in Malvern, Pennsylvania; *provided, however*, that the Executive may be required to travel from time to time for business purposes.

_____

Executive's Initials & Date

4. Compensation and Indemnification.

4.1. Base Salary. The Executive's annual base salary will be $370,000.00 (the "Base Salary"), which shall be paid ratably by the Company to the Executive each month in accordance with the Company's payroll practices as in effect from time to time. The Base Salary shall be reviewed on an annual basis following the 2015 calendar year and may be increased (but not decreased) by the Board, with any such increase taking effect as of the first day of the applicable calendar year.

4.2. Start Date Bonuses.

4.2.1. The Company shall pay to the Executive a "Start Date Bonus" in cash (less applicable withholding tax) equal to $140,000.00 (less applicable withholding tax) (the "Start Date Bonus"), payable as follows: (i) $80,000 (less applicable withholding tax) within ten (10) business days following the Effective Date (the "First Installment Payment"); and (ii) $60,000 (less applicable withholding tax) on or before August 1, 2015 (the "Second Installment Payment"); provided the Executive remains continuously and actively employed with the Company through each such payment date.

4.2.2. Notwithstanding the foregoing, the Executive shall repay within ninety (90) business days following the applicable employment cessation date: (i) the First Installment Payment if the Executive ceases to be actively employed with the Company prior to the first (1st) anniversary of the Effective Date for any reason other than a termination of employment by the Company without Cause (as defined below) or a resignation by the Executive for Good Reason (as defined below); and (ii) the Second Installment Payment if the Executive ceases to be actively employed with the Company prior to February 1, 2016 for any reason other than a termination of employment by the Company without Cause or a resignation by the Executive for Good Reason.

4.3. Annual Bonuses.

4.3.1. For each full calendar year of his employment hereunder (beginning with the 2015 calendar year), the Executive will be eligible to earn an annual bonus. The target amount of that bonus will be forty percent (40%) of the Executive's Base Salary for the applicable calendar year (the "Target Bonus"). The actual bonus payable with respect to a particular year will be determined by the Board, based on the achievement of corporate and/or individual performance objectives (the "Performance Objectives") mutually determined and agreed to by the Board and the Executive. The Performance Objectives for 2015 shall be established on a date no earlier than 90 days and no later than 120 days following the date of this Agreement by the Executive and the Board. Each year during the Executive's employment, the Performance Objectives for the following year shall be reviewed on a calendar year basis no later than fifteen (15) days prior to the end of such calendar year. Any bonus shall be paid no later than seventy-five (75) days following the end of each calendar year for which the bonus is determined and awarded by the Board.

4.3.2. For purposes of determining any bonus payable to Executive, the measurement of achievement of the Performance Objectives with respect to that particular year will be performed by the Board in good faith. From time to time, the Board may, in its sole discretion, make adjustments to the method of measurement of Performance Goals so that required departures from the Company's operating budget, changes in accounting principles,

acquisitions, dispositions, mergers, consolidations and other corporate transactions, and other factors influencing the achievement or calculation of such Performance Objectives do not affect the operation of this Section 4.3 in a manner inconsistent with its intended purposes which, for the sake of clarity, is to evaluate and determine Executive's annual bonus award, (which the parties acknowledge is a significant element of Executive's annual compensation), in accordance with agreed upon operational Performance Objectives and incent achievement of those Performance Objectives.

4.4. Change in Control Bonus.

4.4.1. In addition to the compensation described in the other paragraphs of this Section 4 and in Section 5, and the Company's Change In Control Carve Out Plan (the "Carve Out Plan") upon the first occurrence of a Change in Control, the Company shall pay to the Executive a cash lump sum payment (less applicable withholding tax) equal to forty percent (40%) of his then Base Salary (the "Change in Control Bonus"), provided the Executive remains continuously and actively employed with the Company through the date of such Change in Control. The Change in Control Bonus will be paid to the Executive as soon as administratively feasible following, but in no event later than sixty (60 days) following, the Change in Control.

4.4.2. For purposes of this Agreement, "Change of Control" with respect to the Company, shall have the meaning set forth in the Company's Change In Control Carve-out Plan, dated July 18, 2014.

_____

Executive's Initials & Date

4.5. Equity Compensation.

4.5.1. Initial Grant. As soon as practicable after the effective date of this Agreement and subject to Board and all other required approvals, the Company shall grant to the Executive under the Company's Amended and Restated 2003 Stock Incentive Plan (the "Plan") a non-qualified stock option to purchase a number of shares of the common stock of the Company equal to 5.15% of the Company's fully-diluted common stock (excluding the effects of any conversion of the (i) debt issued in connection with the Initial Financing, (ii) the investor convertible subordinated debt issued in January 2014 or (iii) any other convertible debt that is issued prior to the thirty-six (36) month anniversary of the Effective Date) with a per share exercise price equal to the fair market value of the Company's common stock (as determined by the Board pursuant to the Plan) at the time of grant. The Initial Grant shall be granted pursuant to and governed by the terms of a stock option award agreement in a form provided by the Company at the time of grant; provided, however, that the form shall provide for cashless exercise of the option in an amount sufficient to satisfy the option exercise price. Provided the Executive remains continuously and actively employed with the Company through the applicable vesting date, the Initial Grant will be vested and exercisable with respect to (i) 10% of the underlying common stock as of the Effective Date, (ii) 25% of the underlying common stock on the first (1st) anniversary of the Effective Date, and (iii) the remaining shares of underlying common stock in substantially equal monthly installments over the 36-month period that commences on the first (1st) anniversary of the Effective Date. Notwithstanding the foregoing, the Initial Grant shall be fully vested and exercisable immediately prior to, but contingent upon, the occurrence of a Change in Control (as defined above), provided the Executive remains continuously and actively employed with the Company through the date of such Change in Control.

_____

Executive's Initials & Date

4.5.2. Additional Grant(s). As soon as practicable after the closing of one or more issuances of equity in bona fide equity financings by the Company that are closed subsequent to the Initial Financing and prior to the thirty-six (36) month period after the Effective Date (the "Additional Financing"), the Company shall grant to the Executive a nonqualified stock option to purchase a number of shares of the Company's common stock sufficient to cause the total amount such shares issued or issuable to the Executive upon full vesting and exercise of his Company stock options to equal 5.15% of the Company's fully-diluted common stock (excluding the effects of any conversion of the (i) debt issued at the Initial Financing, (ii) the investor convertible subordinated debt issued in January 2014 or (iii) any other convertible debt that is issued prior to the thirty-six (36) month anniversary of the Effective Date) when taking into account the Initial Grant and this Additional Grant, provided that the Executive remains continuously and actively employed with the Company through the date that the Additional Grant is made. The Additional Grant shall have a per share exercise price equal to the fair market value of the Company's common stock (as determined by the Board pursuant to the Plan) at the time of grant and be subject to the same vesting conditions as applicable to the Initial Grant. Notwithstanding the foregoing, the Additional Grant shall not be augmented by or apply to any portion of the Additional Financing in excess of Twenty Five Million Dollars ($25,000,000), provided, however, that such limitation shall not affect the increase in the Additional Grant to Executive in connection with the conversion of the convertible debt issued in the Initial Financing. For the avoidance of doubt, (i) a conversion of the convertible

subordinated debt issued in the Initial Financing into preferred or common stock, (ii) a conversion of the convertible subordinated debt issued by the Company in January 2014 into preferred or common stock, or (iii) the conversion, of any other convertible debt that is issued prior to the thirty-six (36) month anniversary of the Effective Date, in each such instance after such thirty-six (36) month period, shall be deemed to occur within such thirty-six (36) month period (prior to the Additional Financing) and will result in similar additional grants to the Executive at the time of such conversion(s), provided that the Executive remains continuously and actively employed with the Company through the date(s) that each actual additional grant is made.

4.6. Employee Benefits. The Executive will be eligible to participate in the employee benefit plans, policies or arrangements maintained by the Company for its employees generally, subject to the terms and conditions of such plans, policies or arrangements; *provided*, *however*, that this Agreement will not limit the Company's ability to amend, modify or terminate such plans, policies or arrangements at any time for any reason. Without limiting the generality of the foregoing, the Executive will be eligible to participate in the Carve-Out Plan following its adoption by the Board.

4.7. Paid Time Off. The Executive will be eligible for four (4) weeks paid time off and national holidays in accordance with the Company's policy, as may be amended from time to time.

4.8. Reimbursement of Expenses. The Company will pay or reimburse the Executive for all reasonable business expenses incurred or paid by the Executive in the performance of his duties and responsibilities for the Company in accordance with the expense reimbursement policies of the Company, as may be amended from time to time.

_____

Executive's Initials & Date

4.9. D&O Coverage. The Company shall maintain directors and officers liability insurance coverage for Executive with coverage and limits which are reasonable and customary for an entity similarly-situated to the Company.

4.10. Indemnification. The Company acknowledges and agrees that Executive shall be indemnified and held harmless from and against any and all claims or liabilities, or threatened claims or liabilities, by reason of his employment as an employee, officer or director of the Company and its affiliates to the fullest extent permitted under applicable law, the Company's corporate governance documents, including providing Executive with prompt advancement of reasonable fees, costs and expenses of counsel or other professionals of his choice incurred in respect thereof or pursuant to any applicable insurance policy maintained by the Company from time to time for its employees, officers and directors.

5. Termination; Severance. The Executive's employment hereunder shall terminate on the earliest of: (i) on the date set forth in a written notice from the Board that his employment with the Company has been or will be terminated, (ii) on the a date not less than thirty-days following written notice from the Executive that he is resigning from the Company, (iii) on the date of his death or (iv) on the date of his Disability, as determined in accordance with Section 7.5. Upon cessation of his employment for any reason, unless otherwise consented to in writing by the Board, the 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, the Executive will be entitled only to such compensation and benefits as described in this Section 5.

_____

Executive's Initials & Date

5.1. Termination without Cause or Resignation for Good Reason. If the Executive's employment by the Company ceases due to a termination by the Company without Cause (as defined below) or a resignation by the Executive for Good Reason (as defined below), the Company shall:

5.1.1. pay to the Executive all accrued and unpaid Base Salary (at the annual rate then in effect) and vacation accrued through the date of such cessation of employment at the time such Base Salary would otherwise be paid according to the Company's usual payroll practices;

5.1.2. to the extent then unpaid, pay to the Executive the annual bonus (if any) with respect to the calendar year ended immediately prior to the cessation of the Executive's employment, which such bonus shall be paid at the time such bonus would have otherwise been paid absent the Executive's cessation of employment but in no event later than the last day of the year in which the Executive's employment ceases;

5.1.3. pay to the Executive a pro-rated bonus for the calendar year in which such termination occurs, which proration shall be determined by multiplying (i) the quotient obtained by dividing (A) the number of days the Executive worked in the calendar year his employment with the Company ceases by (B) 365, and (ii) his Target Bonus, which such bonus shall be paid at the time such bonus would have otherwise been paid absent the Executive's cessation of employment;

_____

Executive's Initials & Date

5.1.4. pay to the Executive monthly severance payments equal to one-twelfth of the Executive's then current Base Salary for a period (the "Severance Period") equal to: (i) twelve (12) months, if such termination of employment occurs on or prior to the second 2nd anniversary of the Effective Date, or (ii) eighteen (18) months, if such termination of employment occurs after the second 2nd anniversary of the Effective Date;

5.1.5. if the 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 the Executive the applicable premium otherwise payable for such COBRA continuation coverage for the Severance Period; and

5.1.6. cause any then vested stock options held by the Executive as of immediately prior to the effective date of such termination of employment to remain exercisable until the earlier to occur of (i) the first (1st) anniversary of the effective date of such termination of employment or (ii) the expiration date of the stock option.

Except as otherwise provided in this Section 5.1, and, if applicable, Section 4.4.1 (Change In Control Bonus) and the Carve Out Plan, all compensation and benefits will cease at the time of the 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 5.1 are in lieu of, and not in addition to, any other severance arrangement maintained

by the Company. Notwithstanding any provision of this Agreement, except Section 4.4.1 and the Carve Out Plan, if applicable, the payments and benefits described in Section 5.1.2 through Section 5.1.6 are conditioned on: (a) the 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 severance agreement that includes a mutual general release and waiver of claims by each party against the other and a mutual non-disparagement provision substantially in a form reasonably acceptable to the Company (the "Release"); and (b) the Executive's continued compliance with the provisions of the Restrictive Covenant Agreement (as defined below). Subject to Section 5.4, below, the benefits described in Sections 5.1.4 and 5.1.5 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.

5.2. Other Terminations. If the Executive's employment with the Company ceases for any reason other than as described in Section 5.1 above (including but not limited to (a) termination by the Company for Cause, (b) resignation by the Executive without Good Reason, (c) termination as a result of the Executive's Disability, or (d) the Executive's death, then the Company's obligation to the Executive will be limited solely to (A) 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 and (B) if the termination is as a result of the Executive's Disability or death, and the bonus payments provided for in Sections 5.1.2 and 5.1.3.. 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 the 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.

5.3. No Mitigation; No Offset. 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 5 and, such amounts and benefits shall not be reduced whether or not he obtains other employment.

5.4. Compliance with Section 409A. Notwithstanding anything to the contrary in this Agreement, no portion of the benefits or payments to be made under Section 5.1.2 through Section 5.1.6 hereof will be payable until the 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 the 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 the Executive's "separation from service" (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to the 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.

6. Restrictive Covenants. The Executive acknowledges and agrees to abide by the terms of, and agrees that his employment by the Company is contingent upon his valid and binding execution of the Confidentiality, Non-Competition and Inventions Assignment Agreement attached hereto as Exhibit B (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 the Executive's employment with the Company for any reason. If the 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*.

7. Certain Definitions. For purposes of this Agreement:

7.1. "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.

7.2. "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 6; (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 the Executive intentionally omitted any requested information or falsified any disclosed information either in the Executive's resume or during the Executive's interview process with the Company.

7.3. "Code" means the Internal Revenue Code of 1986, as amended.

7.4. "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.

7.5. "Disability" means a condition entitling the 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 the Executive, "Disability" will mean the Executive's inability to perform his duties under this Agreement 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 the 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."

7.6. "Fully-Diluted Common Stock" means as of the date of measurement, the sum of (a) all outstanding shares of the Company's common stock; (b) all outstanding shares of the Company's preferred stock (if any) on an as-converted to common stock basis; and (c) all shares of common stock issuable pursuant to exercise or conversion of all outstanding options, warrants or convertible securities, including all shares of common stock reserved for grant pursuant to any stock option plans.

7.7. "Good Reason" means any of the following, without the Executive's prior consent: (a) a material adverse change of the 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 the 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 (ii) granted to the Executive by this Agreement; (d) a relocation of the Executive's principal worksite of more than 35 miles unless such relocation reduces the Executive's commute to such worksite; or (e) any material breach of this Agreement by the Company. However, none of the foregoing events or conditions will constitute Good Reason unless the Executive provides the Company with written objection to the event or condition within 60 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 the Executive resigns his employment within 30 days following the expiration of that cure period.

7.8. "Person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, governmental entity, unincorporated entity or other entity.

8. Miscellaneous.

8.1. Cooperation. The Executive further agrees that, subject to prompt reimbursement of his reasonable expenses, including reasonable attorneys' fees for counsel of his choice if reasonably necessary to protect his interests, he will cooperate fully with the Company and its counsel with respect to any matter (including litigation, investigations, or governmental proceedings) in which the Executive was in any way involved during his employment with the Company. The 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 the Executive's cooperation under this paragraph so as not to interfere with the Executive's other personal and professional commitments. This Section 8.1 shall not be considered a waiver of Executive's right to refuse to provide testimony or information or assistance based on "Fifth Amendment" grounds.

8.2. Section 409A.

8.2.1. Notwithstanding anything herein to the contrary or otherwise, except to the extent any expense, reimbursement or in-kind benefit provided to the 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 the Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to the Executive in any other calendar year, (ii) the reimbursements for expenses for which the 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.

8.2.2. Anything to the contrary herein notwithstanding, all benefits or payments provided by the Company to the 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.

_____

Executive's Initials & Date

8.3. Section 280G.

8.3.1. Notwithstanding any other provision of this Agreement, if any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, Affiliates or related entities, will constitute an "excess parachute payment" (as that term is defined in Section 280G(b)(1) of the Code and related regulations), 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 the Company or its Affiliates by reason of Section 280G of the Code. If a reduction to the payments or benefits otherwise payable under this Agreement is required pursuant to this Section 8.3, such reduction shall occur to the payments or benefits in the order that results in the greatest economic present value of all payments actually made to the Executive.

8.3.2. Notwithstanding the foregoing and provided that no securities of the Company, any member of its affiliated group (within the meaning of Section 1504 of the Code) and any entity possessing a direct or indirect ownership interest in the Company which interest constitutes more than 1/3 of such entity's gross fair market value (as described in Treasury Regulation Section 1.280G-1, Q&A 6) are then publicly traded, to the extent that any payments and/or benefits provided to the Executive from the Company or any of its subsidiaries, Affiliates or related entities, will constitute an "excess parachute payment" (as that term is

defined in Section 280G(b)(1) of the Code and related regulations) without regard to the application of Section 8.3.1, the Company agrees to submit such payments and/or benefits for approval by the holders of more than 75% of the voting power of the outstanding equity securities of the Company in a manner intended to comply with Section 280G(b)(5)(B) of the Code and regulations thereunder. The Executive acknowledges that to the extent any such payment and/or benefits are submitted to the Company's equity holders for approval pursuant to the preceding sentence, the Company's equity holders have no obligation to approve such payments and/or benefits (or portions thereof) and that if such approval is not timely obtained in a manner that satisfies Section 280G(b)(5)(B) of the Code and regulations thereunder, such payments or benefits (to the extent necessary to avoid the Company's loss of deduction pursuant to Section 280G of the Code) will be reduced in accordance with Section 8.3.1 hereof.

8.4. Other Agreements. The Executive represents and warrants to the Company that there are no restrictions, agreements or understandings whatsoever to which he is a party that would prevent or make unlawful his execution of this Agreement, that would be inconsistent or in conflict with this Agreement or the Executive's obligations hereunder, or that would otherwise prevent, limit or impair the performance by the Executive of his duties under this Agreement.

8.5. Dispute Resolution.

8.5.1. Mediation. Prior to instituting any arbitration as provided in Section 8.5.2, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to this Agreement, the Restrictive Covenant Agreement, the Carve-Out Plan, the Plan

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.

8.5.2. Arbitration. If mediation is unsuccessful, any controversy or claim arising out of or relating to the Agreement, the Restrictive Covenant Agreement, the Carve-Out Plan, the Plan 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. The 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 the 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.

_____

Executive's Initials & Date

All arbitration proceedings shall be held in Wilmington, Delaware, unless the laws of the state in which the 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 the Agreement.

8.6. 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 the 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 the Executive on the terms herein specified (without regard to whether the Executive accepts employment with the assignee). The duties of the Executive hereunder are personal to Executive and may not be assigned by him.

_____

Executive's Initials & Date

8.7. 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.

8.8. 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.

8.9. 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.

8.10. Survival. This Agreement will survive the cessation of the Executive's employment to the extent necessary to fulfill the purposes and intent of this Agreement.

8.11. Notices. Any notice or communication required or permitted under this Agreement will be made in writing and (a) sent by overnight courier, (b) mailed by overnight

U.S. express mail, return receipt requested or (c) sent by telecopier. Any notice or communication to the 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 Board Chairman. 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.

8.12. Legal Expenses. Upon presentment to the Company within ninety (90) days following the Effective Date of evidence of payment (in a form reasonably acceptable to the Company), the Company shall promptly reimburse the Executive up to a maximum of $15,000 for reasonable expenses he incurred in connection with the process of becoming employed with the Company hereunder.

8.13. Entire Agreement; Amendments. This Agreement contains the entire agreement and understanding of the parties hereto 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, including, without limitation, the employment agreement term sheet dated [●], 2014 entered into by the Executive and the Company. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

8.14. Withholding. All payments (or transfers of property) to the Executive will be subject to tax withholding to the extent required by applicable law.

_____

Executive's Initials & Date

8.15. 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.

8.16. 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.

8.17 Conflict With Other Agreements. If any of the definitional provisions of the Carve Out Plan, the Plan, or the Restrictive Covenant Agreement conflict with the provisions of this Agreement, the definitional provisions of this Agreement shall govern and prevail.

[*signature page follows*]

Executive's Initials & Date

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has executed this Agreement, in each case as of the date first above written.

NEURONETICS, INC.

By: /s/ Kevin Bitterman
Name: Kevin Bitterman
Title:

CHRISTOPHER THATCHER

/s/ Christopher Thatcher

Executive's Initials & Date

SCHEDULE A

(a) Executive shall serve as Chief Executive Officer of the Company and shall, subject to the direction of the Board of Directors of the Company (the **"Board"**), have such powers and perform such duties as are customarily performed by the Chief Executive Officer of a similarly situated company including, but not limited to:

(i) Developing annual budgetary, clinical, regulatory and business strategies of the Company and managing their implementation;

(ii) Overseeing corporate hiring and supervising the performance of management, including the authority to hire, establish or modify salaries and bonuses after review of an annual compensation policy with the Board, and terminate the employment of all Company employees;

(iii) Maintaining active communication with Board;

(iv) Developing and maintaining relationships with key investor base, collaboration and development partners, customers, potential customers, media, analysts and the general public on behalf of the Company;

(v) Enhancing corporate visibility through active participation in investor meetings and industry conferences;

(vi) Identifying and assessing new business and product opportunities;

(vii) Managing and leading corporate financing activities, public relations and the Company's intellectual property portfolio; and

(viii) Election as a member of the Board.

_____

Executive's Initials & Date

EXHIBIT A

FORM OF RESTRICTIVE COVENANT AGREEMENT

Exhibit 10.5

August 11, 2016

Mr. Greg Harper
[Address]

Dear Greg:

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 Vice President, Product Development 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. 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 is September 12, 2016.

2. **Salary**. You will be compensated at a semi-monthly rate of $11,666.66, 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 $280,000 (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 2016 is targeted at 25% of your annual Base Salary actually earned in 2016. 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, and will be paid on or before March 31, 2017, provided you are employed by the Company or its successor on that date.

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 6 vacation days in 2016. Arrangements for all such absences must, of course, be made to ensure that your responsibilities are properly covered.

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 0.65% 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 1/36th of the 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, as noted below and available only for relocation completed within 180 days 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 Vice President, Product Development & Operations, 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. Reimbursement of up to $30,000 for expenses directly relating to the sale of your home in Concord, OH.

   b. For a period not to exceed 90 days from employee's start date (September 12, 2016), reimbursement of temporary lodging expenses for up to four (4) nights per week and a meal allowance to include two (2) meals per day. The meals allowance shall not exceed $50 per day. Total reimbursement for temporary lodging and meal allowance for said 90 day period shall not exceed $15,000.

   c. Reimbursement of expenses associated with moving your household goods from Concord, Ohio to the Malvern, PA area with an amount not to exceed $10,000.

   d. Reimbursed expenses 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 August 15, 2016. 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 or Mark Bausinger 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/ Greg Harper
Name: Greg Harper

Date: 11-Aug-2016

SSN: _____

DOB: _____

Exhibit A

NEURONETICS, INC.
RESTRICTIVE COVENANT AND INVENTION ASSIGNMENT AGREEMENT
GREG HARPER

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 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: 11-Aug, 2016

I have read this Agreement carefully and understand its terms. 1 have completely filled out the Prior Inventions Schedule to this Agreement.

/s/ Greg Harper
Name: Greg Harper

Address:

ACCEPTED AND AGREED TO:

NEURONETICS, INC.

3222 Phoenixville Pike
Malvern PA 19355

/s/ Chris Thatcher
Name: Chris Thatcher
Title: President and CEO

Date: Aug 15, 2016

PRIOR INVENTIONS SCHEDULE

FROM:

DATE: 11-Aug, 2016
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 r s t reduced to practice by me alone or jointly with others prior to my employment by the Company:

☐ No inventions or improvements.

☒ see below:

1) WO 2008082819A1 – Singlepoint sensing … electronic ballast

2) Various disclosures within GE & Phillips which may be

Pursued at the company's discretion

☐ 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 and duty of confidentiality with respect to which I owe to the following party(ies):

☐ Additional sheets attached.

N/A GH 11-Aug-2016

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.

NeuroStar®
Advanced Therapy

February 27, 2017

Mr. Peter Donato
[address]

Dear Peter:

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 Vice President and Chief Financial Officer. You will report to Chris Thatcher, President and Chief Executive Officer of the Company. Your primary duties will be those consistent with your title. 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 April 10, 2017.

2. **Salary**. You will be compensated at a semi-monthly rate of $12,708.33, 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 $305,000 (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 2017 is targeted at 30% of your annual Base Salary in 2017 and will not be prorated. 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, and will be paid on or before March 31, 2018, provided you are employed by the Company or its successor on that date.

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 15 vacation days in 2017. Arrangements for all such absences must, of course, be made to ensure that your responsibilities are properly covered.

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 0.85% 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 1/36th of the 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, as noted below and available only for relocation completed within 24 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 Vice President and Chief Financial 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. Weekly round-trip coach class airfare from Cincinnati, OH to Malvern, PA.

   b. Airport parking during visits to Malvern.

   c. A daily meal allowance while in Malvern not to exceed $50 per day.

   d. A temporary housing allowance in Malvern not to exceed $2,000 per month.

   e. During the twenty-four (24) month period following your date of hire, you shall have the option to convert any remaining balance of the assistance program noted in Sections 7(a)-(d), to an allowance to pay for reasonable expenses associated with moving your household goods from Cincinnati, Ohio to the Malvern, PA area in an amount not to exceed $100,000 in aggregate.

   f. Should you decide to move to the Malvern, PA area after the twenty-four (24) month period of the above assistance program has expired, you will be provided a separate allowance to pay for reasonable expenses associated with moving your household goods from Cincinnati, Ohio to the Malvern, PA area in an amount not to exceed $100,000 in aggregate. Should you take advantage of this Section 7(f), you agree that if you terminate employment with the company voluntarily or for cause within twenty four (24) months of the final reimbursement of this Section 7(f), you will reimburse the company all monies paid to you under this Section 7(f).

   g. 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 March 1, 2017. 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 or Mark Bausinger 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/ Peter Donato
Name: Peter Donato

Date: March 1, 2017

SSN: _____

DOB: _____

NeuroStar / 3222 Phoenixville Pike, Malvern, PA 19355
T 610.640.4202 / F 610.640.4206 / NeuroStar.com

Exhibit A

NEURONETICS, INC.
RESTRICTIVE COVENANT AND INVENTION ASSIGNMENT AGREEMENT
PETER DONATO

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: March 1, 2017

I have read this Agreement carefully and understand its terms. 1 have completely filled out the Prior Inventions Schedule to this Agreement.

/s/ Peter Donato
Name: Peter Donato

Address:

[Address]

ACCEPTED AND AGREED TO:

NEURONETICS, INC.

3222 Phoenixville Pike
Malvern PA 19355

/s/ Chris Thatcher
Name: Chris Thatcher
Title: President and CEO

Date: March 1, 2017

PRIOR INVENTIONS SCHEDULE

FROM:

DATE: Mar 1, 2017
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 r s t 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 and duty of confidentiality with respect to which I owe to the following party(ies): N/A PLD

	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.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (as the same may from time to time be amended, modified, supplemented or restated, this "**Agreement**") dated as of March 28, 2017 (the "**Effective Date**") among OXFORD FINANCE LLC, a Delaware limited liability company with an office located at 133 North Fairfax Street, Alexandria, Virginia 22314 ("**Oxford**"), as collateral agent (in such capacity, "**Collateral Agent**"), the Lenders listed on Schedule 1.1 hereof or otherwise a party hereto from time to time including Oxford in its capacity as a Lender (each a "**Lender**" and collectively, the "**Lenders**"), and NEURONETICS, INC., a Delaware corporation with an office located at 3222 Phoenixville Pike, Malvern, Pennsylvania 19355 ("**Borrower**"), provides the terms on which the Lenders shall lend to Borrower and Borrower shall repay the Lenders. The parties agree as follows:

1. ACCOUNTING AND OTHER TERMS

1.1 Accounting terms not defined in this Agreement shall be construed in accordance with GAAP. Calculations and determinations must be made in accordance with GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein. All references to "**Dollars**" or "**$**" are United States Dollars, unless otherwise noted.

2. LOANS AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay each Lender, the outstanding principal amount of all Term Loans advanced to Borrower by such Lender and accrued and unpaid interest thereon and any other amounts due hereunder as and when due in accordance with this Agreement.

2.2 Term Loans.

(a) Availability.

(i) Subject to the terms and conditions of this Agreement, the Lenders agree, severally and not jointly, to make term loans to Borrower on the Effective Date in an aggregate amount of Twenty Five Million Dollars ($25,000,000) according to each Lender's Term A Loan Commitment as set forth on Schedule 1.1 hereto (such term loans are hereinafter referred to singly as a "**Term A Loan**", and collectively as the "**Term A Loans**"). After repayment, no Term A Loan may be re-borrowed.

(ii) Subject to the terms and conditions of this Agreement, the Lenders agree, severally and not jointly, during the Second Draw Period, to make term loans to Borrower in an aggregate amount of Five Million Dollars ($5,000,000) according to each Lender's Term B Loan Commitment as set forth on Schedule 1.1 hereto (such term loans are hereinafter referred to singly as a "**Term B Loan**", and collectively as the "**Term B Loans**"). After repayment, no Term B Loan may be re-borrowed.

(iii) Subject to the terms and conditions of this Agreement, the Lenders agree, severally and not jointly, during the Third Draw Period, to make term loans to Borrower in an aggregate amount of Five Million Dollars ($5,000,000) according to each Lender's Term C Loan Commitment as set forth on Schedule 1.1 hereto (such term loans are hereinafter referred to singly as a "**Term C Loan**", and collectively as the "**Term C Loans**"; each Term A Loan, Term B Loan or Term C Loan is hereinafter referred to singly as a "**Term Loan**" and the Term A Loans, Term B Loans and Term C Loans are hereinafter referred to collectively as the "**Term Loans**"). After repayment, no Term C Loan may be re-borrowed.

(b) Repayment. Borrower shall make monthly payments of interest only commencing on the first (1st) Payment Date following the Funding Date of each Term Loan, and continuing on the Payment Date of each successive month thereafter through and including the Payment Date immediately preceding the Amortization Date. Borrower agrees to pay, on the Funding Date of each Term Loan, any initial partial monthly interest payment otherwise due for the period between the Funding Date of such Term Loan and the first Payment Date thereof. Commencing on the Amortization Date, and continuing on the Payment Date of each month thereafter, Borrower

---

[*] = 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.

shall make consecutive equal monthly payments of principal, together with applicable interest, in arrears, to each Lender, as calculated by Collateral Agent (which calculations shall be deemed correct absent manifest error) based upon: (1) the amount of such Lender's Term Loan, (2) the effective rate of interest, as determined in Section 2.3(a), and (3) a repayment schedule equal to (i) thirty-six (36) months, if the Amortization Date is April 1, 2019 or (ii) twenty-four (24) months, if the Amortization Date is April 1, 2020. All unpaid principal and accrued and unpaid interest with respect to each Term Loan is due and payable in full on the Maturity Date. Each Term Loan may only be prepaid in accordance with Sections 2.2(c) and 2.2(d).

(c) Mandatory Prepayments. If the Term Loans are accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Lenders, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of: (i) all outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (ii) the Final Payment, (iii) the Prepayment Fee, plus (iv) all other Obligations that are due and payable, including Lenders' Expenses and interest at the Default Rate with respect to any past due amounts. Notwithstanding (but without duplication with) the foregoing, on the Maturity Date, if the Final Payment had not previously been paid in full in connection with the prepayment of the Term Loans in full, Borrower shall pay to Collateral Agent, for payment to each Lender in accordance with its respective Pro Rata Share, the Final Payment in respect of the Term Loan(s).

(d) Permitted Prepayment of Term Loans. Borrower shall have the option to prepay all, but not less than all, of the Term Loans advanced by the Lenders under this Agreement, provided Borrower (i) provides written notice to Collateral Agent of its election to prepay the Term Loans at least fifteen (15) days prior to such prepayment, and (ii) pays to the Lenders on the date of such prepayment, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of (A) all outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (B) the Final Payment, (C) the Prepayment Fee, plus (D) all other Obligations that are due and payable, including Lenders' Expenses and interest at the Default Rate with respect to any past due amounts.

2.3 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.3(b), the principal amount outstanding under the Term Loans shall accrue interest at a floating per annum rate, equal to the Basic Rate, which interest shall be payable monthly in arrears in accordance with Sections 2.2(b) and 2.3(e). Interest shall accrue on each Term Loan commencing on and including the Funding Date of such Term Loan, and shall accrue on the principal amount outstanding under such Term Loan through and including the day on which such Term Loan is paid in full.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall accrue interest at a floating per annum rate equal to the rate that is otherwise applicable thereto plus five percentage points (5.00%). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Collateral Agent.

(c) 360-Day Year. Interest shall be computed on the basis of a three hundred sixty (360) day year, and the actual number of days elapsed.

(d) Debit of Accounts. Collateral Agent and each Lender may debit (or ACH) any deposit accounts, maintained by Borrower or any of its Subsidiaries, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes the Lenders under the Loan Documents when due. Any such debits (or ACH activity) shall not constitute a set-off.

(e) Payments. Except as otherwise expressly provided herein, all payments by Borrower under the Loan Documents shall be made to the respective Lender to which such payments are owed, at such Lender's office in immediately available funds on the date specified herein. Unless otherwise provided, interest is payable monthly on the Payment Date of each month. Payments of principal and/or interest received after 12:00 noon Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest, as applicable, shall continue to accrue until paid. All payments to be made by Borrower hereunder or under any other

---

[*] = 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.

Loan Document, including payments of principal and interest, and all fees, expenses, indemnities and reimbursements, shall be made without set-off, recoupment or counterclaim, in lawful money of the United States and in immediately available funds.

2.4 Secured Promissory Notes. The Term Loans shall be evidenced by a Secured Promissory Note or Notes in the form attached as Exhibit D hereto (each a "**Secured Promissory Note**"), and shall be repayable as set forth in this Agreement. Borrower irrevocably authorizes each Lender to make or cause to be made, on or about the Funding Date of any Term Loan or at the time of receipt of any payment of principal on such Lender's Secured Promissory Note, an appropriate notation on such Lender's Secured Promissory Note Record reflecting the making of such Term Loan or (as the case may be) the receipt of such payment. The outstanding amount of each Term Loan set forth on such Lender's Secured Promissory Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Lender, but the failure to record, or any error in so recording, any such amount on such Lender's Secured Promissory Note Record shall not limit or otherwise affect the obligations of Borrower under any Secured Promissory Note or any other Loan Document to make payments of principal of or interest on any Secured Promissory Note when due. Upon receipt of an affidavit of an officer of a Lender as to the loss, theft, destruction, or mutilation of its Secured Promissory Note, and appropriate and reasonable indemnification by such Lender, Borrower shall issue, in lieu thereof, a replacement Secured Promissory Note in the same principal amount thereof and of like tenor.

2.5 Fees. Borrower shall pay to Collateral Agent:

(a) Final Payment. The Final Payment, when due hereunder, to be shared between the Lenders in accordance with their respective Pro Rata Shares;

(b) Prepayment Fee. The Prepayment Fee, when due hereunder, to be shared between the Lenders in accordance with their respective Pro Rata Shares;

(c) Lenders' Expenses. All Lenders' Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due; and

(d) Non-Utilization Fees. (i) If the Second Draw Period commences but terminates prior to the Term B Loans being made hereunder and Borrower has not made a borrowing request for such Term B Loans during the Second Draw Period, a fully earned and non-refundable fee equal to One Hundred Thousand Dollars ($100,000.00) on the termination date of the Second Draw Period and (ii) if the Third Draw Period commences but terminates prior to the Term C Loans being made hereunder and Borrower has not made a borrowing request for such Term C Loans during the Third Draw Period, a fully earned and non-refundable fee equal to One Hundred Thousand Dollars ($100,000.00) on the termination date of the Third Draw Period. For the avoidance of doubt, in the event that (x) the First Revenue Event does not occur, the fees set forth in this Section 2.5(d)(i) shall not be due and payable, and (y) the Second Revenue Event does not occur, the fees set forth in this Section 2.5(d)(ii) shall not be due and payable.

2.6 Withholding. Payments received by the Lenders from Borrower hereunder will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any governmental authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to the Lenders, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, each Lender receives a net sum equal to the sum which it would have received had no withholding or deduction been required and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority; provided, however, that borrower shall not be required to make such increased payment to a Lender who is not a U.S. Person or who has not provided a duly executed original IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax. Borrower will, upon request, furnish the Lenders with proof reasonably satisfactory to the Lenders indicating that Borrower has made such withholding payment; provided, however, that Borrower need not make any

---

[*] = 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.

withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.6 shall survive the termination of this Agreement.

3. CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Each Lender's obligation to make a Term A Loan is subject to the condition precedent that Collateral Agent and each Lender shall consent to or shall have received, in form and substance satisfactory to Collateral Agent and each Lender, such documents, and completion of such other matters, as Collateral Agent and each Lender may reasonably deem necessary or appropriate, including, without limitation:

(a) original Loan Documents, each duly executed by Borrower and each Subsidiary, as applicable;

(b) duly executed original Control Agreements with respect to any Collateral Accounts maintained by Borrower or any of its Subsidiaries;

(c) duly executed original Secured Promissory Notes in favor of each Lender according to its Term A Loan Commitment Percentage;

(d) the Operating Documents and good standing certificates of Borrower and its Subsidiaries certified by the Secretary of State (or equivalent agency) of Borrower's and such Subsidiaries' jurisdiction of organization or formation and each jurisdiction in which Borrower and each Subsidiary is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Effective Date;

(e) a completed Perfection Certificate for Borrower and each of its Subsidiaries;

(f) the Annual Projections, for the current calendar year;

(g) duly executed original officer's certificate for Borrower and each Subsidiary that is a party to the Loan Documents, in a form acceptable to Collateral Agent and the Lenders;

(h) certified copies, dated as of date no earlier than thirty (30) days prior to the Effective Date, of financing statement searches, as Collateral Agent shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(i) a landlord's consent executed in favor of Collateral Agent in respect of all of Borrower's and each Subsidiaries' leased locations;

(j) a bailee waiver executed in favor of Collateral Agent in respect of each third party bailee where Borrower or any Subsidiary maintains Collateral having a book value in excess of One Hundred Thousand Dollars ($100,000.00);

(k) a duly executed legal opinion of counsel to Borrower dated as of the Effective Date;

(l) evidence satisfactory to Collateral Agent and the Lenders that the insurance policies required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements in favor of Collateral Agent, for the ratable benefit of the Lenders;

(m) a copy of any applicable Registration Rights Agreement or Investors' Rights Agreement and any amendments thereto;

(n) a payoff letter from Oxford in respect of Existing Indebtedness;

---

[*] = 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.

(o) evidence that (i) the Liens securing the Existing Indebtedness will be terminated and (ii) the documents and/or filings evidencing the perfection of such Liens, including without limitation any financing statements and/or Control Agreements, have or will, concurrently with the initial Credit Extension, be terminated;

(p) a subordination agreement, duly executed by each holder of Subordinated Debt, if any; and

(q) payment of the fees and Lenders' Expenses then due as specified in Section 2.5 hereof.

3.2 Conditions Precedent to all Credit Extensions. The obligation of each Lender to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) receipt by Collateral Agent of an executed Disbursement Letter in the form of Exhibit B attached hereto;

(b) the representations and warranties in Section 5 hereof shall be true, accurate and complete in all material respects on the date of the Disbursement Letter and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 hereof are true, accurate and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

(c) in such Lender's sole discretion, there has not been any Material Adverse Change;

(d) to the extent not delivered at the Effective Date, duly executed original Secured Promissory Notes and Warrants, in number, form and content acceptable to each Lender, and in favor of each Lender according to its Commitment Percentage, with respect to each Credit Extension made by such Lender after the Effective Date;

(e) if such Credit Extension is for Term B Loans, evidence, reasonably satisfactory to Collateral Agent of the occurrence of the First Revenue Event as determined at the end of the calendar month immediately preceding date of such Credit Extension for the twelve month period then ending;

(f) if such Credit Extension is for Term C Loans, evidence, reasonably satisfactory to Collateral Agent of the occurrence of the Second Revenue Event as determined at the end of the calendar month immediately preceding date of such Credit Extension for the twelve month period then ending; and

(g) payment of the fees and Lenders' Expenses then due as specified in Section 2.5 hereof.

3.3 Covenant to Deliver. Borrower agrees to deliver to Collateral Agent and the Lenders each item required to be delivered to Collateral Agent this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Collateral Agent or any Lender of any such item shall not constitute a waiver by Collateral Agent or any Lender of Borrower's obligation to deliver such item, and any such Credit Extension in the absence of a required item shall be made in each Lender's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of a Term Loan set forth in this Agreement, to obtain a Term Loan, Borrower shall notify the Lenders (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 noon Eastern time three (3)

---

[*] = 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.

3.5 Business Days prior to the date the Term Loan is to be made. Together with any such electronic, facsimile or telephonic notification, Borrower shall deliver to the Lenders by electronic mail or facsimile a completed Disbursement Letter executed by a Responsible Officer or his or her designee. The Lenders may rely on any telephone notice given by a person whom a Lender reasonably believes is a Responsible Officer or designee. On each Funding Date, each Lender shall credit and/or transfer (as applicable) to the Designated Deposit Account, an amount equal to its applicable Term Loan Commitment.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Collateral Agent, for the ratable benefit of the Lenders, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Collateral Agent, for the ratable benefit of the Lenders, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral, subject only to Permitted Liens that are permitted by the terms of this Agreement to have priority to Collateral Agent's Lien. If Borrower shall acquire a commercial tort claim (as defined in the Code), Borrower, shall promptly notify Collateral Agent in a writing signed by Borrower, as the case may be, of the general details thereof (and further details as may be required by Collateral Agent) and grant to Collateral Agent, for the ratable benefit of the Lenders, in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Collateral Agent.

If this Agreement is terminated, Collateral Agent's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as the Lenders' obligation to make Credit Extensions has terminated, Collateral Agent shall, at the sole cost and expense of Borrower, release its Liens in the Collateral and all rights therein shall revert to Borrower.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Collateral Agent to file financing statements or take any other action required to perfect Collateral Agent's security interests in the Collateral, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Collateral Agent's interest or rights under the Loan Documents, including a notice that any disposition of the Collateral, except to the extent permitted by the terms of this Agreement, by Borrower, or any other Person, shall be deemed to violate the rights of Collateral Agent under the Code.

5. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Collateral Agent and the Lenders as follows:

5.1 Due Organization, Authorization: Power and Authority. Borrower and each of its Subsidiaries is duly existing and in good standing as a Registered Organization in its jurisdictions of organization or formation and Borrower and each of its Subsidiaries is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its businesses or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a Material Adverse Change. In connection with this Agreement, Borrower and each of its Subsidiaries has delivered to Collateral Agent a completed perfection certificate signed by an officer of Borrower or such Subsidiary (each a "**Perfection Certificate**" and collectively, the "**Perfection Certificates**"). Borrower represents and warrants that (a) Borrower and each of its Subsidiaries' exact legal name is that which is indicated on its respective Perfection Certificate and on the signature page of each Loan Document to which it is a party; (b) Borrower and each of its Subsidiaries is an organization of the type and is organized in the jurisdiction set forth on its respective Perfection Certificate; (c) each Perfection Certificate accurately sets forth each of Borrower's and its Subsidiaries' organizational identification number or accurately states that Borrower or such Subsidiary has none; (d) each Perfection Certificate accurately sets forth Borrower's and each of its Subsidiaries' place of business, or, if more than one, its chief executive office as well as Borrower's and each of its Subsidiaries' mailing address (if different than its chief executive office); (e) Borrower and each of its Subsidiaries (and each of its respective predecessors) have not, in the past five (5) years, changed its jurisdiction of organization, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificates pertaining to Borrower and each of its Subsidiaries, is

---

[*] = 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.

accurate and complete (it being understood and agreed that Borrower and each of its Subsidiaries may from time to time update certain information in the Perfection Certificates (including the information set forth in clause (d) above) after the Effective Date to the extent permitted by one or more specific provisions in this Agreement); such updated Perfection Certificates subject to the review and approval of Collateral Agent. If Borrower or any of its Subsidiaries is not now a Registered Organization but later becomes one, Borrower shall notify Collateral Agent of such occurrence and provide Collateral Agent with such Person's organizational identification number within five (5) Business Days of receiving such organizational identification number.

The execution, delivery and performance by Borrower and each of its Subsidiaries of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's or such Subsidiaries' organizational documents, including its respective Operating Documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law applicable thereto, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or such Subsidiary, or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or are being obtained pursuant to Section 6.1(b), or (v) constitute an event of default under any material agreement by which Borrower or any of such Subsidiaries, or their respective properties, is bound. Neither Borrower nor any of its Subsidiaries is in default under any agreement to which it is a party or by which it or any of its assets is bound in which such default could reasonably be expected to have a Material Adverse Change.

5.2 Collateral.

(a) Borrower and each its Subsidiaries have good title to, have rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien under the Loan Documents, free and clear of any and all Liens except Permitted Liens, and neither Borrower nor any of its Subsidiaries have any Deposit Accounts, Securities Accounts, Commodity Accounts or other investment accounts other than the Collateral Accounts or the other investment accounts, if any, described in the Perfection Certificates delivered to Collateral Agent in connection herewith with respect of which Borrower or such Subsidiary has given Collateral Agent notice and taken such actions as are necessary to give Collateral Agent a perfected security interest therein, except for Excluded Bank Accounts. The Accounts reflected in the Borrower's financial statements or in any certificate or schedule provided by Borrower to Lender are bonafide, existing obligations of Account Debtors.

(b) On the Effective Date, and except as disclosed on the Perfection Certificate (i) the Collateral is not in the possession of any third party bailee (such as a warehouse), and (ii) no such third party bailee possesses components of the Collateral in excess of One Hundred Thousand Dollars ($100,000.00). None of the components of the Collateral shall be maintained at locations other than as disclosed in the Perfection Certificates on the Effective Date or as permitted pursuant to Section 6.11.

(c) All Inventory is in all material respects of good and marketable quality, free from material defects.

(d) Borrower and each of its Subsidiaries is the sole owner of the Intellectual Property each respectively purports to own, free and clear of all Liens other than Permitted Liens. Except as noted on the Perfection Certificates, neither Borrower nor any of its Subsidiaries is a party to, nor is bound by, any material license or other material agreement with respect to which Borrower or such Subsidiary is the licensee that (i) prohibits or otherwise restricts Borrower or its Subsidiaries from granting a security interest in Borrower's or such Subsidiaries' interest in such material license or material agreement or any other property, or (ii) for which a default under or termination of could interfere with Collateral Agent's or any Lender's right to sell any Collateral. Borrower shall provide written notice to Collateral Agent and each Lender within ten (10) days of Borrower or any of its Subsidiaries entering into or becoming bound by any license or agreement with respect to which Borrower or any Subsidiary is the licensee (other than over-the-counter software that is commercially available to the public).

5.3 Litigation. Except as disclosed (i) on the Perfection Certificates, or (ii) in accordance with Section 6.9 hereof, there are no actions, suits, investigations, or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than One Hundred Thousand Dollars ($100,000.00).

---

[*] = 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.

5.4 No Material Deterioration in Financial Condition; Financial Statements. All consolidated financial statements for Borrower and its Subsidiaries delivered to Collateral Agent fairly present, in conformity with GAAP, in all material respects the consolidated financial condition of Borrower and its Subsidiaries, and the consolidated results of operations of Borrower and its Subsidiaries. There has not been any material deterioration in the consolidated financial condition of Borrower and its Subsidiaries since the date of the most recent financial statements submitted to any Lender.

5.5 Solvency. Borrower and each of its Subsidiaries is Solvent.

5.6 Regulatory Compliance. Neither Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Neither Borrower nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Neither Borrower nor any of its Subsidiaries has violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a Material Adverse Change. Neither Borrower's nor any of its Subsidiaries' properties or assets has been used by Borrower or such Subsidiary or, to Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. Borrower and each of its Subsidiaries has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

None of Borrower, any of its Subsidiaries, or any of Borrower's or its Subsidiaries' Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. None of Borrower, any of its Subsidiaries, or to the knowledge of Borrower and any of their Affiliates or agents, acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law.

5.7 Investments. Neither Borrower nor any of its Subsidiaries owns any stock, shares, partnership interests or other equity securities except for Permitted Investments.

5.8 Tax Returns and Payments; Pension Contributions. Borrower and each of its Subsidiaries has timely filed all required tax returns and reports, and Borrower and each of its Subsidiaries, has timely paid all foreign, federal, state, and material local taxes, assessments, deposits and contributions owed by Borrower and such Subsidiaries, in all jurisdictions in which Borrower or any such Subsidiary is subject to taxes, including the United States, unless such taxes are being contested in accordance with the following sentence. Borrower and each of its Subsidiaries, may defer payment of any contested taxes, provided that Borrower or such Subsidiary, (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Collateral Agent in writing of the commencement of, and any material development in, the proceedings, and (c) posts bonds or takes any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "**Permitted Lien.**" Neither Borrower nor any of its Subsidiaries is aware of any claims or adjustments proposed for any of Borrower's or such Subsidiaries', prior tax years which could result in additional taxes becoming due and payable by Borrower or its Subsidiaries. Borrower and each of its Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and neither Borrower nor any of its Subsidiaries have, withdrawn from participation in, and have not permitted partial or complete termination of, or permitted the

---

[*] = 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.

occurrence of any other event with respect to, any such plan which could reasonably be expected o result in any liability of Borrower or its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

5.9 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions solely as working capital and to fund its general business requirements in accordance with the provisions of this Agreement, and not for personal, family, household or agricultural purposes. A portion of the proceeds of the Term A Loans shall be used by Borrower to repay the Existing Indebtedness in full on the Effective Date.

5.10 Full Disclosure. No written representation, warranty or other statement of Borrower or any of its Subsidiaries in any certificate or written statement given to Collateral Agent or any Lender, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Collateral Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.11 Definition of "Knowledge." For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of the Responsible Officers.

6. AFFIRMATIVE COVENANTS

Borrower shall, and shall cause each of its Subsidiaries to, do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of organization and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Change. Comply with all laws, ordinances and regulations to which Borrower or any of its Subsidiaries is subject, the noncompliance with which could reasonably be expected to have a Material Adverse Change.

(b) Obtain and keep in full force and effect, all of the material Governmental Approvals necessary for the performance by Borrower and its Subsidiaries of their respective businesses and obligations under the Loan Documents and the grant of a security interest to Collateral Agent for the ratable benefit of the Lenders, in all of the Collateral. Borrower shall promptly provide copies to Collateral Agent of any material Governmental Approvals obtained by Borrower or any of its Subsidiaries.

6.2 Financial Statements, Reports, Certificates.

(a) Deliver to each Lender:

(i) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated and consolidating balance sheet, income statement and cash flow statement covering the consolidated operations of Borrower and its Subsidiaries for such month certified by a Responsible Officer and in a form reasonably acceptable to Collateral Agent;

(ii) as soon as available, but no later than one hundred twenty (120) days after the last day of Borrower's fiscal year or within five (5) days of filing with the SEC, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm acceptable to Collateral Agent in its reasonable discretion;

---

[*] = 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.

(iii) as soon as available after approval thereof by Borrower's Board of Directors, but no later than ten (10) days after the last day of each of Borrower's fiscal years, Borrower's annual financial projections for the entire current fiscal year as approved by Borrower's Board of Directors, which annual financial projections shall be set forth in a month-by-month format (such annual financial projections as originally delivered to Collateral Agent and the Lenders are referred to herein as the "**Annual Projections**"; provided that, any revisions of the Annual Projections approved by Borrower's Board of Directors shall be delivered to Collateral Agent and the Lenders no later than seven (7) days after such approval);

(iv) within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or holders of Subordinated Debt in their capacities as such;

(v) in the event that Borrower becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days of filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission,

(vi) prompt notice of any amendments of or other changes to the capitalization table of Borrower and to the Operating Documents of Borrower or any of its Subsidiaries, together with any copies reflecting such amendments or changes with respect thereto;

(vii) any event that could reasonably be expected to materially and adversely affect the value of the Intellectual Property;

(viii) as soon as available, but no later than thirty (30) days after the last day of each month, copies of the month-end account statements for each Collateral Account maintained by Borrower or its Subsidiaries, which statements may be provided to Collateral Agent and each Lender by Borrower or directly from the applicable institution(s),

(ix) written notice to the Collateral Agent within five (5) days after any Key Person shall cease to be actively engaged in the management of Borrower; and

(x) other information as reasonably requested by Collateral Agent or any Lender.

Notwithstanding the foregoing, documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's website on the internet at Borrower's website address.

(b) Concurrently with the delivery of the financial statements specified in Section 6.2(a)(i) above but no later than thirty (30) days after the last day of each month, deliver to each Lender, a duly completed Compliance Certificate signed by a Responsible Officer.

(c) Keep proper books of record and account in accordance with GAAP in all material respects, in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities. Borrower shall, and shall cause each of its Subsidiaries to, allow, at the sole cost of Borrower, Collateral Agent or any Lender, during regular business hours upon reasonable prior notice (provided that no notice shall be required when an Event of Default has occurred and is continuing), to visit and inspect any of its properties, to examine and make abstracts or copies from any of its books and records, and to conduct a collateral audit and analysis of its operations and the Collateral. Such audits shall be conducted no more often than twice every year unless (and more frequently if) an Event of Default has occurred and is continuing.

6.3 Inventory; Returns. Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower, or any of its Subsidiaries, and their respective Account Debtors shall follow Borrower's, or such Subsidiary's, customary practices as they exist at the Effective Date. Borrower must promptly notify Collateral Agent and the Lenders of all returns, recoveries, disputes and claims by customers that involve more than Two Hundred Fifty Thousand Dollars ($250,000.00) individually or in the aggregate in any calendar year.

---

[*] = 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.

6.4 Taxes; Pensions. Timely file and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely file, all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower or its Subsidiaries, and shall deliver to Lenders, on demand, appropriate certificates attesting to such payments, except for deferred payment of any taxes contested pursuant to the terms of Section 5.8 hereof, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with the terms of such plans.

6.5 Insurance. Keep Borrower's and its Subsidiaries' business and the Collateral insured for risks and in amounts standard for companies in Borrower's and its Subsidiaries' industry and location and as Collateral Agent may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are reasonably satisfactory to Collateral Agent and Lenders. All property policies shall have a lender's loss payable endorsement showing Collateral Agent as lender loss payee and waive subrogation against Collateral Agent, and all liability policies shall show, or have endorsements showing, Collateral Agent, as additional insured. The Collateral Agent shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral, and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Collateral Agent, that it will give the Collateral Agent thirty (30) days prior written notice before any such policy or policies shall be materially altered or canceled. At Collateral Agent's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Collateral Agent's option, be payable to Collateral Agent, for the ratable benefit of the Lenders, on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to Five Hundred Thousand Dollars ($500,000.00) with respect to any loss, but not exceeding Five Hundred Thousand Dollars ($500,000.00), in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Collateral Agent has been granted a first priority security interest (subject to Permitted Liens that are permitted by the terms of this Agreement to have priority to Collateral Agent's Lien), and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Collateral Agent, be payable to Collateral Agent, for the ratable benefit of the Lenders, on account of the Obligations. If Borrower or any of its Subsidiaries fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons, Collateral Agent and/or any Lender may make, at Borrower's expense, all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Collateral Agent or such Lender deems prudent.

6.6 Operating Accounts. Except for Excluded Bank Accounts:

(a) Maintain all of Borrower's and its Subsidiaries' Collateral Accounts with Comerica Bank or Silicon Valley Bank in accounts which are subject to a Control Agreement in favor of Collateral Agent.

(b) Borrower shall provide Collateral Agent five (5) days' prior written notice before Borrower or any of its Subsidiaries establishes any Collateral Account at or with any Person other than Comerica Bank or Silicon Valley Bank. In addition, for each Collateral Account that Borrower or any of its Subsidiaries, at any time maintains, Borrower or such Subsidiary shall cause the applicable bank or financial institution at or with which such Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Collateral Agent's Lien in such Collateral Account in accordance with the terms hereunder prior to the establishment of such Collateral Account, which Control Agreement may not be terminated without prior written consent of Collateral Agent.

(c) Neither Borrower nor any of its Subsidiaries shall maintain any Collateral Accounts except Collateral Accounts maintained in accordance with Sections 6.6(a) and (b).

(d) Notwithstanding anything herein to the contrary, Borrower shall terminate its deposit account numbered *******675, maintained with Comerica Bank, on or before May 12, 2017 and provide evidence

---

[*] = 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.

of such termination (which must be reasonably acceptable to Collateral Agent) to Collateral Agent promptly following such termination. During the period commencing on the Effective Date and ending with the termination of such deposit account, Borrower shall not make any deposits to such deposit account and the balance in such deposit account may not exceed Two Million Five Hundred Thousand Dollars ($2,500,000.00).

6.7 Protection of Intellectual Property Rights. Borrower and each of its Subsidiaries shall: (a) use commercially reasonable efforts to protect, defend and maintain the validity and enforceability of its Intellectual Property that is material to Borrower's business; (b) promptly advise Collateral Agent in writing upon obtaining knowledge of material infringement by a third party of its Intellectual Property; and (c) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Collateral Agent's prior written consent.

6.8 Litigation Cooperation. Commencing on the Effective Date and continuing through the termination of this Agreement, make available to Collateral Agent and the Lenders, without expense to Collateral Agent or the Lenders, Borrower and each of Borrower's officers, employees and agents and Borrower's Books, to the extent that Collateral Agent or any Lender may reasonably deem them necessary to prosecute or defend any third-party suit or proceeding instituted by or against Collateral Agent or any Lender with respect to any Collateral or relating to Borrower.

6.9 Notices of Litigation and Default. Borrower will give prompt written notice to Collateral Agent and the Lenders of any litigation or governmental proceedings pending or threatened (in writing) against Borrower or any of its Subsidiaries, which could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of One Hundred Thousand Dollars ($100,000.00) or more or which could reasonably be expected to have a Material Adverse Change. Without limiting or contradicting any other more specific provision of this Agreement, promptly (and in any event within three (3) Business Days) upon Borrower becoming aware of the existence of any Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default, Borrower shall give written notice to Collateral Agent and the Lenders of such occurrence, which such notice shall include a reasonably detailed description of such Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

6.10 Performance To Plan. Borrower must achieve consolidated twelve months' trailing revenues (as measured at the end of each fiscal month) from the sale of its products and services related to its products of at least seventy-five percent (75.00%) of the target set forth for such twelve-month period in the Revenue Plan, as determined by Collateral Agent based upon written evidence reasonably satisfactory to Collateral Agent.

The parties acknowledge that the Revenue Plan attached to this Agreement on the Effective Date only covers fiscal months from January 2017 through December 2018. Borrower hereby covenants to deliver to Collateral Agent, on or before the thirty-first (31st) day of each fiscal year of Borrower, an updated Revenue Plan that shall be in the same format as the Revenue Plan attached hereto on the Effective Date and shall also include revenue projections for each month of the then immediately following fiscal year; provided, however, the aggregate consolidated projected revenue (from the sale of Borrower's products and services related to Borrower's products) for the then immediately following fiscal year included in such updated Revenue Plan shall be equal to or greater than the aggregate consolidated projected revenue (from the sale of Borrower's products and services related to Borrower's products) for the then current fiscal year (as set forth in the Revenue Plan then in effect); provided, further, that such updated Revenue Plan shall not amend any of the projections set forth in the Revenue Plan then in effect. Upon Collateral Agent's receipt of such updated Revenue Plan, such updated Revenue Plan shall replace the Revenue Plan then attached hereto and all references to "Revenue Plan" herein shall automatically become references to such updated Revenue Plan.

For the purposes of compliance with this Section 6.10, Revenue Plan is distinct and independent from Annual Projections.

6.11 Landlord Waivers; Bailee Waivers. In the event that Borrower or any of its Subsidiaries, after the Effective Date, intends to add any new offices or business locations, including warehouses, or otherwise store any portion of the Collateral with, or deliver any portion of the Collateral to, a bailee, in each case pursuant to Section 7.2, then Borrower or such Subsidiary will provide prior written notice to the Collateral Agent and, in the

---

[*] = 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.

event that the Collateral at any new location is valued in excess of One Hundred Thousand ($100,000.00) in the aggregate, such bailee or landlord, as applicable, must execute and deliver a bailee waiver or landlord waiver, as applicable, in form and substance reasonably satisfactory to Collateral Agent prior to the addition of any new offices or business locations, or any such storage with or delivery to any such bailee, as the case may be.

6.12 Creation/Acquisition of Subsidiaries. In the event Borrower, or any of its Subsidiaries creates or acquires any Subsidiary, Borrower shall provide prior written notice to Collateral Agent and each Lender of the creation or acquisition of such new Subsidiary and take all such action as may be reasonably required by Collateral Agent or any Lender to cause each such Subsidiary to become a co-Borrower hereunder or to guarantee the Obligations of Borrower under the Loan Documents and, in each case, grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto); and Borrower (or its Subsidiary, as applicable) shall grant and pledge to Collateral Agent, for the ratable benefit of the Lenders, a perfected security interest in the stock, units or other evidence of ownership of each such newly created Subsidiary; provided, however, that solely in the circumstance in which Borrower or any Subsidiary creates or acquires a Foreign Subsidiary in an acquisition permitted by Section 7.7 hereof or otherwise approved by the Required Lenders, (i) such Foreign Subsidiary shall not be required to guarantee the Obligations of Borrower under the Loan Documents and grant a continuing pledge and security interest in and to the assets of such Foreign Subsidiary, and (ii) Borrower shall not be required to grant and pledge to Collateral Agent, for the ratable benefit of Lenders, a perfected security interest in more than sixty-five percent (65%) of the stock, units or other evidence of ownership of such Foreign Subsidiary if Borrower demonstrates to the reasonable satisfaction of Collateral Agent that such Foreign Subsidiary providing such guarantee or pledge and security interest or Borrower providing a perfected security interest in more than sixty-five percent (65%) of the stock, units or other evidence of ownership would create a present and existing adverse tax consequence to Borrower under the U.S. Internal Revenue Code.

6.13 Further Assurances.

(a) Execute any further instruments and take further action as Collateral Agent reasonably requests to perfect or continue Collateral Agent's Lien in the Collateral or to effect the purposes of this Agreement.

(b) Deliver to Collateral Agent and Lenders, within five (5) days after the same are sent or received, copies of all material correspondence, reports, documents and other filings with any Governmental Authority that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals material to Borrower's business or otherwise could reasonably be expected to have a Material Adverse Change.

7. NEGATIVE COVENANTS

Borrower shall not, and shall not permit any of its Subsidiaries to, do any of the following without the prior written consent of the Required Lenders:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn out or obsolete Equipment; and (c) in connection with Permitted Liens, Permitted Investments and Permitted Licenses.

7.2 Changes in Business, Management, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses engaged in by Borrower as of the Effective Date or reasonably related thereto; (b) liquidate or dissolve; or (c) enter into any transaction or series of related transactions in which the stockholders of Borrower who were not stockholders immediately prior to the first such transaction own fifty percent (50%) or more of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower's equity securities in a public offering, a private placement of public equity or to venture capital investors so long as Borrower identifies to Collateral Agent the venture capital investors prior to the closing of the transaction). Borrower shall not, without at least thirty (30) days' prior written notice to Collateral Agent: (A) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than One Hundred Thousand Dollars ($100,000.00) in assets or property of Borrower or any of its Subsidiaries); (B) change its jurisdiction of organization, (C) change its organizational structure or type, (D) change its legal name, or (E) change any organizational number (if any) assigned by its jurisdiction of organization.

---

[*] = 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.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, shares or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary (provided such surviving Subsidiary is a "co-Borrower" hereunder or has provided a secured Guaranty of Borrower's Obligations hereunder) or with (or into) Borrower provided Borrower is the surviving legal entity, and as long as no Event of Default is occurring prior thereto or arises as a result therefrom.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein (except for Permitted Liens that are permitted by the terms of this Agreement to have priority to Collateral Agent's Lien), or enter into any agreement, document, instrument or other arrangement (except with or in favor of Collateral Agent, for the ratable benefit of the Lenders) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower, or any of its Subsidiaries, from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or such Subsidiary's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "**Permitted Liens**" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6 hereof.

7.7 Distributions; Investments. (a) Pay any dividends (other than dividends payable solely in capital stock) or make any distribution or payment in respect of or redeem, retire or purchase any capital stock (other than (i) repurchases pursuant to the terms of employee stock purchase plans, employee restricted stock agreements, stockholder rights plans, director or consultant stock option plans, or similar plans, provided such repurchases do not exceed Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate per fiscal year and (ii) payments of cash in lieu issuing fractional shares upon the conversion of Borrower's subordinated convertible debt, provided, however, that the aggregate amount of such payments does not exceed Fifty Thousand Dollars ($50,000.00)) or (b) directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower or any of its Subsidiaries, except for (a) transactions that are in the ordinary course of Borrower's or such Subsidiary's business, upon fair and reasonable terms that are no less favorable to Borrower or such Subsidiary than would be obtained in an arm's length transaction with a non-affiliated Person, and (b) Subordinated Debt or equity investments by Borrower's investors in Borrower or its Subsidiaries.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to the Lenders.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, or permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a Material Adverse Change, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred

---

[*] = 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.

compensation plan which could reasonably be expected to result in any liability of Borrower or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

7.11 Compliance with Anti-Terrorism Laws. Collateral Agent hereby notifies Borrower and each of its Subsidiaries that pursuant to the requirements of Anti-Terrorism Laws, and Collateral Agent's policies and practices, Collateral Agent is required to obtain, verify and record certain information and documentation that identifies Borrower and each of its Subsidiaries and their principals, which information includes the name and address of Borrower and each of its Subsidiaries and their principals and such other information that will allow Collateral Agent to identify such party in accordance with Anti-Terrorism Laws. Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Borrower and each of its Subsidiaries shall immediately notify Collateral Agent if Borrower or such Subsidiary has knowledge that Borrower, or any Subsidiary or Affiliate of Borrower, is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering. Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries, permit any Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

8. EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace period shall not apply to payments due on the Maturity Date or the date of acceleration pursuant to Section 9.1 (a) hereof). During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower or any of its Subsidiaries fails or neglects to perform any obligation in Sections 6.2 (Financial Statements, Reports, Certificates), 6.4 (Taxes), 6.5 (Insurance), 6.6 (Operating Accounts), 6.7 (Protection of Intellectual Property Rights), 6.9 (Notice of Litigation and Default), 6.10 (Performance To Plan), 6.11 (Landlord Waivers; Bailee Waivers) or 6.12 (Creation/Acquisition of Subsidiaries) or Borrower violates any covenant in Section 7; or

(b) Borrower, or any of its Subsidiaries, fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within twenty (20) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the twenty (20) day period or cannot after diligent attempts by Borrower be cured within such twenty (20) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed forty (40) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this Section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

---

[*] = 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.

8.4 Attachment; Levy; Restraint on Business.

(a) ((i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or any of its Subsidiaries or of any entity under control of Borrower or its Subsidiaries on deposit with any Lender or any Lender's Affiliate or any bank or other institution at which Borrower or any of its Subsidiaries maintains a Collateral Account, or (ii) a notice of lien, levy, or assessment is filed against Borrower or any of its Subsidiaries or their respective assets by any government agency, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; and

(b) (i) any material portion of Borrower's or any of its Subsidiaries' assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower or any of its Subsidiaries from conducting any part of its business;

8.5 Insolvency. (a) Borrower or any of its Subsidiaries is or becomes Insolvent; (b) Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower or any of its Subsidiaries and not dismissed or stayed within forty-five (45) days (but no Credit Extensions shall be made while Borrower or any Subsidiary is Insolvent and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default in any agreement to which Borrower or any of its Subsidiaries is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of One Hundred Thousand Dollars ($100,000.00) or that could reasonably be expected to have a Material Adverse Change;

8.7 Judgments. One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least One Hundred Thousand Dollars ($100,000.00) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower or any of its Subsidiaries and shall remain unsatisfied, unvacated, or unstayed for a period of ten (10) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction, vacation, or stay of such judgment, order or decree);

8.8 Misrepresentations. Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Collateral Agent and/or Lenders or to induce Collateral Agent and/or the Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. A default or breach occurs under any agreement governing obligations of the Borrower or any of its Subsidiaries that have been subordinated to the obligations of Borrower hereunder pursuant to a subordination, intercreditor, or other similar agreement with Collateral Agent or the Lenders, or any creditor that has signed such an agreement with Collateral Agent or the Lenders breaches any terms of such agreement;

8.10 Governmental Approvals. Any Governmental Approval shall have been revoked, rescinded, suspended, modified in an adverse manner, or not renewed in the ordinary course for a full term and such revocation, rescission, suspension, modification or non-renewal has resulted in or could reasonably be expected to result in a Material Adverse Change; or

8.11 Lien Priority. Any Lien created hereunder or by any other Loan Document shall at any time fail to constitute a valid and perfected Lien on any of the Collateral purported to be secured thereby, subject to no prior or equal Lien, other than Permitted Liens that are permitted by the terms of this Agreement to have priority to Collateral Agent's Lien.

9. RIGHTS AND REMEDIES

9.1 Rights and Remedies.

---

[*] = 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.

(a) Upon the occurrence and during the continuance of an Event of Default, Collateral Agent may, and at the written direction of Required Lenders shall, without notice or demand, do any or all of the following: (i) deliver notice of the Event of Default to Borrower, (ii) by notice to Borrower declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations shall be immediately due and payable without any action by Collateral Agent or the Lenders) or (iii) by notice to Borrower suspend or terminate the obligations, if any, of the Lenders to advance money or extend credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders (but if an Event of Default described in Section 8.5 occurs all obligations, if any, of the Lenders to advance money or extend credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders shall be immediately terminated without any action by Collateral Agent or the Lenders).

(b) Without limiting the rights of Collateral Agent and the Lenders set forth in Section 9.1(a) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right at the written direction of the Required Lenders, without notice or demand, to do any or all of the following:

(i) foreclose upon and/or sell or otherwise liquidate, the Collateral;

(ii) apply to the Obligations any (a) balances and deposits of Borrower that Collateral Agent or any Lender holds or controls, or (b) any amount held or controlled by Collateral Agent or any Lender owing to or for the credit or the account of Borrower; and/or

(iii) commence and prosecute an Insolvency Proceeding or consent to Borrower commencing any Insolvency Proceeding.

(c) Without limiting the rights of Collateral Agent and the Lenders set forth in Sections 9.1(a) and (b) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right, without notice or demand, to do any or all of the following:

(i) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Collateral Agent considers advisable, notify any Person owing Borrower money of Collateral Agent's security interest in such funds, and verify the amount of such account;

(ii) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Collateral Agent requests and make it available in a location as Collateral Agent reasonably designates. Collateral Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Collateral Agent a license to enter and occupy any of its premises, without charge, to exercise any of Collateral Agent's rights or remedies;

(iii) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, and/or advertise for sale, the Collateral. Collateral Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's and each of its Subsidiaries' labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Collateral Agent's exercise of its rights under this Section 9.1, Borrower's and each of its Subsidiaries' rights under all licenses and all franchise agreements inure to Collateral Agent, for the benefit of the Lenders;

(iv) place a "hold" on any account maintained with Collateral Agent or the Lenders and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(v) demand and receive possession of Borrower's Books;

---

[*] = 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.

(vi) appoint a receiver to seize, manage and realize any of the Collateral, and such receiver shall have any right and authority as any competent court will grant or authorize in accordance with any applicable law, including any power or authority to manage the business of Borrower or any of its Subsidiaries; and

(vii) subject to clauses 9.1(a) and (b), exercise all rights and remedies available to Collateral Agent and each Lender under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

Notwithstanding any provision of this Section 9.1 to the contrary, upon the occurrence of any Event of Default, Collateral Agent shall have the right to exercise any and all remedies referenced in this Section 9.1 without the written consent of Required Lenders following the occurrence of an Exigent Circumstance. As used in the immediately preceding sentence, "**Exigent Circumstance**" means any event or circumstance that, in the reasonable judgment of Collateral Agent, imminently threatens the ability of Collateral Agent to realize upon all or any material portion of the Collateral, such as, without limitation, fraudulent removal, concealment, or abscondment thereof, destruction or material waste thereof, or failure of Borrower or any of its Subsidiaries after reasonable demand to maintain or reinstate adequate casualty insurance coverage, or which, in the judgment of Collateral Agent, could reasonably be expected to result in a material diminution in value of the Collateral.

9.2 Power of Attorney. Borrower hereby irrevocably appoints Collateral Agent as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's or any of its Subsidiaries' name on any checks or other forms of payment or security; (b) sign Borrower's or any of its Subsidiaries' name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Collateral Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Collateral Agent or a third party as the Code or any applicable law permits. Borrower hereby appoints Collateral Agent as its lawful attorney-in-fact to sign Borrower's or any of its Subsidiaries' name on any documents necessary to perfect or continue the perfection of Collateral Agent's security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations (other than inchoate indemnity obligations) have been satisfied in full and Collateral Agent and the Lenders are under no further obligation to make Credit Extensions hereunder. Collateral Agent's foregoing appointment as Borrower's or any of its Subsidiaries' attorney in fact, and all of Collateral Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations (other than inchoate indemnity obligations) have been fully repaid and performed and Collateral Agent's and the Lenders' obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower or any of its Subsidiaries fail to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower or any of its Subsidiaries is obligated to pay under this Agreement or any other Loan Document, Collateral Agent may obtain such insurance or make such payment, and all amounts so paid by Collateral Agent are Lenders' Expenses and immediately due and payable, bearing interest at the Default Rate, and secured by the Collateral. Collateral Agent will make reasonable efforts to provide Borrower with notice of Collateral Agent obtaining such insurance or making such payment at the time it is obtained or paid or within a reasonable time thereafter. No such payments by Collateral Agent are deemed an agreement to make similar payments in the future or Collateral Agent's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) Borrower irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Collateral Agent from or on behalf of Borrower or any of its Subsidiaries of all or any part of the Obligations, and, as between Borrower on the one hand and Collateral Agent and Lenders on the other, Collateral Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received against the Obligations in such manner as Collateral Agent may deem advisable notwithstanding any previous application by Collateral Agent, and (b) the proceeds of any sale of, or other realization upon all or any part of the Collateral shall be applied: first, to the Lenders' Expenses; second, to accrued and unpaid interest on the Obligations (including any interest which, but for

---

[*] = 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.

the provisions of the United States Bankruptcy Code, would have accrued on such amounts); third, to the principal amount of the Obligations outstanding; and fourth, to any other indebtedness or obligations of Borrower owing to Collateral Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrower or to whoever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category, and (y) each of the Persons entitled to receive a payment in any particular category shall receive an amount equal to its pro rata share of amounts available to be applied pursuant thereto for such category. Any reference in this Agreement to an allocation between or sharing by the Lenders of any right, interest or obligation "ratably," "proportionally" or in similar terms shall refer to Pro Rata Share unless expressly provided otherwise. Collateral Agent, or if applicable, each Lender, shall promptly remit to the other Lenders such sums as may be necessary to ensure the ratable repayment of each Lender's portion of any Term Loan and the ratable distribution of interest, fees and reimbursements paid or made by Borrower. Notwithstanding the foregoing, a Lender receiving a scheduled payment shall not be responsible for determining whether the other Lenders also received their scheduled payment on such date; provided, however, if it is later determined that a Lender received more than its ratable share of scheduled payments made on any date or dates, then such Lender shall remit to Collateral Agent or other Lenders such sums as may be necessary to ensure the ratable payment of such scheduled payments, as instructed by Collateral Agent. If any payment or distribution of any kind or character, whether in cash, properties or securities, shall be received by a Lender in excess of its ratable share, then the portion of such payment or distribution in excess of such Lender's ratable share shall be received by such Lender in trust for and shall be promptly paid over to the other Lender for application to the payments of amounts due on the other Lenders' claims. To the extent any payment for the account of Borrower is required to be returned as a voidable transfer or otherwise, the Lenders shall contribute to one another as is necessary to ensure that such return of payment is on a pro rata basis. If any Lender shall obtain possession of any Collateral, it shall hold such Collateral for itself and as agent and bailee for Collateral Agent and other Lenders for purposes of perfecting Collateral Agent's security interest therein.

9.5 Liability for Collateral. So long as Collateral Agent and the Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Collateral Agent and the Lenders, Collateral Agent and the Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Failure by Collateral Agent or any Lender, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Collateral Agent or any Lender thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Collateral Agent and the Required Lenders and then is only effective for the specific instance and purpose for which it is given. The rights and remedies of Collateral Agent and the Lenders under this Agreement and the other Loan Documents are cumulative. Collateral Agent and the Lenders have all rights and remedies provided under the Code, any applicable law, by law, or in equity. The exercise by Collateral Agent or any Lender of one right or remedy is not an election, and Collateral Agent's or any Lender's waiver of any Event of Default is not a continuing waiver. Collateral Agent's or any Lender's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives, to the fullest extent permitted by law, demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Collateral Agent or any Lender on which Borrower or any Subsidiary is liable.

10. NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**") by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission; (c) one (1) Business Day after deposit

---

[*] = 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.

with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Any of Collateral Agent, Lender or Borrower may change its mailing address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:	NEURONETICS, INC. 3222 Phoenixville Pike Malvern, Pennsylvania 19355 Attn: Mark Bausinger Fax: (610) 640-4206 Email: MBausinger@neuronetics.com
with a copy (which shall not constitute notice) to:	Pepper Hamilton LLP 3000 Two Logan Square Eighteenth and Arch Streets Philadelphia , Pennsylvania 19103 Attn: J. Bradley Boericke, Esq. Fax: (215) 981-4750 Email: boerickej@pepperlaw.com
If to Collateral Agent:	OXFORD FINANCE LLC 133 North Fairfax Street Alexandria, Virginia 22314 Attention: Legal Department Fax: (703) 519-5225 Email: LegalDepartment@oxfordfinance.com
with a copy (which shall not constitute notice) to:	Greenberg Traurig, LLP One International Place Boston, MA 02110 Attn: Jonathan Bell, Esq. Fax: (617) 310-6001 Email: bellj@gtlaw.com

11. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

New York law governs the Loan Documents without regard to principles of conflicts of law. Borrower, Lenders and Collateral Agent each submit to the exclusive jurisdiction of the State and Federal courts in the City of New York, Borough of Manhattan. NOTWITHSTANDING THE FOREGOING, COLLATERAL AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH COLLATERAL AGENT AND THE LENDERS (IN ACCORDANCE WITH THE PROVISIONS OF SECTION 9.1) DEEM NECESSARY OR APPROPRIATE TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE COLLATERAL AGENT'S AND THE LENDERS' RIGHTS AGAINST BORROWER OR ITS PROPERTY. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, first class, registered or certified mail return receipt requested, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER, COLLATERAL AGENT, AND THE LENDERS EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR

---

[*] = 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.

CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH PARTY TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12. GENERAL PROVISIONS

12.1 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not transfer, pledge or assign this Agreement or any rights or obligations under it without Collateral Agent's and each Lender's prior written consent (which may be granted or withheld in Collateral Agent's and each Lender's discretion, subject to Section 12.6). The Lenders have the right, without the consent of or notice to Borrower, to sell, transfer, assign, pledge, negotiate, or grant participation in (any such sale, transfer, assignment, negotiation, or grant of a participation, a "**Lender Transfer**") all or any part of, or any interest in, the Lenders' obligations, rights, and benefits under this Agreement and the other Loan Documents; *provided*, *however*, that any such Lender Transfer (other than a transfer, pledge, sale or assignment to an Eligible Assignee) of its obligations, rights, and benefits under this Agreement and the other Loan Documents shall require the prior written consent of the Required Lenders (such approved assignee, an "**Approved Lender**"). Borrower and Collateral Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned until Collateral Agent shall have received and accepted an effective assignment agreement in form satisfactory to Collateral Agent executed, delivered and fully completed by the applicable parties thereto, and shall have received such other information regarding such Eligible Assignee or Approved Lender as Collateral Agent reasonably shall require. Notwithstanding anything to the contrary contained herein, so long as no Event of Default has occurred and is continuing, no Lender Transfer (other than a Lender Transfer (i) in respect of the Warrants or (ii) in connection with (x) assignments by a Lender due to a forced divestiture at the request of any regulatory agency; or (y) upon the occurrence of a default, event of default or similar occurrence with respect to a Lender's own financing or securitization transactions) shall be permitted, without Borrower's consent, to any Person which is an Affiliate or Subsidiary of Borrower, a direct competitor of Borrower or a vulture hedge fund, each as determined by Collateral Agent.

12.2 Indemnification. Borrower agrees to indemnify, defend and hold Collateral Agent and the Lenders and their respective directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Collateral Agent or the Lenders (each, an "**Indemnified Person**") harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other party in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents; and (b) all losses or Lenders' Expenses incurred, or paid by Indemnified Person in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents between Collateral Agent, and/or the Lenders and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct. Borrower hereby further indemnifies, defends and holds each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnified Person) in connection with any investigative, response, remedial, administrative or judicial matter or proceeding, whether or not such Indemnified Person shall be designated a party thereto and including any such proceeding initiated by or on behalf of Borrower, and the reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and any commission, fee or compensation claimed by any broker (other than any broker retained by Collateral Agent or Lenders) asserting any right to payment for the transactions contemplated hereby which may be imposed on, incurred by or asserted against such Indemnified Person as a result of or in connection with the transactions contemplated hereby and the use or intended use of the proceeds of the loan proceeds except for liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements directly caused by such Indemnified Person's gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

---

[*] = 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.

12.5 Correction of Loan Documents. Collateral Agent and the Lenders may correct patent errors and fill in any blanks in this Agreement and the other Loan Documents consistent with the agreement of the parties.

12.6 Amendments in Writing; Integration. (a) No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, or any consent to any departure by Borrower or any of its Subsidiaries therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, Collateral Agent and the Required Lenders provided that:

(i) no such amendment, waiver or other modification that would have the effect of increasing or reducing a Lender's Term Loan Commitment or Commitment Percentage shall be effective as to such Lender without such Lender's written consent;

(ii) no such amendment, waiver or modification that would affect the rights and duties of Collateral Agent shall be effective without Collateral Agent's written consent or signature;

(iii) no such amendment, waiver or other modification shall, unless signed by all the Lenders directly affected thereby, (A) reduce the principal of, rate of interest on or any fees with respect to any Term Loan or forgive any principal, interest (other than default interest) or fees (other than late charges) with respect to any Term Loan (B) postpone the date fixed for, or waive, any payment of principal of any Term Loan or of interest on any Term Loan (other than default interest) or any fees provided for hereunder (other than late charges or for any termination of any commitment); (C) change the definition of the term "**Required Lenders**" or the percentage of Lenders which shall be required for the Lenders to take any action hereunder; (D) release all or substantially all of any material portion of the Collateral, authorize Borrower to sell or otherwise dispose of all or substantially all or any material portion of the Collateral or release any Guarantor of all or any portion of the Obligations or its guaranty obligations with respect thereto, except, in each case with respect to this clause (D), as otherwise may be expressly permitted under this Agreement or the other Loan Documents (including in connection with any disposition permitted hereunder); (E) amend, waive or otherwise modify this Section 12.6 or the definitions of the terms used in this Section 12.6 insofar as the definitions affect the substance of this Section 12.6; (F) consent to the assignment, delegation or other transfer by Borrower of any of its rights and obligations under any Loan Document or release Borrower of its payment obligations under any Loan Document, except, in each case with respect to this clause (F), pursuant to a merger or consolidation permitted pursuant to this Agreement; (G) amend any of the provisions of Section 9.4 or amend any of the definitions of Pro Rata Share, Term Loan Commitment, Commitment Percentage or that provide for the Lenders to receive their Pro Rata Shares of any fees, payments, setoffs or proceeds of Collateral hereunder; (H) subordinate the Liens granted in favor of Collateral Agent securing the Obligations; or (I) amend any of the provisions of Section 12.10. It is hereby understood and agreed that all Lenders shall be deemed directly affected by an amendment, waiver or other modification of the type described in the preceding clauses (C), (D), (E), (F), (G) and (H) of the preceding sentence;

(iv) the provisions of the foregoing clauses (i), (ii) and (iii) are subject to the provisions of any interlender or agency agreement among the Lenders and Collateral Agent pursuant to which any Lender may agree to give its consent in connection with any amendment, waiver or modification of the Loan Documents only in the event of the unanimous agreement of all Lenders.

(b) This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.8 Survival. All covenants, representations and warranties made in this Agreement continue in full force and effect until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.2 to indemnify each Lender and Collateral Agent, as well as the confidentiality provisions in Section 12.9 below, shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

---

[*] = 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.

12.9 Confidentiality. In handling any confidential information of Borrower, the Lenders and Collateral Agent shall exercise the same degree of care that it exercises for their own proprietary information, but disclosure of information may be made: (a) subject to the terms and conditions of this Agreement, to the Lenders' and Collateral Agent's Subsidiaries or Affiliates, or in connection with a Lender's own financing or securitization transactions and upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction; (b) to prospective transferees (other than those identified in (a) above) or purchasers of any interest in the Credit Extensions (provided, however, the Lenders and Collateral Agent shall, except upon the occurrence and during the continuance of an Event of Default, obtain such prospective transferee's or purchaser's agreement to the terms of this provision or to similar confidentiality terms); (c) as required by law, regulation, subpoena, or other order; (d) to Lenders' or Collateral Agent's regulators or as otherwise required in connection with an examination or audit; (e) as Collateral Agent reasonably considers appropriate in exercising remedies under the Loan Documents; and (f) to third party service providers of the Lenders and/or Collateral Agent so long as such service providers have executed a confidentiality agreement with the Lenders and Collateral Agent with terms no less restrictive than those contained herein. Confidential information does not include information that either: (i) is in the public domain or in the Lenders' and/or Collateral Agent's possession when disclosed to the Lenders and/or Collateral Agent, or becomes part of the public domain after disclosure to the Lenders and/or Collateral Agent; or (ii) is disclosed to the Lenders and/or Collateral Agent by a third party, if the Lenders and/or Collateral Agent does not know that the third party is prohibited from disclosing the information. Collateral Agent and the Lenders may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis. The provisions of the immediately preceding sentence shall survive the termination of this Agreement. The agreements provided under this Section 12.9 supersede all prior agreements, understanding, representations, warranties, and negotiations between the parties about the subject matter of this Section 12.9.

12.10 Right of Set Off. Borrower hereby grants to Collateral Agent and to each Lender, a lien, security interest and right of set off as security for all Obligations to Collateral Agent and each Lender hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Collateral Agent or the Lenders or any entity under the control of Collateral Agent or the Lenders (including a Collateral Agent affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Collateral Agent or the Lenders may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE COLLATERAL AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.11 Cooperation of Borrower. If necessary, Borrower agrees to (i) execute any documents (including new Secured Promissory Notes) reasonably required to effectuate and acknowledge each assignment of a Term Loan Commitment or Loan to an assignee in accordance with Section 12.1, (ii) make Borrower's management available to meet with Collateral Agent and prospective participants and assignees of Term Loan Commitments or Credit Extensions (which meetings shall be conducted no more often than twice every twelve months unless an Event of Default has occurred and is continuing), and (iii) assist Collateral Agent or the Lenders in the preparation of information relating to the financial affairs of Borrower as any prospective participant or assignee of a Term Loan Commitment or Term Loan reasonably may request. Subject to the provisions of Section 12.9, Borrower authorizes each Lender to disclose to any prospective participant or assignee of a Term Loan Commitment, any and all information in such Lender's possession concerning Borrower and its financial affairs which has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement, or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower prior to entering into this Agreement.

---

[*] = 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.

13. DEFINITIONS

13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"**Account**" is any "account" as defined in the Code and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"**Account Debtor**" is any "account debtor" as defined in the Code.

"**Affiliate**" of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Agreement**" is defined in the preamble hereof.

"**Amortization Date**" is (i) April 1, 2019, if either the Term B Loans are not made hereunder or the Second Revenue I/O Extension Event does not occur, and (ii) April 1, 2020 if the Term B Loans are made hereunder and the Second Revenue I/O Extension Event occurs.

"**Annual Projections**" is defined in Section 6.2(a).

"**Anti-Terrorism Laws**" are any laws relating to terrorism or money laundering, including Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

"**Approved Fund**" is any (i) investment company, fund, trust, securitization vehicle or conduit that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business or (ii) any Person (other than a natural person) which temporarily warehouses loans for any Lender or any entity described in the preceding clause (i) and that, with respect to each of the preceding clauses (i) and (ii), is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) a Person (other than a natural person) or an Affiliate of a Person (other than a natural person) that administers or manages a Lender.

"**Approved Lender**" is defined in Section 12.1.

"**Basic Rate**" is with respect to the Term Loan, the per annum rate of interest (based on a year of three hundred sixty (360) days) equal to the greater of (a) Eight and Fifteen Hundredths percent (8.15%) and (b) the sum of (i) the greater of (A) the thirty (30) day U.S. LIBOR reported in The Wall Street Journal on the last Business Day of the month that immediately precedes the month in which the interest will accrue and (B) Seventy-Seven Hundredths percent (0.77%), *plus* (ii) Seven and Thirty-Eight Hundredths percent (7.38%). Notwithstanding the foregoing, the Basic Rate for the Term Loan for the period from the Effective Date through and including March 31, 2017 shall be Eight and fifteen hundredths percent (8.15%).

"**Blocked Person**" is any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224, or (e) a Person that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list.

"**Borrower**" is defined in the preamble hereof.

"**Borrower's Books**" are Borrower's or any of its Subsidiaries' books and records including ledgers, federal, and state tax returns, records regarding Borrower's or its Subsidiaries' assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

---

[*] = 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.

"**Business Day**" is any day that is not a Saturday, Sunday or a day on which Collateral Agent is closed.

"**Cash Equivalents**" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (c) certificates of deposit maturing no more than one (1) year after issue provided that the account in which any such certificate of deposit is maintained is subject to a Control Agreement in favor of Collateral Agent, and (d) shares of any money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended, and (ii) are rated at least AA by S&P or Aa by Moody's. For the avoidance of doubt, the direct purchase by Borrower or any of its Subsidiaries of any Auction Rate Securities, or purchasing participations in, or entering into any type of swap or other derivative transaction, or otherwise holding or engaging in any ownership interest in any type of Auction Rate Security by Borrower or any of its Subsidiaries shall be conclusively determined by the Lenders as an ineligible Cash Equivalent, and any such transaction shall expressly violate each other provision of this Agreement governing Permitted Investments. Notwithstanding the foregoing, Cash Equivalents does not include and Borrower, and each of its Subsidiaries, are prohibited from purchasing, purchasing participations in, entering into any type of swap or other equivalent derivative transaction, or otherwise holding or engaging in any ownership interest in any type of debt instrument, including, without limitation, any corporate or municipal bonds, with a long-term nominal maturity for which the interest rate is reset through a dutch auction and more commonly referred to as an auction rate security (each, an "Auction Rate Security").

"**Claims**" are defined in Section 12.2.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of New York provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Collateral Agent's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account, or any other bank account maintained by Borrower or any Subsidiary at any time.

"**Collateral Agent**" is, Oxford, not in its individual capacity, but solely in its capacity as agent on behalf of and for the benefit of the Lenders.

"**Commitment Percentage**" is set forth in Schedule 1.1, as amended from time to time.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Communication**" is defined in Section 10.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit C.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation

---

[*] = 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.

directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower or any of its Subsidiaries maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower or any of its Subsidiaries maintains a Securities Account or a Commodity Account, Borrower and such Subsidiary, and Collateral Agent pursuant to which Collateral Agent obtains control (within the meaning of the Code) for the benefit of the Lenders over such Deposit Account, Securities Account, or Commodity Account.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Extension**" is any Term Loan or any other extension of credit by Collateral Agent or Lenders for Borrower's benefit.

"**Default Rate**" is defined in Section 2.3(b).

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is Borrower's deposit account, account number 3300388491, maintained with Silicon Valley Bank.

"**Disbursement Letter**" is that certain form attached hereto as Exhibit B.

"**Dollars,**" "**dollars**" and "**$**" each mean lawful money of the United States.

"**Effective Date**" is defined in the preamble of this Agreement.

"**Eligible Assignee**" is (i) a Lender, (ii) an Affiliate of a Lender, (iii) an Approved Fund and (iv) any commercial bank, savings and loan association or savings bank or any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended) and which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, in each case, which either (A) has a rating of BBB or higher from Standard & Poor's Rating Group and a rating of Baa2 or higher from Moody's Investors Service, Inc. at the date that it becomes a Lender or (B) has total assets in excess of Five Billion Dollars ($5,000,000,000.00), and in each case of clauses (i) through (iv), which, through its applicable lending office, is capable of lending to Borrower without the imposition of any withholding or similar taxes (provided, however, that any Lender who is not a U.S. Person shall provide to Borrower such documentation (including an applicable form IRS W-8 or successor form) as is required to establish such Lender's exemption from U.S. withholding tax (including any documentation required pursuant to the Foreign Account Tax Compliance Act or "FATCA")); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include, unless an Event of Default has occurred and is continuing, (i) Borrower or any of Borrower's Affiliates or Subsidiaries or (ii) a direct competitor of Borrower or a vulture hedge fund, each as determined by Collateral Agent. Notwithstanding the foregoing, (x) in connection with assignments by a Lender due to a forced divestiture at the request of any regulatory agency, the restrictions set forth herein shall not apply and Eligible Assignee shall mean any Person or party and (y) in connection with a Lender's own financing or securitization

---

[*] = 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.

transactions, the restrictions set forth herein shall not apply and Eligible Assignee shall mean any Person or party providing such financing or formed to undertake such securitization transaction and any transferee of such Person or party upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction; provided that no such sale, transfer, pledge or assignment under this clause (y) shall release such Lender from any of its obligations hereunder or substitute any such Person or party for such Lender as a party hereto until Collateral Agent shall have received and accepted an effective assignment agreement from such Person or party in form satisfactory to Collateral Agent executed, delivered and fully completed by the applicable parties thereto, and shall have received such other information regarding such Eligible Assignee as Collateral Agent reasonably shall require.

"**Equipment**" is all "equipment" as defined in the Code, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, as amended, and its regulations.

"**Excluded Bank Accounts**" means all deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's, or any of its Subsidiaries', employees and identified to Collateral Agent by Borrower as such in the Perfection Certificates.

"**Existing Indebtedness**" is the indebtedness of Borrower under the Existing Loan Agreement in the aggregate principal outstanding amount as of the Effective Date of approximately Twenty Million Dollars ($20,000,000.00), and other payment obligations of the Borrower under the Existing Loan Agreement.

"**Existing Loan Agreement**" is that certain Loan and Security Agreement by and among Oxford, Collateral Agent, the lenders party thereto from time to time and Borrower, dated as of February 18, 2014, as amended from time to time.

"**Event of Default**" is defined in Section 8.

"**Final Payment**" is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due with respect to a Term Loan on the earliest to occur of (a) the Maturity Date for such Term Loan, or (b) the acceleration of such Term Loan, or (c) the prepayment of such Term Loan pursuant to Section 2.2(c) or (d), equal to the original principal amount of such Term Loan multiplied by the Final Payment Percentage, payable to Lenders in accordance with their respective Pro Rata Shares.

"**Final Payment Percentage**" is, (a) with respect to Term A Loans, (i) Eight percent (8.00%), if the Amortization Date is April 1, 2019 and (ii) Eight and One-Half percent (8.50%), if the Amortization Date is April 1, 2020; (b) with respect to Term B Loans, (i) Seven percent (7.00%), if the Amortization Date is April 1, 2019 and (ii) Seven and One-Half percent (7.50%), if the Amortization Date is April 1, 2020; and (c) with respect to Term C Loans, (i) Six and One-Half percent (6.50%), if the Amortization Date is April 1, 2019 and (ii) Seven percent (7.00%), if the Amortization Date is April 1, 2020.

"**First Revenue Event**" is the achievement by Borrower after the Effective Date of consolidated twelve months' trailing revenues from the sale of its products and services related to its products of at least Thirty-Five Million Dollars ($35,000,000), as determined by Collateral Agent (based upon written evidence satisfactory to Collateral Agent) at the end of any fiscal month of Borrower.

"**Funding Date**" is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession in the United States, which are applicable to the circumstances as of the date of determination.

---

[*] = 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.

"**General Intangibles**" are all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"**Guarantor**" is any Person providing a Guaranty in favor of Collateral Agent.

"**Guaranty**" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

"**Indemnified Person**" is defined in Section 12.2.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Insolvent**" means not Solvent.

"**Intellectual Property**" means all of Borrower's or any Subsidiary's right, title and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to Borrower;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

---

[*] = 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.

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of any Person's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance, payment or capital contribution to any Person.

"**Key Person**" is each of Borrower's (i) Chief Executive Officer, who is Chris Thatcher as of the Effective Date, (ii) Chief Financial Officer, who is Mark Bausinger as of the Effective Date and (iii) Chief Medical Officer, who is Mark Demitrack as of the Effective Date.

"**Lender**" is any one of the Lenders.

"**Lenders**" are the Persons identified on Schedule 1.1 hereto and each assignee that becomes a party to this Agreement pursuant to Section 12.1.

"**Lenders' Expenses**" are all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses, as well as appraisal fees, fees incurred on account of lien searches, inspection fees, and filing fees) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred by Collateral Agent and/or the Lenders in connection with the Loan Documents.

"**Lien**" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest, or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement, the Warrants, the Perfection Certificates, each Compliance Certificate, each Disbursement Letter, the Post Closing Letter, any subordination agreements, any note, or notes or guaranties executed by Borrower or any other Person, and any other present or future agreement entered into by Borrower, any Guarantor or any other Person for the benefit of the Lenders and Collateral Agent in connection with this Agreement; all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Collateral Agent's Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations or condition (financial or otherwise) of Borrower or any Subsidiary; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"**Maturity Date**" is March 1, 2022.

"**Obligations**" are all of Borrower's obligations to pay when due any debts, principal, interest, Lenders' Expenses, the Prepayment Fee, the Final Payment, and other amounts Borrower owes the Lenders now or later, in connection with, related to, following, or arising from, out of or under, this Agreement or, the other Loan Documents (other than the Warrants), or otherwise, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of Borrower assigned to the Lenders and/or Collateral Agent, and the performance of Borrower's duties under the Loan Documents (other than the Warrants).

"**OFAC**" is the U.S. Department of Treasury Office of Foreign Assets Control.

"**OFAC Lists**" are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

---

[*] = 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.

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Payment Date**" is the first (1st) calendar day of each calendar month, commencing on May 1, 2017.

"**Perfection Certificate**" and "**Perfection Certificates**" is defined in Section 5.1.

"**Permitted Indebtedness**" is:

(a) Borrower's Indebtedness to the Lenders and Collateral Agent under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and disclosed on the Perfection Certificate(s);

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness consisting of capitalized lease obligations and purchase money Indebtedness, in each case incurred by Borrower or any of its Subsidiaries to finance the acquisition, repair, improvement or construction of fixed or capital assets of such person, provided that (i) the aggregate outstanding principal amount of all such Indebtedness does not exceed One Hundred Thousand Dollars ($100,000.00) at any time and (ii) the principal amount of such Indebtedness does not exceed the lower of the cost or fair market value of the property so acquired or built or of such repairs or improvements financed with such Indebtedness (each measured at the time of such acquisition, repair, improvement or construction is made);

(f) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of Borrower's business;

(g) Unsecured Indebtedness in an aggregate amount not to exceed $250,000 at any time incurred under insurance premium financing in the ordinary course of business;

(h) Indebtedness in an aggregate amount not to exceed $250,000 incurred under a standby letter of credit issued on Borrower's behalf in favor of Borrower's landlord; and

(i) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (e) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose materially more burdensome terms upon Borrower, or its Subsidiary, as the case may be.

"**Permitted Investments**" are:

(a) Investments disclosed on the Perfection Certificate(s) and existing on the Effective Date;

(b) (i) Investments consisting of cash and Cash Equivalents, and (ii) any Investments permitted by Borrower's investment policy, as amended from time to time, provided that such investment policy (and any such amendment thereto) has been approved in writing by Collateral Agent;

---

[*] = 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.

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments consisting of Deposit Accounts in which Collateral Agent has a perfected security interest;

(e) Investments in connection with Transfers permitted by Section 7.1;

(f) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors; not to exceed One Hundred Thousand Dollars ($100,000) in the aggregate for (i) and (ii) in any fiscal year;

(g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(h) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (h) shall not apply to Investments of Borrower in any Subsidiary; and

(i) Investments in joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support, provided that any cash Investments by Borrower do not exceed Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate in any fiscal year.

"**Permitted Licenses**" are (A) licenses of over-the-counter software that is commercially available to the public, (B) licenses of intellectual property embedded in the Borrower's products and licensed in conjunction with their sale and use in the ordinary course of business, and (C) other non-exclusive and exclusive licenses for the use of the Intellectual Property of Borrower or any of its Subsidiaries entered into in the ordinary course of business, provided, that, with respect to each such license described in clause (C), (i) no Event of Default has occurred or is continuing at the time of such license; (ii) the license constitutes an arms-length transaction, the terms of which, on their face, do not provide for a sale or assignment of any Intellectual Property and do not restrict the ability of Borrower or any of its Subsidiaries, as applicable, to pledge, grant a security interest in or lien on, or assign or otherwise Transfer any Intellectual Property; (iii) in the case of any exclusive license, (x) Borrower delivers ten (10) days' prior written notice and a brief summary of the terms of the proposed license to Collateral Agent and the Lenders and delivers to Collateral Agent and the Lenders copies of the final executed licensing documents in connection with the exclusive license promptly upon consummation thereof, and (y) any such license could not result in a legal transfer of title of the licensed property but may be exclusive in respects other than territory and may be exclusive as to territory only as to discrete geographical areas outside of the United States; and (iv) all upfront payments, royalties, milestone payments or other proceeds arising from the licensing agreement that are payable to Borrower or any of its Subsidiaries are paid to a Deposit Account that is governed by a Control Agreement.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and disclosed on the Perfection Certificates or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder (Liens set forth in this clause (b) may have priority over Collateral Agent's Lien if they have priority over Collateral Agent's Lien under applicable law);

---

[*] = 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.

(c) liens securing Indebtedness permitted under clause (e) of the definition of "**Permitted Indebtedness,**" provided that (i) such liens exist prior to the acquisition of, or attach substantially simultaneous with, or within twenty (20) days after the, acquisition, lease, repair, improvement or construction of, such property financed or leased by such Indebtedness and (ii) such liens do not extend to any property of Borrower other than the property (and proceeds thereof) acquired, leased or built, or the improvements or repairs, financed by such Indebtedness (Liens set forth in this clause (c) may have priority over Collateral Agent's Lien if they have priority over Collateral Agent's Lien under applicable law);

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Twenty Five Thousand Dollars ($25,000.00), and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto (Liens set forth in this clause (d) may have priority over Collateral Agent's Lien if they have priority over Collateral Agent's Lien under applicable law);

(e) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA) (Liens set forth in this clause (e) may have priority over Collateral Agent's Lien if they have priority over Collateral Agent's Lien under applicable law);

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Collateral Agent or any Lender a security interest therein;

(h) banker's liens, rights of setoff and Liens in favor of financial institutions incurred in the ordinary course of business arising in connection with Borrower's deposit accounts or securities accounts held at such institutions solely to secure payment of fees and similar costs and expenses and provided such accounts are maintained in compliance with Section 6.6(b) hereof;

(i) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 8.4 or 8.7;

(j) deposits with landlords to secure performance of lease obligations, or to secure letters of credit in favor of landlords, not exceeding $250,000 in the aggregate at any given time; and

(k) Liens consisting of Permitted Licenses.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

---

[*] = 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.

"**Prepayment Fee**" is, with respect to any Term Loan subject to prepayment prior to the Maturity Date, whether by mandatory or voluntary prepayment, acceleration or otherwise, an additional fee payable to the Lenders in amount equal to:

(i) for a prepayment made on or after the Funding Date of such Term Loan through and including the first anniversary of the Funding Date of such Term Loan, three percent (3.00%) of the principal amount of such Term Loan prepaid;

(ii) for a prepayment made after the date which is the first anniversary of the Funding Date of such Term Loan and through and including the date which is twenty-four (24) months immediately after the Funding Date of such Term Loan, two percent (2.00%) of the principal amount of the Term Loans prepaid; and

(iii) for a prepayment made after the date which is twenty-four (24) months immediately after the Funding Date of such Term Loan through and including the date that is immediately prior to the Maturity Date for such Term Loan, one percent (1.00%) of the Term Loans prepaid.

"**Post Closing Letter**" is that certain Post Closing Letter dated as of the Effective Date by and between Collateral Agent and Borrower.

"**Pro Rata Share**" is, as of any date of determination, with respect to each Lender, a percentage (expressed as a decimal, rounded to the ninth decimal place) determined by dividing the outstanding principal amount of Term Loans held by such Lender by the aggregate outstanding principal amount of all Term Loans.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Required Lenders**" means (i) for so long as all of the Persons that are Lenders on the Effective Date (each an "**Original Lender**") have not assigned or transferred any of their interests in their Term Loan, Lenders holding one hundred percent (100%) of the aggregate outstanding principal balance of the Term Loan, or (ii) at any time from and after any Original Lender has assigned or transferred any interest in its Term Loan, Lenders holding at least sixty six percent (66%) of the aggregate outstanding principal balance of the Term Loan and, in respect of this clause (ii), (A) each Original Lender that has not assigned or transferred any portion of its Term Loan, (B) each assignee or transferee of an Original Lender's interest in the Term Loan, but only to the extent that such assignee or transferee is an Affiliate or Approved Fund of such Original Lender, and (C) any Person providing financing to any Person described in clauses (A) and (B) above; provided, however, that this clause (C) shall only apply upon the occurrence of a default, event of default or similar occurrence with respect to such financing.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Responsible Officer**" is any of the President, Chief Executive Officer, or Chief Financial Officer of Borrower acting alone.

"**Revenue Plan**" is the revenue plan provided by Borrower to Collateral Agent and attached hereto as Exhibit E, as updated annually in accordance with Section 6.10.

"**Second Draw Period**" is the period commencing on the later of October 1, 2017 and the date of the first occurrence of the First Revenue Event, and ending on the earlier of (i) December 31, 2017 and (ii) the occurrence of an Event of Default; provided, however, that the Second Draw Period shall not commence if on October 1, 2017 an Event of Default has occurred and is continuing. Any Credit Extension during the Second Draw Period will be subject to, among other applicable conditions set forth in this Agreement, the occurrence of First Revenue Event, as determined at the end of the calendar month immediately preceding date of such Credit Extension for the twelve month period then ending.

"**Second Revenue Event**" is the achievement by Borrower, for the first time during the fiscal year 2018, of consolidated twelve months' trailing revenues from the sale of its products and services related to its products of at least Forty Five Million Dollars ($45,000,000), as determined by Collateral Agent (based upon written evidence satisfactory to Collateral Agent) at the end of any fiscal month of Borrower during fiscal year 2018.

---

[*] = 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.

"**Second Revenue I/O Extension Event**" is the achievement by Borrower of consolidated twelve months' revenues, for the fiscal year 2018, from the sale of its products and services related to its products, of at least Forty Five Million Dollars ($45,000,000), as determined by Collateral Agent (based upon written evidence satisfactory to Collateral Agent) no later than March 15, 2019.

"**Secured Promissory Note**" is defined in Section 2.4.

"**Secured Promissory Note Record**" is a record maintained by each Lender with respect to the outstanding Obligations owed by Borrower to Lender and credits made thereto.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Solvent**" is, with respect to any Person: the fair salable value of such Person's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of such Person's liabilities; such Person is not left with unreasonably small capital after the transactions in this Agreement; and such Person is able to pay its debts (including trade debts) as they mature.

"**Subordinated Debt**" is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all Indebtedness of Borrower and/or its Subsidiaries to the Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Collateral Agent and the Lenders entered into between Collateral Agent, Borrower, and/or any of its Subsidiaries, and the other creditor), on terms acceptable to Collateral Agent and the Lenders.

"**Subsidiary**" is, with respect to any Person, any Person of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or through one or more intermediaries.

"**Term Loan**" is defined in Section 2.2(a)(iii) hereof.

"**Term A Loan**" is defined in Section 2.2(a)(i) hereof.

"**Term B Loan**" is defined in Section 2.2(a)(ii) hereof.

"**Term C Loan**" is defined in Section 2.2(a)(iii) hereof.

"**Term Loan Commitment**" is, for any Lender, the obligation of such Lender to make a Term Loan, up to the principal amount shown on Schedule 1.1. "**Term Loan Commitments**" means the aggregate amount of such commitments of all Lenders.

"**Third Draw Period**" is the period commencing on the occurrence of the Second Revenue Event and ending on the earliest of (i) December 31, 2018, (ii) the date that is sixty (60) days immediately following the occurrence of the Second Revenue Event, and (iii) the occurrence of an Event of Default; provided, however, that the Third Draw Period shall not commence if at the time of the occurrence of the Second Revenue Event an Event of Default has occurred and is continuing. Any Credit Extension during the Third Draw Period will be subject to, among other applicable conditions set forth in this Agreement, the occurrence of the Second Revenue Event, as determined at the end of the calendar month immediately preceding date of such Credit Extension for the twelve month period then ending.

"**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

---

[*] = 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.

"**Transfer**" is defined in Section 7.1.

"**U.S. Person**" means any person that is a "United States Person" as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended

"**Warrants**" are those certain Warrants to Purchase Stock dated as of the Effective Date, or any date thereafter, issued by Borrower in favor of each Lender or such Lender's Affiliates.

[Balance of Page Intentionally Left Blank]

---

[*] = 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.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

NEURONETICS, INC.

By: /s/ Christopher A. Thatcher

Name: _____

Title: _____

COLLATERAL AGENT AND LENDER:

OXFORD FINANCE LLC

By: _____

Name: _____

Title: _____

[Signature page to Loan and Security Agreement]

[*] = 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.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

NEURONETICS, INC.

By: _____

Name: _____

Title: _____

COLLATERAL AGENT AND LENDER:

OXFORD FINANCE LLC

By: /s/ T.A. Lex

Name: T.A. Lex

Title: COO

[Signature page to Loan and Security Agreement]

[*] = 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 1.1

Lenders and Commitments

Term A Loans

[*]

[*] = 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.

EXHIBIT A

Description of Collateral

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as noted below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts and other Collateral Accounts, all certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include (i) any Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Collateral Agent's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property; (ii) more than 65% of the total combined voting power of all classes of stock entitled to vote the shares of capital stock (the "Shares") of any Foreign Subsidiary, if Borrower demonstrates to Collateral Agent's reasonable satisfaction that a pledge of more than sixty five percent (65%) of the Shares of such Subsidiary creates a present and existing adverse tax consequence to Borrower under the U.S. Internal Revenue Code; (iii) Excluded Bank Accounts; (v) any property that is subject to a lien securing purchase money indebtedness or a capital lease obligation permitted under the Loan Documents, to the extent and for so long as the documents relation thereto would not permit such property to be subject to the liens created hereunder; and (vi) any license or contract, in each case if the granting of a Lien in such license or contract is prohibited by or would constitute a default under the agreement governing such license or contract (but (A) only to the extent such prohibition is enforceable under applicable law and (B) other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-408 or 9-409 (or any other Section) of Division 9 of the Code); provided that upon the termination, lapsing or expiration of any such prohibition, such license or contract, as applicable, shall automatically be subject to the security interest granted in favor of Collateral Agent hereunder and become part of the "Collateral."

Pursuant to the terms of a certain negative pledge arrangement with Collateral Agent and the Lenders, Borrower has agreed not to encumber any of its Intellectual Property.

---

[*] = 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.

EXHIBIT B

Form of Disbursement Letter

[see attached]

[*] = 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.

DISBURSEMENT LETTER

[DATE]

The undersigned, being the duly elected and acting of NEURONETICS, a Delaware corporation with offices located at 3222 Phoenixville Pike, Malvern, PA 10355 ("**Borrower**"), does hereby certify to **OXFORD FINANCE LLC** ("**Oxford**" and "**Lender**"), as collateral agent (the "**Collateral Agent**") in connection with that certain Loan and Security Agreement dated as of March [ ], 2017, by and among Borrower, Collateral Agent and the Lenders from time to time party thereto (the "**Loan Agreement**"; with other capitalized terms used below having the meanings ascribed thereto in the Loan Agreement) that:

1. The representations and warranties made by Borrower in Section 5 of the Loan Agreement and in the other Loan Documents are true, accurate and complete in all material respects as of the date hereof; provided, however, that such materiality qualifier is not applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date are true, accurate and complete in all material respects as of such specific date.

2. As of the date hereof, no Event of Default has occurred and is continuing or will result from the making of the Loan to be made on or about the date hereof.

3. Borrower is in compliance with the covenants and requirements contained in Sections 4, 6 and 7 of the Loan Agreement.

4. All conditions referred to in Section 3 of the Loan Agreement to the making of the Loan to be made on or about the date hereof have been satisfied or waived by Collateral Agent.

5. No Material Adverse Change has occurred.

6. The undersigned is a Responsible Officer.

[Balance of Page Intentionally Left Blank]

---

[*] = 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.

7. The proceeds of the Term [A][B][C] Loan shall be disbursed as follows:

Disbursement from Oxford:		
Loan Amount	$	
Less:		
[--Existing Debt Payoff to be remitted to Oxford per the Payoff Letter dated [DATE]	($	)]
[--Interim Interest	($	)]
[--Lender's Legal Fees	($	)*
Net Proceeds due from Oxford:	$	
TOTAL TERM [A][B][C] LOAN NET PROCEEDS FROM LENDERS	$	

8. The [Term A Loan][Term B Loan][Term C Loan] shall amortize in accordance with the Amortization Table attached hereto.

9. The aggregate net proceeds of the Term Loans shall be transferred to the Designated Deposit Account as follows:

Account Name:	NEURONETICS, INC.
Bank Name:	[ ]
Bank Address:	[ ]
Account Number:	_____
ABA Number:	[ ]

[Balance of Page Intentionally Left Blank]

* Legal fees and costs are through the Effective Date. Post-closing legal fees and costs, payable after the Effective Date, to be invoiced and paid post-closing.

[*] = 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.

Dated as of the date first set forth above.

BORROWER:

NEURONETICS, INC.

By:_____

Name:_____

Title:_____

COLLATERAL AGENT AND LENDER:

OXFORD FINANCE LLC

By: _____

Name:_____

Title:_____

[*] = 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.

AMORTIZATION TABLE
(Term [A][B][C] Loan)

[see attached]

---

[*] = 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.

EXHIBIT C

Compliance Certificate

TO: OXFORD FINANCE LLC, as Collateral Agent and Lender

FROM: NEURONETICS, INC.

The undersigned authorized officer ("**Officer**") of NEURONETICS, INC. ("**Borrower**"), hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement by and among Borrower, Collateral Agent, and the Lenders from time to time party thereto (the "**Loan Agreement**;" capitalized terms used but not otherwise defined herein shall have the meanings given them in the Loan Agreement),

(a) Borrower is in complete compliance for the period ending with all required covenants except as noted below;

(b) There are no Events of Default, except as noted below;

(c) Except as noted below, all representations and warranties of Borrower stated in the Loan Documents are true and correct in all material respects on this date and for the period described in (a), above; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date.

(d) Borrower, and each of Borrower's Subsidiaries, has timely filed all required tax returns and reports, Borrower, and each of Borrower's Subsidiaries, has timely paid all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower, or Subsidiary, except as otherwise permitted pursuant to the terms of Section 5.8 of the Loan Agreement;

(e) No Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Collateral Agent and the Lenders.

Attached are the required documents, if any, supporting our certification(s). The Officer, on behalf of Borrower, further certifies that the attached financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes and except, in the case of unaudited financial statements, for the absence of footnotes and subject to year-end audit adjustments as to the interim financial statements.

Please indicate compliance status since the last Compliance Certificate by circling Yes, No, or N/A under "Complies" column.

	Reporting Covenant	Requirement	Actual	Complies		
1)	Financial statements	Monthly within 30 days		Yes	No	N/A
2)	Annual (CPA Audited) statements	Within 120 days after FYE		Yes	No	N/A
3)	Annual Financial Projections/Budget (prepared on a monthly basis)	Annually (within 10 days of FYE), and when revised		Yes	No	N/A

[*] = 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.

4)	A/R & A/P agings	If applicable		Yes	No	N/A
5)	8-K, 10-K and 10-Q Filings	If applicable, within 5 days of filing		Yes	No	N/A
6)	Compliance Certificate	Monthly within 30 days		Yes	No	N/A
7)	IP Report	When required		Yes	No	N/A
8)	Total amount of Borrower's cash and cash equivalents at the last day of the measurement period		$_____	Yes	No	N/A
9)	Total amount of Borrower's Subsidiaries' cash and cash equivalents at the last day of the measurement period		$_____	Yes	No	N/A

Deposit and Securities Accounts

(Please list all accounts; attach separate sheet if additional space needed)

	Institution Name	Account Number	New Account?		Account Control Agreement in place?	
1)			Yes	No	Yes	No
2)			Yes	No	Yes	No
3)			Yes	No	Yes	No
4)			Yes	No	Yes	No

Other Matters

1)	Have there been any changes in management since the last Compliance Certificate?	Yes	No
2)	Have there been any transfers/sales/disposals/retirement of Collateral or IP prohibited by the Loan Agreement?	Yes	No
3)	Have there been any new or pending claims or causes of action against Borrower that involve more than One Hundred Thousand Dollars ($100,000.00)?	Yes	No
4)	Have there been any amendments of or other changes to the capitalization table of Borrower and to the Operating Documents of Borrower or any of its Subsidiaries? If yes, provide copies of any such amendments or changes with this Compliance Certificate.	Yes	No

Exceptions

[*] = 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.

Please explain any exceptions with respect to the certification above: (If no exceptions exist, state “No exceptions.” Attach separate sheet if additional space needed.)

NEURONETICS, INC.

By: _____

Name: _____

Title: _____

Date:

LENDER USE ONLY

Received by: _____ Date: _____

Verified by: _____ Date: _____

Compliance Status: Yes No

[*] = 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.

EXHIBIT D

Form of Secured Promissory Note

[see attached]

---

[*] = 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.

SECURED PROMISSORY NOTE
(Term [A][B][C] Loan)

$_____ Dated: [DATE]

FOR VALUE RECEIVED, the undersigned, NEURONETICS, INC., a Delaware corporation with an office located at 3222 Phoenixville Pike, Malvern, Pennsylvania 19355 ("**Borrower**") HEREBY PROMISES TO PAY to the order of OXFORD FINANCE LLC ("**Lender**") the principal amount of [ ] MILLION DOLLARS ($) or such lesser amount as shall equal the outstanding principal balance of the Term [A][B][C] Loan made to Borrower by Lender, plus interest on the aggregate unpaid principal amount of such Term [A][B][C] Loan, at the rates and in accordance with the terms of the Loan and Security Agreement dated March [ ], 2017 by and among Borrower, Lender, Oxford Finance LLC, as Collateral Agent, and the other Lenders from time to time party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"). If not sooner paid, the entire principal amount and all accrued and unpaid interest hereunder shall be due and payable on the Maturity Date as set forth in the Loan Agreement. Any capitalized term not otherwise defined herein shall have the meaning attributed to such term in the Loan Agreement.

Principal, interest and all other amounts due with respect to the Term [A][B][C] Loan, are payable in lawful money of the United States of America to Lender as set forth in the Loan Agreement and this Secured Promissory Note (this "**Note**"). The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

The Loan Agreement, among other things, (a) provides for the making of a secured Term [A][B][C] Loan by Lender to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Section 2.2 (c) and Section 2.2(d) of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Term [A][B][C] Loan, interest on the Term [A][B][C] Loan and all other amounts due Lender under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Lender in the enforcement or attempt to enforce any of Borrower's obligations hereunder not performed when due.

This Note shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of New York.

The ownership of an interest in this Note shall be registered on a record of ownership maintained by Lender or its agent. Notwithstanding anything else in this Note to the contrary, the right to the principal of, and stated interest on, this Note may be transferred only if the transfer is registered on such record of ownership and the transferee is identified as the owner of an interest in the obligation. Borrower shall be entitled to treat the registered holder of this Note (as recorded on such record of ownership) as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in this Note on the part of any other person or entity.

[Balance of Page Intentionally Left Blank]

---

[*] = 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.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

BORROWER:

NEURONETICS, INC.

By _____

Name: _____

Title: _____

[*] = 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.

LOAN INTEREST RATE AND PAYMENTS OF PRINCIPAL

Date	Principal Amount	Interest Rate	Scheduled Payment Amount	Notation By

[*] = 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.

CORPORATE BORROWING CERTIFICATE

BORROWER: NEURONETICS, INC. **DATE**: [DATE]
LENDER: OXFORD FINANCE LLC, as Collateral Agent and Lender

I hereby certify as follows, as of the date set forth above:

1. I am the Secretary, Assistant Secretary or other officer of Borrower. My title is as set forth below.

2. Borrower's exact legal name is set forth above. Borrower is a corporation existing under the laws of the State of Delaware.

3. Attached hereto as Exhibit A and Exhibit B, respectively, are true, correct and complete copies of (i) Borrower's Articles/Certificate of Incorporation (including amendments), as filed with the Secretary of State of the state in which Borrower is incorporated as set forth in paragraph 2 above; and (ii) Borrower's Bylaws. Neither such Articles/Certificate of Incorporation nor such Bylaws have been amended, annulled, rescinded, revoked or supplemented, and such Articles/Certificate of Incorporation and such Bylaws remain in full force and effect as of the date hereof.

4. The following resolutions were duly and validly adopted by Borrower's Board of Directors at a duly held meeting of such directors (or pursuant to a unanimous written consent or other authorized corporate action). Such resolutions are in full force and effect as of the date hereof and have not been in any way modified, repealed, rescinded, amended or revoked, and the Lenders may rely on them until each Lender receives written notice of revocation from Borrower.

[Balance of Page Intentionally Left Blank]

---

[*] = 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.

RESOLVED, that **any one** of the following officers or employees of Borrower, whose names, titles and signatures are below, may act on behalf of Borrower:

Name	Title	Signature	Authorized to Add or Remove Signatories
			☐
			☐
			☐
			☐

RESOLVED FURTHER, that **any one** of the persons designated above with a checked box beside his or her name may, from time to time, add or remove any individuals to and from the above list of persons authorized to act on behalf of Borrower.

RESOLVED FURTHER, that such individuals may, on behalf of Borrower:

Borrow Money. Borrow money from the Lenders.
Execute Loan Documents. Execute any loan documents any Lender requires.
Grant Security. Grant Collateral Agent a security interest in any of Borrower's assets.
Negotiate Items. Negotiate or discount all drafts, trade acceptances, promissory notes, or other indebtedness in which Borrower has an interest and receive cash or otherwise use the proceeds.
Issue Warrants. Issue warrants for Borrower's capital stock.
Further Acts. Designate other individuals to request advances, pay fees and costs and execute other documents or agreements (including documents or agreement that waive Borrower's right to a jury trial) they believe to be necessary to effectuate such resolutions.

RESOLVED FURTHER, that all acts authorized by the above resolutions and any prior acts relating thereto are ratified.

[Balance of Page Intentionally Left Blank]

[*] = 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.

5. The persons listed above are Borrower's officers or employees with their titles and signatures shown next to their names.

By: _____

Name: _____

Title: _____

*** *If the Secretary, Assistant Secretary or other certifying officer executing above is designated by the resolutions set forth in paragraph 4 as one of the authorized signing officers, this Certificate must also be signed by a second authorized officer or director of Borrower.*

I, the _____ of Borrower, hereby certify as to paragraphs 1 through 5 above, as of the date set forth above.
[print title]

By: _____

Name: _____

Title: _____

---

[*] = 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.

EXHIBIT A

Articles/Certificate of Incorporation (including amendments)

[see attached]

---

[*] = 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.

EXHIBIT B

Bylaws

[see attached]

[*] = 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.

DEBTOR: **NEURONETICS, INC.**
SECURED PARTY: **OXFORD FINANCE LLC,**
as Collateral Agent

EXHIBIT A TO UCC FINANCING STATEMENT

Description of Collateral

The Collateral consists of all of Debtor's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as noted below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts and other Collateral Accounts, all certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include (i) any Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Collateral Agent's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property; (ii) more than 65% of the total combined voting power of all classes of stock entitled to vote the shares of capital stock (the "Shares") of any Foreign Subsidiary, if Borrower demonstrates to Collateral Agent's reasonable satisfaction that a pledge of more than sixty five percent (65%) of the Shares of such Subsidiary creates a present and existing adverse tax consequence to Borrower under the U.S. Internal Revenue Code; (iii) Excluded Bank Accounts; (v) any property that is subject to a lien securing purchase money indebtedness or a capital lease obligation permitted under the Loan Documents, to the extent and for so long as the documents relation thereto would not permit such property to be subject to the liens created hereunder; and (vi) any license or contract, in each case if the granting of a Lien in such license or contract is prohibited by or would constitute a default under the agreement governing such license or contract (but (A) only to the extent such prohibition is enforceable under applicable law and (B) other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-408 or 9-409 (or any other Section) of Division 9 of the Code); provided that upon the termination, lapsing or expiration of any such prohibition, such license or contract, as applicable, shall automatically be subject to the security interest granted in favor of Collateral Agent hereunder and become part of the "Collateral."

Capitalized terms used but not defined herein have the meanings ascribed in the Uniform Commercial Code in effect in the State of New York as in effect from time to time (the "Code") or, if not defined in the Code, then in the Loan and Security Agreement by and between Debtor, Secured Party and the other Lenders party thereto (as modified, amended and/or restated 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.

EXHIBIT E

Revenue Plan

[*]

[*] = 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.

[*] = 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.

Exhibit 10.9

NEURONETICS, INC.

AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

(Effective as of January 1, 2009)

NEURONETICS, INC.

AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN

1. Purpose of the Plan

The purpose of the Plan is to promote the long term financial success of Neuronetics, Inc. and to materially increase stockholder value by: (i) providing performance related incentives that motivate superior performance on the part of the Company's Employees, Directors and Consultants; (ii) providing the Company's Employees, Directors and Consultants with the opportunity to acquire an ownership interest in the Company, and to thereby acquire a greater stake in the Company and a closer identity with it; and (iii) enabling the Company to attract and retain the services of Employees, Directors and Consultants of outstanding ability and upon whose judgment, interest and special effort the successful conduct of the Company's operations is largely dependent.

2. Definitions

2.1. "Act" means the Securities Exchange Act of 1934, as amended.

2.2. "Affiliate" means any entity other than the Subsidiaries in which the Company owns at least 20% of the combined voting power of all classes of equity entitled to vote or at least 20% of the combined value of all classes of equity of such entity.

2.3. "Award" means a grant of Options, SARs, Restricted Stock, Dividend Equivalents or any combination thereof.

2.4. "Award Share" means any share of Common Stock acquired pursuant to an Award.

2.5. "Board" means the Board of Directors of the Company.

2.6. "Cause" means any of the following acts, events or conditions (as determined by the Board in the exercise of its reasonable judgment):

2.6.1. any gross failure on the part of such Participant (other than by reason of Disability) to faithfully and professionally carry out such Participant's duties to the Company, its Subsidiaries or Affiliates or to comply with any material provision of any agreement between the Company, its Subsidiaries or Affiliates and such Participant;

2.6.2. such Participant's dishonesty (which shall include without limitation any misuse or misappropriation of the Company's, its Subsidiaries' or Affiliates' assets), or other willful misconduct (including without limitation any conduct on the part of such Participant intended to or likely to injure the business of the Company, its Subsidiaries or Affiliates);

2.6.3. such Participant's conviction of any felony or of any other crime involving moral turpitude, whether or not relating to Participant's employment with or engagement by the Company, its Subsidiaries or Affiliates;

2.6.4. such Participant's insobriety or use of drugs, chemicals or controlled substances (other than such Participant's prescribed medication) either (A) in the course of performing such Participant's duties and responsibilities to the Company, its Subsidiaries or Affiliates, whether under the terms of any agreement between the Company, its Subsidiaries or Affiliates and such Participant or otherwise, or (B) otherwise affecting the ability of such Participant to perform the same;

2.6.5. such Participant's failure to comply with a lawful written direction of the Company, its Subsidiaries or Affiliates; or

2.6.6. any wanton or willful dereliction of duties by such Participant.

2.7. "Change of Control" shall mean, following the effective date of the Plan, the occurrence of any of the following events:

2.7.1. the acquisition, in one or more transactions by any "Person" (as such term is used for purposes of Section 13(d) or Section 14(d) of the Act) but excluding, for this purpose, the Company or its Subsidiaries or any employee benefit plan of the Company or its Subsidiaries, of "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Act) of fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities (the "Voting Securities");

2.7.2. the individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that (i) if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, such new director shall be considered a member of the Incumbent Board, (ii) any reductions in the size of the Board that are instituted voluntarily by the Incumbent Board shall not constitute a Change of Control, and after any such reduction the "Incumbent Board" shall mean the Board as so reduced, and (iii) any new director elected by stockholders to fill a Board seat in connection with an equity financing of the Company shall be considered a member of the Incumbent Board;

2.7.3. a merger or consolidation involving the Company if the stockholders of the Company, immediately before such merger or consolidation, do not own, directly or indirectly, immediately following such merger or consolidation, more than fifty percent (50%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation;

2.7.4. a sale or other disposition of all or substantially all of the assets of the Company; or

2.7.5. acceptance by stockholders of the Company of shares in a share exchange if the stockholders of the Company, immediately before such share exchange, do not own, directly or indirectly, immediately following such share exchange, more than fifty percent (50%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such share exchange.

2.8. “Code” means the Internal Revenue Code of 1986, as amended.

2.9. “Committee” means the Board or the committee designated by the Board to administer the Plan under Section 4. After the Company becomes Publicly Traded, the Committee shall have at least two members, each of whom shall be a “non-employee director” as defined in Rule 16b-3 under the Act and an “outside director” as defined in Section 162(m) of the Code and the regulations thereunder. Notwithstanding the foregoing, after the Company becomes Publicly Traded, the Board may designate one or more of its members to serve as a Secondary Committee and delegate to the Secondary Committee authority to grant Awards to eligible individuals who are not subject to the requirements of Rule 16b-3 under the Act or Section 162(m) of the Code. The Secondary Committee shall have the same authority with respect to selecting the individuals to whom such Awards are granted and establishing the terms and conditions of such Awards as the Committee has under the terms of the Plan.

2.10. “Common Stock” means the common stock of the Company, par value $.01 per share, or such other class or kind of shares or other securities resulting from the application of Section 9.

2.11. “Company” means Neuronetics, Inc., a Delaware corporation, or any successor corporation.

2.12. “Consultant” means a consultant or advisor to the Company, its Subsidiaries or Affiliates who is not an Employee.

2.13. “Director” means a member of the Board who is not an Employee.

2.14. “Disability” means disabled within the meaning of Section 22(e)(3) of the Code.

2.15. “Dividend Equivalent” means the right, awarded under Section 6, to receive the equivalent value (in cash or in Common Stock) of dividends paid on shares of Common Stock subject to an Option.

2.16. “Employee” means an officer or other employee of the Company, its Subsidiaries or Affiliates, including any member of the Board who is such an employee.

2.17. “Fair Market Value” means, on any given date:

2.17.1. if the Common Stock is listed on an established stock exchange or exchanges, the closing price of Common Stock on the principal exchange on which it is traded on such date, or if no sale was made on such date on such principal exchange, on the last preceding day on which the Common Stock was traded;

2.17.2. if the Common Stock is quoted on NASDAQ or a similar quotation system, the closing price per share for the Common Stock as quoted on NASDAQ or similar quotation system on such date;

2.17.3. if the Common Stock is not then listed on an exchange or quoted on NASDAQ or a similar quotation system, the value, as determined in good faith by the Committee.

2.18. “Good Reason” means, with respect to a Participant, any one of the following events or conditions:

2.18.1. the Company’s material breach of any of the material terms of any employment agreement then in effect between the Company and such Participant;

2.18.2. the Company’s requiring such Participant, without his/her consent, to relocate from his/her residence or to commute more than fifty (50) miles from the offices of the Company or any of its Subsidiaries at which he/she was principally employed; or

2.18.3. a material diminution in such Participant’s title, duties or responsibilities or conditions of his/her employment from those in effect on the effective date of his/her employment with the Company, together with a reduction by more than fifteen percent (15%) in such Participant’s annual base salary in effect immediately prior to such reduction (other than such a reduction applicable generally to substantially all employees of the Company).

2.19. “Incentive Stock Option” means an Option which meets the requirements of Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

2.20. “Non-Qualified Stock Option” means an Option not intended to be an Incentive Stock Option, and designated as a Non-Qualified Stock Option by the Committee. A Non-Qualified Stock Option shall also include an Option that is designated as an Incentive Stock Option but fails to meet the requirements of Section 422 of the Code.

2.21. “Option” means the right, granted from time to time under the Plan, to purchase Common Stock for a specified period of time at a stated price. An Option may be an Incentive Stock Option or a Non-Qualified Stock Option.

2.22. “Participant” means an Employee, Director or Consultant who is designated by the Committee as eligible to participate in the Plan and who receives an Award under this Plan.

2.23. “Performance Goal” means a goal that has been established by the Committee and that must be met by the end of a Performance Period (but that is substantially uncertain to be met before the grant). The Committee shall have sole discretion to determine the specific targets

within each category of Performance Goals, and whether such Performance Goals have been achieved. With respect to any Section 162(m) Participant, such Performance Goals shall include: (i) the price of Common Stock, (ii) the market share of the Company, its Subsidiaries or Affiliates (or any business unit thereof), (iii) sales by the Company, its Subsidiaries or Affiliates (or any business unit thereof), (iv) earnings per share of Common Stock, (v) return on stockholder equity of the Company, (vi) total stockholder return of the Company, (vii) cash flow of the Company, its Subsidiaries or Affiliates (or any business unit thereof), (viii) operating income of the Company, its Subsidiaries or Affiliates (or any business unit thereof), (ix) net income of the Company, its Subsidiaries or Affiliates (or any business unit thereof), (x) costs of the Company, its Subsidiaries or Affiliates (or any business unit thereof) or (xi) any other criteria specified by the Committee.

2.24. “Performance Period” means the time period during which Performance Goals must be met.

2.25. “Plan” means the Amended and Restated Neuronetics, Inc. 2003 Stock Incentive Plan herein set forth, as amended from time to time.

2.26. “Publicly Traded” means the Company is required to register shares of any class of common equity under Section 12 of the Act.

2.27. “Restricted Stock” means Common Stock awarded by the Committee under Section 8 of the Plan.

2.28. “Restriction Period” means the period during which Restricted Stock awarded under the Plan is subject to forfeiture.

2.29. “Stock Appreciation Right” or “SAR” means the right to receive, in cash or in Common Stock, as determined by the Committee, the increase in the Fair Market Value of the Common Stock underlying the SAR from the date of grant to the date of exercise.

2.30. “Section 162(m) Participant” means, after the Company becomes Publicly Traded, any employee whose compensation is subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

2.31. “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company (or any subsequent parent of the Company) if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.32. “Ten Percent Stockholder” means a person who on any given date owns, either directly or indirectly (taking into account the attribution rules contained in section 424(d) of the Code), stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Subsidiary.

3. Eligibility

Any Employee, Director or Consultant who is designated by the Committee as eligible to participate in the Plan shall be eligible to receive an Award under the Plan, provided that an Incentive Stock Option may only be granted to an Employee of the Company or a Subsidiary.

4. Administration

4.1. Members of the Committee shall be appointed by and hold office at the pleasure of the Board. Committee members may resign at any time by delivering written notice to the Board; provided, however, that a Committee member shall be deemed to have resigned when such member ceases to be an Employee or Director. Vacancies in the Committee may be filled by the Board.

4.2. The Plan shall be administered by the Committee, which shall have full power to interpret and administer the Plan, and, consistent with the terms of the Plan, full authority to act in selecting the eligible Employees, Directors and Consultants to whom Awards may be granted, in determining the times at which such Awards may be granted, in determining the time and the manner in which Options may be exercised, in determining the type and amount of Awards that may be granted, in determining the terms and conditions of Awards that may be granted under the Plan and the terms of agreements which will be entered into with Participants, including Performance Goals, if any. Such agreements may include provisions on the Company's right to purchase any Common Stock issued to a Participant under the Plan upon the termination of such Participant's service. The Committee also shall have the power to establish different terms and conditions with respect to (i) the various types of Awards granted under the Plan, (ii) the granting of the same type of Award to different Participants (regardless of whether the Awards are granted at the same time or at different times), and (iii) the establishment of different Performance Goals for different Participants.

4.3. The Committee shall have the power to accelerate the exercisability or vesting of any Award. Notwithstanding the foregoing or any other provision of the Plan, the Committee shall not alter the exercisability or vesting of an Award granted to a Section 162(m) Participant when such exercisability or vesting depends on the attainment of one or more Performance Goals, except in the event of a Change of Control, or the death or Disability of the Participant.

4.4. The Committee's powers shall include, but not be limited to, the power to determine whether, to what extent and under what circumstances an Award is made and operates on a tandem basis with other Awards made hereunder and to grant Awards (other than Incentive Stock Options) that are transferable by a Participant.

4.5. The Committee shall have the power to adopt regulations for carrying out the Plan and to make changes in such regulations as it shall, from time to time, deem advisable. The Committee shall have the full and final authority in its sole discretion to interpret the provisions of the Plan and to decide all questions of fact arising in the application of the Plan's provisions,

and to make all determinations necessary or advisable for the administration of the Plan. Any interpretation by the Committee of the terms and provisions of the Plan and the administration thereof, and all action taken by the Committee, shall be final, binding, and conclusive for all purposes and upon all Participants.

4.6. The Committee may condition the grant of any Award or the lapse of any Restriction Period or Performance Period, or any combination thereof, upon the Participant's or Company's achievement of a Performance Goal that is established by the Committee before the grant of the Award. Before granting an Award or permitting the lapse of any Restriction Period or Performance Period subject to this Section, the Committee shall certify that an individual has satisfied the applicable Performance Goal.

4.7. Members of the Committee shall receive such compensation for their services as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of the Plan shall be paid by the Company. The Committee may employ attorneys, consultants, accountants and other service providers. The Committee, the Board, the Company and the Company's officers shall be entitled to rely upon the advice and opinions of any such person. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made with respect to the Plan and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation in the manner provided in the Company's bylaws.

5. Shares of Stock Subject to the Plan

5.1. Subject to adjustment as described Section 9, the aggregate number of shares of Common Stock that may be issued or transferred under the Plan is 11,551,150 shares; all of which may be issued pursuant to Awards of Incentive Stock Options. This amendment and restatement does not increase the aggregate number of shares available under the Plan.

5.2. The Committee may also grant Awards payable in cash. The payment of Awards in cash shall not reduce the total number of shares of Common Stock available for Awards under the Plan.

5.3. After the Company becomes Publicly Traded, the maximum number of shares of Common Stock covered by Options and SARs granted to any Employee under the Plan during any calendar year shall not exceed 2,500,000 (the "Individual Limit").

5.4. Any shares of Common Stock issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. Any shares of Common Stock issued by the Company through the assumption or substitution of outstanding grants from an acquired company shall not (i) reduce the number of shares of Common Stock available for Awards under the Plan, or (ii) be counted against the Individual Limit. If (i) any shares of Common Stock subject to any Award granted hereunder are forfeited, (ii) any Award otherwise terminates

without the issuance of shares or (iii) shares are tendered to pay the exercise price of an Option granted pursuant to the Plan, then such shares, to the extent of any such forfeiture, Award termination, or tender, shall again be available for Awards under the Plan; however, such shares shall be counted against the Individual Limit.

6. Options

The grant of Options shall be subject to the following terms and conditions:

6.1. Option Grants: Any Option granted under the Plan shall be evidenced by a written agreement executed by the Company and the Participant, which agreement shall conform to the requirements of the Plan and may contain such other provisions not inconsistent with the terms of the Plan as the Committee shall deem advisable. Such agreements shall state whether the Option is an Incentive Stock Option or Non-Qualified Stock Option.

6.2. Number of Shares: Subject to the Individual Limit, the Committee shall specify the number of shares of Common Stock subject to each Option.

6.3. Option Price: The price per share at which Common Stock may be purchased upon exercise of an Option shall be as determined by the Committee; provided that such price shall not be less than (i) 100% of the Fair Market Value of the Common Stock on the date of grant and (ii) 110% of the Fair Market Value of the Common Stock on the date of grant in the case of an Incentive Stock Option granted to a Ten Percent Stockholder.

6.4. Dividend Equivalents. Notwithstanding any provision of the Plan to the contrary, a Participant who has been granted an Option pursuant to the Plan may be granted the right to receive Dividend Equivalents. In the event the Committee authorizes the grant of Dividend Equivalents to a Participant hereunder, such Dividend Equivalents shall either (a) be paid to the Participant within 30 days of the date each applicable dividend is paid on the Company's Common Stock, provided the Participant remains continuously employed by, or in the service of, the Company and/or its applicable Subsidiary or Affiliate or (b) be deferred pursuant to a plan of deferred compensation meeting the requirements of section 409A of the Code and providing for payment terms and conditions not inconsistent therewith.

6.5. Term of Option and Vesting: The Committee shall specify when an Option may be exercisable and the terms and conditions applicable thereto. The term of an Option shall in no event be greater than 10 years (five years in the case of an Incentive Stock Option granted to a Ten Percent Stockholder). The right to exercise an option or the underlying shares of Common Stock obtained upon the exercise of an Option may be subject to a vesting schedule or the attainment of Performance Goals as determined by the Committee and set forth in the applicable stock option agreement.

6.6. Incentive Stock Options: Each provision of the Plan and each agreement relating to an Incentive Stock Option shall be construed and interpreted in a manner consistent with the

requirements of Section 422 of the Code. Without limiting the foregoing, the aggregate Fair Market Value (determined as of the time the Option is granted) of the Common Stock with respect to which an Incentive Stock Option may first become exercisable by a Participant in any one calendar year under the Plan shall not exceed $100,000.

6.7. Restrictions on Transferability: No Incentive Stock Option shall be transferable other than by will or the laws of descent and distribution and, during the lifetime of the Participant, shall be exercisable only by the Participant. Upon the death of a Participant, the person to whom the rights have passed by will or by the laws of descent and distribution may exercise an Option only in accordance with this Section 6.

6.8. Exercise of Option and Payment of Option Price: An Option may be exercised only for a whole number of shares of Common Stock. The Committee shall establish the time and the manner in which an Option may be exercised. The option price of the shares of Common Stock received upon the exercise of an Option shall be paid within three (3) days of the date of exercise in full in cash, or, with the consent of the Committee, in whole or in part in shares of Common Stock held by the Participant for at least 6 months and valued at their Fair Market Value on the date of exercise. With the consent of the Committee, the option price may also be paid in full by the 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 exercise price, or in such other manner deemed appropriate by the Committee.

6.9. Termination by Death or Disability: If a Participant's employment or service with the Company, a Subsidiary or Affiliate terminates by reason of death or as a result of the Participant's Disability, any unexercised Option granted to the Participant may thereafter be exercised (to the extent such Option was exercisable at the time of the Participant's death or Disability or to a greater extent permitted by the Committee) by the Participant (or where appropriate, the Participant's transferee, personal representative, heir or legatee), for a period specified by the Committee from the date of death or termination due to Disability, or until the expiration of the stated term of the Option, whichever period is shorter; provided, however, that the period specified shall not exceed one (1) year in the case of any Incentive Stock Options. Any Option which is not exercisable or made exercisable by the Committee upon such termination shall be forfeited on the date of such termination.

6.10. Termination for Cause: If a Participant's employment or service with the Company, a Subsidiary or Affiliate terminates for Cause, unless otherwise determined by the Committee, any Options granted to the Participant shall be forfeited on the date of such termination, or notice of such termination, if earlier.

6.11. Other Termination: If a Participant's employment or service with the Company, a Subsidiary or Affiliate terminates for any reason other than death, Disability, or Cause, any unexercised Option granted to the Participant may thereafter be exercised (to the extent such Option was exercisable at the time of the Participant's termination or to a greater extent permitted by the Committee) by the Participant (or, where appropriate, the Participant's

transferee, personal representative, heir or legatee) for a period specified by the Committee from the date of termination, or until the expiration of the stated term of the Option, whichever period is shorter; provided, however, that the period specified shall not exceed three (3) months in the case of any Incentive Stock Options. Any Option which is not exercisable or made exercisable by the Committee upon such termination shall be forfeited on the date of such termination.

7. Stock Appreciation Rights (SARs)

The grant of SARs shall be subject to the following terms and conditions:

7.1. Grant of SARs: Any SAR granted under the Plan shall be evidenced by a written agreement executed by the Company and the Participant, which agreement shall conform to the requirements of the Plan and shall specify the number of shares of Common Stock subject to the Award and the base price for the Award. The agreement may contain such other provisions not inconsistent with the terms of the Plan as the Committee shall deem advisable. The base price of an SAR shall be the Fair Market Value of the Common Stock on the date of grant.

7.2. Tandem SARs. An SAR granted under the Plan may be granted in tandem with all or a portion of a related Option. An SAR granted in tandem with an Option may be granted either at the time of the grant of the Option to which it relates or at a time thereafter during the term of the Option and shall be exercisable only to the extent that the related Option is exercisable. The base price of an SAR granted in tandem with an Option shall be equal to the exercise price of the related Option.

7.3. Exercise of an SAR: An SAR shall entitle the Participant to surrender unexercised the SAR (or any portion of such SAR) and to receive a payment equal to the excess of the Fair Market Value of the shares of Common Stock covered by the SAR on the date of exercise over the base price of the SAR. Such payment may be in cash, in shares of Common Stock, in shares of Restricted Stock, or any combination thereof, as the Committee shall determine. Upon exercise of an SAR issued in tandem with an Option or lapse thereof, the related Option shall be canceled automatically to the extent of the number of shares of Common Stock covered by such exercise, and such shares shall no longer be available for purchase under the Option. Conversely, if the related Option is exercised, or lapses, as to some or all of the shares of Common Stock covered by the grant, the related SAR, if any, shall be canceled automatically to the extent of the number of shares of Common Stock covered by the Option exercise or lapse.

7.4. Other Applicable Provisions: SARs shall be subject to the same terms and conditions applicable to Options as stated in sections 6.5, 6.9, 6.10, and 6.11.

8. Restricted Stock

An Award of Restricted Stock is a grant by the Company of a specified number of shares of Common Stock to the Participant, which shares are subject to forfeiture upon the happening of specified events or upon the Participant's and/or Company's failure to achieve Performance Goals established by the Committee. A grant of Restricted Stock shall be subject to the following terms and conditions.

8.1. Grant of Restricted Stock Award. Any Restricted Stock granted under the Plan shall be evidenced by a written agreement executed by the Company and the Participant, which agreement shall conform to the requirements of the Plan, and shall specify (i) the number of shares of Common Stock subject to the Award, (ii) the Restriction Period applicable to the Award, (iii) the events that will give rise to a forfeiture of the Award, and (iv) the Performance Goals, if any, that must be achieved in order for the restriction to be removed from the Award. The agreement may contain such other provisions not inconsistent with the terms of the Plan as the Committee shall deem advisable.

8.2. Delivery of Restricted Stock. Upon determination of the number of shares of Restricted Stock to be granted to the Participant, the Committee shall direct that a certificate or certificates representing the number of shares of Common Stock be issued to the Participant with the Participant designated as the registered owner. The certificate(s) representing such shares shall be legended as to restrictions on the sale, transfer, assignment, or pledge of the Restricted Stock during the Restriction Period and deposited by the Participant, together with a stock power endorsed in blank, with the Company.

8.3. Dividend and Voting Rights. Unless otherwise determined by the Committee, during the Restriction Period, the Participant shall have all of the rights of a stockholder, including the right to vote the shares of Restricted Stock and receive dividends and other distributions, provided that distributions in the form of Common Stock shall be subject to the same restrictions as the underlying Restricted Stock.

8.4. Receipt of Common Stock. At the end of the Restriction Period, the Committee shall determine, in light of the terms and conditions set forth in the Restricted Stock agreement, the number of shares of Restricted Stock with respect to which the restrictions imposed hereunder shall lapse. The Restricted Stock with respect to which the restrictions shall lapse shall be converted to unrestricted Common Stock by the removal of the restrictive legends from the Restricted Stock. Thereafter, Common Stock equal to the number of shares of the Restricted Stock with respect to which the restrictions hereunder shall lapse shall be delivered to the Participant (or, where appropriate, the Participant's legal representative).

8.5. Termination of Service. Unless otherwise determined by the Committee, if a Participant's employment or service with the Company, a Subsidiary or an Affiliate terminates for any reason, any unvested Restricted Stock shall be forfeited.

9. Adjustments upon Changes in Capitalization

In the event of a reorganization, recapitalization, stock split, spin-off, split-off, split-up, stock dividend, issuance of stock rights, combination of shares, merger, consolidation or any other change in the corporate structure of the Company affecting Common Stock, or any distribution to stockholders other than a cash dividend, the Committee shall make appropriate adjustment in the number and kind of shares authorized for use under the Plan, the Individual Limit and any adjustments to outstanding Awards as it determines appropriate. The adjustments to outstanding Awards shall include, without limitation, the number of shares covered, the respective prices, limitations, and/or Performance Goals applicable to the outstanding Awards. No fractional shares of Common Stock shall be issued pursuant to such an adjustment. The Fair Market Value of any fractional shares resulting from adjustments pursuant to this Section shall, where appropriate, be paid in cash to the Participant. The determinations and adjustments made by the Committee pursuant to this Section shall be conclusive.

10. Change Of Control of the Company

10.1. Awards. With respect to all Awards that are unexercised and outstanding, upon a Change of Control, then for the purposes of the Plan all references herein to Awards, as defined herein, shall mean and include the equity securities of such successor corporation and/or such other consideration as shall be issuable in such Change of Control. Furthermore:

10.1.1. if a Participant continues to serve the successor corporation, such employment or service shall be deemed to be continuing employment or service to the Company and all outstanding Awards shall be assumed by the successor corporation, or substituted by new Awards, on terms no less favorable than those provided hereunder;

10.1.2. if (i) employment or the services provided to the Company by a Participant are terminated by the Company or the successor corporation without Cause or (ii) a Participant terminates his/her employment with the Company or the successor corporation for Good Reason, but only if so provided in, and then only if effected in accordance with the terms and procedures set forth in, his/her employment agreement with the Company, in either case set forth in (i) or (ii) above at any time in the period ninety (90) days prior to the effective date of the Change of Control or before the first anniversary of the effective date of the Change of Control, then upon the later of (y) the consummation of such Change of Control, or (z) the date of such Participant's termination, as the case may be, all outstanding Awards held by such Participant on such date shall immediately become fully vested and, in the case of Options and SARs, fully exercisable; and

10.1.3. if the successor corporation refuses to assume all outstanding Awards or to substitute equivalent Awards, as provided in Section 10.1.1 above, then the Committee may (i) fully accelerate all outstanding Awards so that all outstanding Awards are fully vested and all outstanding Options and SARS are fully exercisable, (ii) cancel outstanding Options and SARs for a payment in cash or Common Stock, as determined by the Committee, in an amount equal to

the difference between the Fair Market Value of a share of Common Stock and the exercise price of such cancelled Option or base price of such cancelled SAR, as the case may be; provided, however, that if the exercise price of an Option or the base price of an SAR, as the case may be, exceeds the Fair Market Value of a share of Common Stock on the date of such cancellation, such Option or SAR, as applicable, may be cancelled with no further obligation to the Participant with respect thereto, (iii) cancel outstanding Awards other than Options and SARs for a payment in cash equal to the Fair Market Value of a share of Common Stock multiplied by the number of shares of Common Stock subject to such cancelled Award or (iv) take any combination of the actions described in (i), (ii), and (iii) above. Such cancellations described in (ii) and (iii) above shall take place as of the date of the Change of Control or such other date as the Committee may specify. For the purposes of this Section, the Fair Market Value per share of Common Stock shall not be less than the cash or other consideration received by other stockholders per share of Common Stock in connection with the transaction giving rise to the Change of Control, as determined by the Committee in good faith.

10.2. Limitations. Notwithstanding anything in the Plan to the contrary, in the event of a Change of Control, the Committee shall not have the right to take any actions described in the Plan (including without limitation actions described in this Section) that would make such Change of Control ineligible for desired tax treatment if, in the absence of such right, the Change of Control would qualify for such treatment and the Company intends to use such treatment with respect to such Change of Control.

11. Effective Date, Termination and Amendment

The Plan shall become effective on the date it is approved by the Board. The Plan shall remain in full force and effect until the earlier of (i) 10 years from the date of its adoption by the Board, (ii) 10 years from the date of its approval by the shareholders or (iii) the date it is terminated by the Board. The Board shall have the power to amend, suspend or terminate the Plan at any time, provided that no such amendment shall be made without stockholder approval to the extent such approval is required under Code §422 or any other applicable law; or after the Company becomes Publicly Traded, Code §162(m) or the rules of a stock exchange or NASDAQ. Termination of the Plan pursuant to this Section shall not affect Awards outstanding under the Plan at the time of termination.

12. Transferability

Except as otherwise provided in the Plan or in any Award agreement to the contrary, Awards may not be pledged, assigned or transferred for any reason during the Participant’s lifetime, and any attempt to do so shall be void. The Committee may grant Awards (except Incentive Stock Options) that are transferable by the Participant during his lifetime, but such Awards shall be transferable only to the extent specifically provided in the agreement entered into with the Participant. The transferee of the Participant shall, in all cases, be subject to the provisions of the agreement between the Company and the Participant. The rights of the transferee shall be no greater than the rights that would be acquired by the Participant’s estate if the Participant were to die prior to the transfer of the Award.

13. General Provisions

13.1. No Employment or Service Rights. Nothing contained in the Plan, or any Award granted pursuant to the Plan, shall confer upon any Employee any right with respect to continued employment by the Company, a Subsidiary or Affiliate, or upon any Director or Consultant any right with respect to continued service for the Company, a Subsidiary or Affiliate, nor interfere in any way with the right of the Company, a Subsidiary or Affiliate to terminate the employment or service of any Employee, Director or Consultant at any time.

13.2. Termination of Employment or Service. For purposes of this Plan, a transfer of employment or service between the Company and its Subsidiaries and Affiliates shall not be deemed a termination of employment or service. However, individuals employed by or providing services to an entity that ceases to be a Subsidiary or an Affiliate shall be deemed to have incurred a termination of employment or service as of the date that such entity ceases to be a Subsidiary or an Affiliate.

13.3. Payment of Taxes. The Company shall have the power to withhold, or require a Participant to remit to the Company, all taxes required to be paid in connection with any Award, the exercise thereof and the transfer of shares of Common Stock pursuant to this Plan. The Company's power to withhold a portion of the cash or Common Stock received pursuant to an Award, or require that the Participant remit the applicable taxes shall extend to all applicable Federal, state, local or foreign withholding taxes. In the case of the payment of Awards in the form of Common Stock or cash, or the exercise of Options or SARs, the Company shall have the right to retain the shares of Common Stock or cash to be paid pursuant to the Award, or the exercise of the Option or the SAR, until the Company determines that the applicable withholding taxes have been satisfied.

13.4. Restrictions on Shares. The Award Shares shall be subject to restrictions on transfer pursuant to applicable securities laws and such other agreements as the Committee shall deem appropriate and shall bear a legend subjecting the Award Shares to those restrictions on transfer in accordance with the applicable Award. The certificates shall also bear a legend referring to any restrictions on transfer arising hereunder or under any other applicable law, regulation, rule or agreement.

13.5. Requirements of Law. The Plan and each Award under the Plan shall be subject to the requirement that if at any time the Committee shall determine that (i) the listing, registration or qualification of the Award Shares upon any securities exchange or under any state or federal law, (ii) the consent or approval of any government regulatory body or (iii) an agreement by the recipient of an Award with respect to the disposition of the Award Shares, is necessary or desirable as a condition of, or in connection with, the Plan or the granting of such Award or the issue or purchase of the Award Shares thereunder, the Award may not be

consummated in whole or in part until such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

13.6. Amending of Awards. The Committee may amend any outstanding Awards to the extent it deems appropriate. Such amendment may be made by the Committee without the consent of the Participant, except in the case of amendments adverse to the Participant, in which case the Participant's consent is required to any such amendment.

13.7. No Stockholder Rights. A Participant shall have no rights as a stockholder with respect to shares of Common Stock subject to an Award unless and until certificates for the Award Shares are issued to the Participant.

13.8. Participation of Foreign Nationals. Without amending the Plan, Awards may be granted to Participants who are foreign nationals or employed or providing services outside the United States or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purpose of the Plan.

13.9. Changes in Current Law. A citation to any law, regulation or rule herein shall be construed to be a citation to the most recent version of, or successor to, any such law, regulation or rule.

13.10. Headings. Section headings are included only for ease of reference. Headings are not intended to constitute substantive provisions of the Plan and shall not be used to interpret the scope of this Plan or the rights or obligations of the Company in any way.

13.11. Governing Law. To the extent that Federal laws do not otherwise control, the Plan and all determinations made and actions taken pursuant hereto shall be governed by the law of the State of Delaware and construed accordingly.

To record the adoption of the Plan, Neuronetics, Inc. has caused its authorized officers to affix its corporate name and seal effective as of the first day of January, 2009.

NEURONETICS, INC.

Attest:

_____ By: _____

LEASE AGREEMENT

EXETER 3222 PHOENIXVILLE, L.P.
Landlord

AND

NEURONETICS, INC.
Tenant

AT

3222 PHOENIXVILLE PIKE
MALVERN, PENNSYLVANIA

LEASE AGREEMENT

THIS LEASE AGREEMENT is made by and between EXETER 3222 PHOENIXVILLE, L.P., a Pennsylvania limited partnership ("Landlord") and NEURONETICS, Inc., a Delaware corporation ("Tenant"), and is dated as of the date on which this Lease has been fully executed by Landlord and Tenant.

1. Basic Lease Terms and Definitions.

(a) Premises: Suite 300, consisting of approximately 32,485 rentable square feet as shown on **Exhibit "A"**.

(b) Building: Approximate rentable square feet: 200,000
Address: 3222 Phoenixville Pike, Malvern, Pennsylvania

(c) Term: 93 months (plus any partial month from the Commencement Date until the first day of the next full calendar month during the Term). In the event that Tenant validly exercises either or both of the Renewal Options pursuant to Section 29 of this Lease, then all references herein to "Term" shall be deemed to include the Renewal Terms (as applicable).

(d) Commencement Date: The earlier of (i) fifteen (15) days following the date that the Tenant Improvements are Substantially Completed, estimated to be April 15, 2013 (the "Estimated Commencement Date"), but in no event earlier than April 15, 2013; or (ii) the date Tenant commences regular business operations in the Premises. The parties acknowledge that Tenant's exercising Tenant's early access rights pursuant to Section 2(d) hereof shall not be considered taking possession of the Premises for the purpose of establishing the Commencement Date.

(e) Expiration Date: 11:59 p.m. on the last day of the Term.

(f) Minimum Annual Rent: Payable in monthly installments as follows:

Period (In Months)	Annual	Monthly
1 - 9 (The "Free Rent Period")	N/A	$ 0.00
10 – 12	N/A	$28,424.38
13 – 24	$388,195.75	$32,349.65
25 – 36	$399,841.62	$33,320.14
37 – 48	$411,836.23	$34,319.68
49 – 60	$424,191.32	$35,349.27
61 – 72	$436,917.06	$36,409.75
73 – 84	$450,024.57	$37,502.05
85 – 93	N/A	$38,627.11

Notwithstanding anything to the contrary, during the Free Rent Period, Tenant shall be liable for payment of all Annual Operating Expenses as set forth in Section 6 hereof and all utilities as set forth in Section 7 hereof.

(g) Annual Operating Expenses: $125,392.10, payable in monthly installments of $10,449.34, subject to adjustment as provided in this Lease.

(h) Tenant's Share: 16.24% (also see Additional Definitions).

(i) Use: General office and warehouse use.

(j) Security Deposit: $350,000 to be held pursuant to the provisions of Section 27 below.

(k) Intentionally Deleted.

(l) Addresses For Notices:

Landlord:

c/o Exeter Property Group, LLC
140 W. Germantown Pike, Suite 150
Plymouth Meeting, PA 19462
Attn: Chief Financial Officer

Tenant:

Before the Commencement Date:

31 General Warren Boulevard
Malvern, PA 19355
Attention: Chief Financial Officer

After the Commencement Date:

At the Premises
Attention: Chief Financial Officer

With a required copy to:

Matthew J. Swett, Esquire
Pepper Hamilton LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103

(m) Additional Definitions: See Rider for the definitions of other capitalized terms.

(n) Contents: The following are attached to and made a part of this Lease:

Rider – Additional Definitions	Exhibits:	“A” – Plan showing Premises “B” – Building Rules “C” – Plans and Specifications “D” – Signs “E” – Form of Subordination of Lien Waiver “F” – Form of SNDA “G” – Parking Areas “H” – Commencement Date Memorandum

2. Premises. Landlord leases to Tenant and Tenant leases from Landlord the Premises, together with the right in common with others to use the Common Areas. Tenant shall have access to the Premises, 24 hours per day, 365 days per year, subject to reasonable security requirements, periodic maintenance and emergency situations and to all of the terms and conditions of this Lease. Subject to Landlord’s obligations with respect to the Tenant Improvements, Tenant accepts the Premises, Building and Common Areas “AS IS”, without relying on any representation, covenant or warranty by Landlord other than as expressly set forth in this Lease. Landlord and Tenant stipulate and agree to the rentable square footage set forth in Section 1 above without regard to actual measurement.

(a) Landlord shall cause to be constructed, in compliance with applicable Laws, the tenant improvements described on Exhibit “C” (the Tenant Improvements”). All bids received and subsequent documentation shall be available for Tenant’s review on an “open book” basis and Tenant shall be permitted to participate in the construction meetings (which shall be held not less frequently than twice per month) and in the selection process; provided, however, that all contractors shall be selected by Landlord in Landlord’s sole but reasonable discretion. All construction documents and drawings and similar documents for the Tenant Improvements shall be subject to Tenant’s approval, not to be unreasonably withheld. If Tenant fails to respond to any request for such approval within two (2) business days, then such approval shall be deemed given. Tenant shall have the right to inspect the progress of the Tenant Improvements upon reasonable advance notice to Landlord. Landlord shall cause the Tenant Improvements to be done in a good and workmanlike manner, and Landlord shall diligently and expeditiously pursue the issuance of a building permit for the construction of the Tenant Improvements. Landlord shall cause the Tenant Improvements to be carried forward expeditiously and with adequate work forces so as to achieve Substantial Completion of the Tenant Improvements on or before the Estimated Commencement Date. In constructing the Tenant Improvements, Landlord reserves the right to make substitutions of material of equivalent grade and quality if any specified material shall not be readily and reasonably available upon prior notice to Tenant. Upon the Tenant Improvements being Substantially Completed, Landlord shall notify Tenant, and Tenant or its Agents shall inspect the Tenant Improvements with Landlord within three (3) business days of receipt of such notice from Landlord. Within three (3) business days following such inspection, Tenant shall deliver to Landlord a punchlist of defective or

incomplete portions of the Tenant Improvements. Landlord shall cause such punchlist items to be repaired or completed within thirty (30) days of Landlord's receipt of the punchlist. Upon completion of all punchlist items to Tenant's reasonable satisfaction, it shall be presumed that all of the Tenant Improvements shall be free from latent defects in materials and workmanship, excluding however, all repairs required in connection with routine maintenance and those repairs caused by Tenant. Notwithstanding the foregoing, Landlord shall repair, at its sole cost and expense, any latent defects in the Tenant Improvements discovered within one (1) year following the Substantial Completion of the Tenant Improvements.

(b) Notwithstanding the foregoing, in the event that the Tenant Improvements are not Substantially Completed, in whole or in part, due to Tenant Delay, then the Free Rent Period shall be reduced for every day of such delay, and if such delay is longer than the Free Rent Period, Tenant's obligation to pay Rent hereunder shall not be affected or deferred on account of such delay, and the Commencement Date shall be deemed to be the date that the Tenant Improvements would have been Substantially Completed but for such Tenant Delay.

(c) Following the determination of the Commencement Date, the parties shall execute a commencement date memorandum memorializing the Commencement Date, Free Rent Period, Expiration Date, and Tenant's acceptance of the Premises in the form of Exhibit "H" attached hereto.

(d) Commencing on the date that is approximately thirty (30) days prior to the date that the Tenant Improvements are reasonably expected to be Substantially Completed, Landlord shall permit Tenant to enter the Premises in order to commence installing its furniture, equipment, cabling and wiring and fixtures, subject to Tenant obtaining, at Tenant's sole cost and expense, all Permits required in connection with the installation thereof. With respect to such early access, all provisions of this Lease shall then be in full force and effect, specifically including, but not limited to, Sections 8 and 10 hereof (excluding however, Tenant's obligation to pay Monthly Rent and utilities). Furthermore, Tenant's entry in the Premises shall not interfere with Landlord's construction of the Tenant Improvements and any such interference shall be considered a Tenant Delay hereunder. In connection with such early access, Tenant shall follow the policies and safety directives of Landlord's contractor.

3. Use. Tenant shall occupy and use the Premises only for the Use specified in Section l above. Tenant shall not permit any conduct by its Agents or employees or condition which may endanger, unreasonably disturb or otherwise interfere with any other Building occupant's normal operations or with the management of the Building. Tenant shall not use or permit, by its Agents or employees, the use of any portion of the Property for outdoor storage or installations outside of the Premises. Tenant may use all Common Areas only for their intended purposes. Landlord shall have exclusive control of all Common Areas at all times, except as otherwise expressly provided herein.

4. Term; Possession. The Term of this Lease shall commence on the Commencement Date and shall end on the Expiration Date, unless extended or sooner terminated in accordance with this Lease. If Landlord is delayed in delivering

possession of all or any portion of the Premises to Tenant as of the Commencement Date, Tenant will take possession on the date Landlord delivers possession, which date will then become the Commencement Date (and the Expiration Date will be extended so that the length of the Term remains unaffected by such delay). Subject to this Section 4, Landlord shall not be liable for any loss or damage to Tenant resulting from any delay in delivering possession due to the holdover of any existing tenant or other circumstances outside of Landlord's reasonable control. In the event that the Tenant Improvements are not Substantially Completed within one hundred (100) days following the date that Landlord receives a building permit to commence the Tenant Improvements in the Premises (the "Delivery Date"), subject to Tenant Delay or force majeure (in the event of either, the Delivery Date shall be extended by one (1) day for each one (1) day of Tenant Delay or force majeure), Landlord shall credit Tenant against Minimum Annual Rent due under this Lease an amount equal to the holdover portion of Tenant's existing rental obligations under Tenant's existing Lease actually incurred by Tenant following the Delivery Date, which Tenant represents to Landlord is equal to $17,031.13 per month. Notwithstanding anything in this Lease to the contrary, if the Commencement Date has not occurred on or before one hundred ninety (190) days following the date that Landlord receives a building permit for the Tenant Improvements, for any reason other than Tenant Delay or force majeure, then Tenant shall have the right to terminate this Lease by written notice to Landlord, as Tenant's sole and exclusive remedy with respect to such delay, except as provided above, subject to Tenant giving Landlord thirty (30) days' advance written notice of its intention to terminate this Lease if Substantial Completion shall not occur within such thirty (30) day period, in which event all amounts prepaid or deposited by Tenant hereunder shall be promptly returned to Tenant.

5. Rent; Taxes. Tenant agrees to pay to Landlord, without demand, deduction or offset, Minimum Annual Rent and Annual Operating Expenses for the Term. Tenant shall pay the Monthly Rent, in advance, on the first day of each calendar month during the Term, at Landlord's address designated in Section 1 above unless Landlord designates otherwise; provided that Monthly Rent for the first full month (after the Free Rent Period) shall be paid at the signing of this Lease. If the Commencement Date is not the first day of the month, the Monthly Rent for that partial month shall be apportioned on a per diem basis and shall be paid on or before the Commencement Date. Tenant shall pay Landlord a service and handling charge equal to 5% of any Rent not paid within 5 days after the date due, provided that for the first such instance in any calendar year that Rent is not paid when due, such service and handling charge shall not be assessed unless such Rent remains unpaid for five (5) days after Tenant's receipt of written notice of such nonpayment from Landlord. In addition, any Rent, including such charge, not paid within 5 days after the due date will bear interest at the Interest Rate from the date due to the date paid. Tenant shall pay before delinquent all taxes levied or assessed upon, measured by, or arising from: (a) the conduct of Tenant's business; (b) Tenant's leasehold estate to the extent assessed upon Tenant; or (c) Tenant's property and trade fixtures. Additionally, Tenant shall pay to Landlord all sales, use, transaction privilege, or other excise tax that may at any time be levied or imposed upon, or measured by, any amount payable by Tenant under this Lease.

6. Operating Expenses.

(a) The amount of the Annual Operating Expenses set forth in Section 1 above represents Tenant's Share of the estimated Operating Expenses for the calendar year in which the Term commences. Landlord may adjust such amount from time to time if the estimated Annual Operating Expenses increase or decrease; Landlord may also invoice Tenant separately from time to time for Tenant's Share of any extraordinary or unanticipated Operating Expenses, but not more than two (2) times per calendar year. Each year (and as soon as practical after the expiration or termination of this Lease or, at Landlord's option, after a sale of the Property), Landlord shall provide Tenant with a statement of Operating Expenses ("Statement") for the preceding calendar year or part thereof. Within 30 days after delivery of the Statement to Tenant, Landlord or Tenant shall pay to the other the amount of any overpayment or deficiency then due from one to the other or, at Landlord's option, Landlord may credit Tenant's account for any overpayment.

(b) If Tenant does not give Landlord notice within sixty (60) days after receiving Landlord's Statement that Tenant disagrees with the Statement and specifying the items and amounts in dispute, Tenant shall be deemed to have waived the right to contest such Statement. If Tenant disagrees with such Statement, Tenant shall, pending the resolution of such dispute, nonetheless pay all of Tenant's Share of the Annual Operating Expenses in accordance with the Statement furnished by Landlord. Tenant, at Tenant's expense (except as set forth below), may audit the Statement or reconciliation under the following conditions: (A) Tenant provides notice of its intent to audit within sixty (60) days after receiving the Statement setting forth with specificity the items in dispute; (B) the audit is performed by Tenant or a certified public accountant that has not been retained on a contingency basis or other basis where its compensation relates to the cost savings of Tenant; (C) the audit is completed no later than sixty (60) days after the date Landlord makes all of the necessary books and records available to Tenant or Tenant's auditor and provides written notice of such availability to Tenant; (D) the audit must be conducted during normal business hours, at the location where Landlord maintains its books and records; (E) the contents of the books and records of Landlord shall be kept confidential by Tenant, its auditor and its other professional advisors, other than as required by Laws or in connection with any legal proceeding between the parties; and (F) in the event that Tenant or its auditor determines that an overpayment is due Tenant, Tenant or Tenant's auditor shall produce a detailed report addressed to both Landlord and Tenant with its calculated conclusions within fifteen (15) days after the completion of the audit. Landlord and Tenant shall work together in good faith to resolve any issues raised in Tenant's audit. Upon the resolution of such dispute, any amount due Tenant (if any) shall be credited against future payments of Rent or, if no further Rent is due, pay such amount to Tenant within thirty (30) days after the date of such resolution. Tenant shall be responsible for all costs, expenses and fees incurred in connection with its audit; provided, however, if the parties determine through Tenant's audit that Tenant has overpaid its Annual Operating Expenses by more than five percent (5%), Landlord shall pay the reasonable third-party costs of such audit not to exceed $2,000.00. Landlord's and Tenant's obligation to pay any overpayment or deficiency due the other pursuant to this Section and Tenant's examination rights set forth in this subsection (b) shall survive the expiration or termination of this Lease. Notwithstanding any other provision of this Lease to the contrary, Landlord may, in its reasonable discretion, determine from time to time the method of computing and allocating Operating Expenses, including the method

of allocating Operating Expenses to various types of space within the Building to reflect any disparate levels of services provided to different types of space. If the Building is not fully occupied during any period, Landlord may make a reasonable adjustment based on occupancy in computing the Operating Expenses that vary based on occupancy for such period so that such Operating Expenses are computed as though the Building had been fully occupied.

7. Utilities.

(a) Tenant shall pay for water, sewer, gas, electricity, heat, power, telephone and other communication services and any other utilities supplied to the Premises. Landlord shall cause the Premises to be separately metered for electricity on or before the Commencement Date. Except for any utilities that are not separately metered (for which Landlord shall invoice Tenant for the cost or include the cost in Operating Expenses), Tenant shall obtain utility service in its own name and timely pay all charges directly to the provider. In the event that any meter serving the Premises is not functioning properly or during the period that such meter is being repaired, Tenant shall be responsible for its pro rata share of utility usage based upon Landlord's reasonable estimate. Landlord shall not be responsible or liable for any interruption in such services, nor shall such interruption affect the continuation or validity of this Lease. Landlord shall have the exclusive right to select, and to change, the companies providing such services to the Building or Premises so long as such companies charge competitive, market rates. Any wiring, cabling or other equipment necessary to connect Tenant's telecommunications equipment shall be Tenant's responsibility, and shall be installed in a manner reasonably approved by Landlord. In the event Tenant's consumption of any utility or other service included in Operating Expenses is excessive when compared with other occupants of the Property, Landlord may invoice Tenant separately for, and Tenant shall pay on demand, the cost of Tenant's excessive consumption, as reasonably determined by Landlord. Landlord agrees to apply a similar standard to the other tenants in the Building whose electricity use is not metered. If any utility service to the Premises is interrupted due to the negligence or willful misconduct of Landlord or its Agents or Landlord's failure to comply with its obligations under this Lease (a "Service Interruption") and such Service Interruption causes all or a material portion of the Premises to be untenantable (the "Affected Space") for a period of four (4) or more consecutive business days after written notice thereof from Tenant to Landlord ("Interruption Notice"), then, provided that Tenant has actually ceased all of its operations in the Affected Space for the conduct of its business, all Rent shall abate in the proportion that the rentable square footage of the Affected Space actually vacated and untenantable by Tenant bears to the rentable square footage of the Premises, which abatement shall commence on the fifth (5th) business day following Landlord's receipt of the Interruption Notice and expire on the earlier of Tenant's re-commencement of operations in the Affected Space or the date that the Service Interruption is remedied. Notwithstanding the foregoing, Tenant shall not be entitled to abatement or any other remedy to the extent that the Service Interruption is caused in whole or in part by the negligence or willful misconduct of Tenant or Tenant's Agents or Tenant's failure to comply with its obligations under this Lease. Tenant agrees that the rental abatement described herein shall be Tenant's sole remedy in the event of a Service Interruption that is not covered under any casualty or condemnation provisions of this Lease, and Tenant hereby waives any other rights against Landlord in connection

therewith. In the event that the Service Interruption shall continue for a period in excess of sixty (60) consecutive days, such Service Interruption shall be treated as a casualty as of the sixty-first (61st) day, in which event the provisions of Section 15 below shall apply.

(b) From time to time, at Landlord's option, Landlord may estimate the monthly cost for all utilities that are not being directly metered and billed to Tenant and bill Tenant the estimated amount therefor. All such estimated amounts shall be paid together with Monthly Rent. Landlord shall deliver to Tenant at least semi-annually (or more frequently at Landlord's election) a statement indicating the actual amount of Tenant's share of such utilities based upon the actual utility invoiced (as may be applicable). If any reconciliation of utilities reveals that any additional payments are due, Tenant shall pay such deficiency to Landlord within thirty (30) days after invoice therefor accompanied by such reconciliation documentation. If the reconciliation reveals that Tenant has overpaid utilities for such period, Landlord shall credit such overpayment against Rent hereunder, or if the Term has expired, pay such amount to Tenant within thirty (30) days following such reconciliation. Landlord's and Tenant's obligation to pay any overpayment or deficiency due the other pursuant to this Section shall survive the expiration or termination of this Lease.

8. Insurance; Waivers; Indemnification.

(a) Landlord shall maintain insurance against loss or damage to the Building or the Property with coverage for perils as set forth under the "Causes of Loss-Special Form" (including coverage for the perils of flood and earthquake, if applicable) or equivalent property insurance policy in an amount equal to the full insurable replacement cost of the Building (excluding coverage of Tenant's personal property and any Alterations by Tenant), commercial general liability insurance in commercially reasonable amounts with commercially reasonable deductibles as required by any Mortgagee, or, if none, as would be carried by a prudent owner of a similar building in the area of the Property, and such other insurance, including rent loss coverage, as Landlord may reasonably deem appropriate or as any Mortgagee may require.

(b) Tenant, at its expense, shall keep in effect commercial general liability insurance, including blanket contractual liability insurance, covering Tenant's use of the Property, with such coverages and limits of liability as Landlord may reasonably require, but not less than a $1,000,000 per occurrence combined single limit with a $3,000,000 general aggregate limit (which general aggregate limit may be satisfied by an umbrella liability policy) for bodily injury or property damage; however, such limits shall not limit Tenant's liability hereunder. The policy shall name Landlord and any other associated or affiliated entity as their interests may appear and at Landlord's request, any Mortgagee(s), as additional insureds, shall be written on an "occurrence" basis and not on a "claims made" basis and shall be endorsed to provide that it is primary to and not contributory to any policies carried by Landlord and, to the extent commercially available, endorsed to provide that it shall not be cancelable or reduced without at least thirty (30) days' prior notice to Landlord. The insurer shall be authorized to issue such insurance, licensed to do business and admitted in the state in which the Property is located and rated at least A VII in the most current edition of *Best's Insurance Reports.* Tenant shall deliver to Landlord a certificate of insurance evidencing such required

coverage on or within ten (10) days of the Commencement Date or any earlier date on which Tenant accesses the Premises, and at least fifteen (15) days prior to the date of each policy renewal, a certificate of insurance evidencing such coverage.

(c) Landlord and Tenant each waive, and release each other from and against, all claims for recovery against the other for any loss or damage to the property of such party arising out of fire or other casualty coverable by a standard "Causes of Loss-Special Form", as noted above, property insurance policy, even if such loss or damage shall be brought about by the fault or negligence of the other party or its Agents; provided, however, such waiver by Landlord shall not be effective with respect to Tenant's liability described in Sections 9(b) and 10(d) below. This waiver and release is effective regardless of whether the releasing party actually maintains the insurance described above in this subsection and is not limited to the amount of insurance actually carried, or to the actual proceeds received after a loss. Each party shall have its insurance company that issues its property coverage waive any rights of subrogation, and shall have the insurance company include an endorsement acknowledging this waiver, if necessary. Tenant assumes all risk of damage of Tenant's property within the Property, including any loss or damage caused by water leakage, fire, windstorm, explosion, theft, act of any other tenant, or other cause, except to the extent caused by the willful misconduct of Landlord, its employees and Agents.

(d) Subject to subsection (c) above, and except to the extent caused by the negligence or willful misconduct of Landlord or its Agents, Tenant will indemnify, defend, and hold harmless Landlord and its Agents from and against any and all claims, actions, damages, liability and expense (including reasonable fees of attorneys, investigators and experts) which may be asserted against, imposed upon, or incurred by Landlord or its Agents and arising out of or in connection with loss of life, bodily injury or damage to property in or about the Premises or arising out of the occupancy or use of the Property by Tenant or its Agents or occasioned wholly or in part by any act or omission of Tenant or its Agents, whether prior to, during or after the Term. Tenant's obligations pursuant to this subsection shall survive the expiration or termination of this Lease.

(e) Subject to subsection (c) above, and except to the extent caused by the negligence or willful misconduct of Tenant or its Agents, Landlord will indemnify, defend, and hold harmless Tenant and its Agents from and against any and all claims, actions, damages, liability and expense (including reasonable fees of attorneys, investigators and experts) which may be asserted against, imposed upon, or incurred by Tenant or its Agents and arising out of or in connection with loss of life, bodily injury or damage to property in the Common Areas occasioned wholly or in part by any act or omission of Landlord or its Agents, during or after the Term. Landlord's obligations pursuant to this subsection shall survive the expiration or termination of this Lease.

9. Maintenance and Repairs.

(a) Landlord shall Maintain the: (i) Building footings, foundations, structural steel columns and girders at Landlord's sole expense; (ii) Building roof and exterior walls (including any issues caused by the roof or exterior walls that impact the exterior windows or doors); (iii) Building Systems, including all HVAC units (including, without limitation, those that exclusively serve the Premises or any portion thereof); and (iv)

Common Areas. Costs incurred by Landlord under the foregoing subsections (ii), (iii) and (iv) will be included in Operating Expenses. In addition, Landlord shall be responsible for providing janitorial service (five (5) days per week and to a customary level for buildings similar to the Building in the geographic area of the Building) and trash removal for the Premises, the cost of which services shall be part of Operating Expenses. If Tenant becomes aware of any condition that is Landlord's responsibility to repair, Tenant shall promptly notify Landlord of the condition.

(b) Except as provided in subsection (a) above, Tenant at its sole expense shall Maintain the Premises, including, but not limited to, all lighting, plumbing fixtures, walls, partitions, dock doors and any replacement thereof, loading areas, floors, doors, windows, fixtures and equipment in the Premises. All repairs and replacements by Tenant shall utilize materials and equipment which are comparable to those originally used in constructing the Building and Premises. Alterations, repairs and replacements to the Property, including the Premises, made necessary because of Tenant's Alterations or installations, any use or circumstances special or particular to Tenant, or any act or omission of Tenant or its Agents shall be made by Landlord or Tenant as set forth above, but at the sole expense of Tenant to the extent not covered by any applicable insurance proceeds paid to Landlord.

(c) Notwithstanding anything to the contrary contained in this Lease, should Landlord fail or refuse to make any required repairs to the Premises within thirty (30) days after receipt of written notice from Tenant (provided that Landlord shall have such additional time as may be reasonably necessary to make such repair, provided that Landlord commences to cure such default within such 30-day period and actively and diligently in good faith prosecutes such cure to completion) then Tenant may deliver written notice thereof to Landlord ("Reminder Notice"). The Reminder Notice must specifically describe the action that is required of Landlord to satisfy the requirements of this Lease with respect to the Premises and specify that Tenant may exercise the rights granted under this Section 9(c) if Landlord fails to cure or commence to cure (and diligently pursue such cure to completion) the specified items within five (5) days of receipt of the Reminder Notice. Notwithstanding the foregoing, if Landlord's failure or refusal to make any required repairs to the Premises results in an imminent material threat to persons or property, Tenant's initial notice shall so state and shall specify that Tenant may exercise the rights granted under this Section 9(c) if Landlord fails to timely cure or commence to cure the specified items (an "Imminent Threat Notice"). If reasonable under the circumstances, Tenant may provide an Imminent Threat Notice by telephone. If (a) Landlord fails to take or commence to take (and diligently pursue to completion) the required action within five (5) days of receiving a Reminder Notice or within forty-eight (48) hours after an Imminent Threat Notice, or such shorter period of time if warranted under the circumstances, and (b) Tenant in good faith believes that it can perform such obligations, then Tenant may, subject to the terms of this Section 9(c), make such repairs to the Premises (but solely on its own behalf, and not as the agent of Landlord). Tenant may not take any such self-help action that alters or modifies the Building structure (other than roof repairs to stop leakage) or Building Systems or the Common Areas. Landlord shall reimburse Tenant for Tenant's reasonable, third-party, out-of-pocket costs and expenses in taking such action within thirty (30) days after receiving an invoice from Tenant setting forth a reasonably particularized breakdown of such costs and expenses. All repairs made by Tenant pursuant to this Section 9(c)

shall (i) be in accordance with all Laws; (ii) use only such contractors as are duly licensed in the Commonwealth of Pennsylvania and who perform such work in comparable buildings in the normal course of their business; (iii) upon commencing such work, complete the same within a reasonable period of time, (iv) use only new materials, and (v) effect such work in a good and workmanlike manner. Except in the event of an emergency, prior to commencing any such work, Tenant shall cause its contractors and subcontractors to provide certificates evidencing adequate insurance coverage naming Landlord and any other associated or affiliated entity known to Tenant as additional insureds.

10. Compliance.

(a) Tenant will, at its expense, promptly comply with all Laws now or subsequently pertaining to the Premises or Tenant's particular use or occupancy of the Premises and obtain all Permits necessary for Tenant's use, occupancy and/or business conducted at the Premises (excluding any Permits required in connection with the Tenant Improvements and any certificate of occupancy or similar certifications, all of which shall be the responsibility of Landlord), provided, however, in the event that a new Law is enacted that applies to office buildings in general and its applicability is not as a result of Tenant's particular use and occupancy of the Premises, Landlord shall make any changes to the Premises required to comply with Laws (and the costs of same shall be included in Operating Expenses to the extent permitted under this Lease). Following the Commencement Date, Tenant shall be responsible for compliance with the ADA, and any other Laws regarding accessibility, with respect to the Premises and Landlord shall be responsible for compliance with the ADA and other Laws with respect to the Common Areas. Landlord represents and warrants that, to the Landlord's knowledge, as of the Commencement Date, the Premises shall comply with all Laws, including the ADA.

(b) Tenant will comply, and will use commercially reasonable efforts to cause its Agents to comply, with the Building Rules.

(c) Tenant agrees not to do anything or fail to do anything which will increase the cost of Landlord's insurance or which will prevent Landlord from procuring policies (including public liability) from companies and in a form satisfactory to Landlord. If any breach of the preceding sentence by Tenant causes the rate of fire or other insurance to be increased, Tenant shall pay the amount of such increase as additional Rent within 30 days after being billed, which bill shall be accompanied by reasonable backup documentation evidencing that such increase is due to such breach by Tenant.

(d) Tenant agrees that (i) no activity will be conducted on the Premises that will use or produce any Hazardous Materials, except for activities which are part of the ordinary course of Tenant's business and are conducted in accordance with all Environmental Laws ("Permitted Activities"); (ii) the Premises will not be used for storage of any Hazardous Materials, except for materials used in the Permitted Activities which are properly stored in a manner and location complying with all Environmental Laws; (iii) no portion of the Premises or Property will be used by Tenant or Tenant's Agents for disposal of Hazardous Materials; (iv) Tenant will deliver to Landlord copies of all Material Safety Data Sheets and other written information

prepared by manufacturers, importers or suppliers of any chemical; and (v) Tenant will immediately notify Landlord of any violation by Tenant or Tenant's Agents of any Environmental Laws or the release or suspected release of Hazardous Materials in, under or about the Premises, and Tenant shall immediately deliver to Landlord a copy of any notice, filing or permit sent or received by Tenant with respect to the foregoing. If at any time during or after the Term, any portion of the Property is found to be contaminated by Tenant or Tenant's Agents or subject to conditions prohibited in this Lease caused by Tenant or Tenant's Agents, Tenant will indemnify, defend and hold Landlord harmless from all claims, demands, actions, liabilities, costs, expenses, reasonable attorneys' fees, damages and obligations of any nature arising from or as a result thereof, and Landlord shall have the right to direct remediation activities, all of which shall be performed at Tenant's cost (which cost shall include the Administrative Fee). Tenant's obligations pursuant to this subsection shall survive the expiration or termination of this Lease.

(e) Landlord represents and warrants to Tenant that, except as may be provided in the Environmental Report, to Landlord's actual knowledge: (i) the Property is not in violation of any applicable Environmental Laws as of the date hereof, and (ii) Landlord has not received any written notices of violations from any governmental authority with respect to violations of Environmental Laws that remain uncured. Tenant acknowledges that Landlord has provided Tenant with a copy of the Environmental Report and that Tenant has reviewed same.

(f) Subject to the limitations of liability set forth herein, Landlord hereby agrees to indemnify and hold Tenant harmless from and against the following expenses, losses and liabilities suffered by reason of the use, disposal, emission, release, or handling of Hazardous Materials by Landlord or its Agents at the Property in violation of any Environmental Laws: (i) any and all expenses that Tenant is required to incur to comply with any Environmental Laws; (ii) any out of pocket costs that Tenant is required to incur by any governmental authority to study, assess, contain, remove, remedy or mitigate the release of the Hazardous Materials by Landlord at the Premises; and (iii) any fines or penalties assessed upon Tenant by reason of Landlord's use, disposal, emission, release or handling of Hazardous Materials at the Premises in violation of Environmental Laws.

11. Signs. Except as otherwise provided herein, Tenant shall not place any signs on the Property without the prior consent of Landlord, other than signs that are located wholly within the interior of the Premises and not visible from the exterior of the Premises. Tenant shall be permitted, at its sole cost and expense, to place its name and logo on the entranceway monument signs on Phoenixville Pike, as depicted on Exhibit "D" attached hereto, in compliance with all Laws and any recorded restrictions of record. Tenant shall also be permitted to install, at Tenant's sole cost and expense, an exterior, non-illuminated Building sign above Tenant's main entrance, provided that any Building sign is approved in advance in writing by Landlord (such approval not to be unreasonably withheld, conditioned or delayed), and is in compliance with all applicable Laws and recorded restrictions of record. Tenant shall maintain all signs installed by Tenant in good condition. Tenant shall remove its signs at the termination of this Lease, shall repair any resulting damage, and shall restore the Property to its condition existing prior to the installation of Tenant's signs.

12. Alterations. Except for non-structural Alterations that (i) do not exceed $25,000 in the aggregate, (ii) are not visible from the exterior of the Premises, (iii) do not affect any Building System or the structural strength of the Building, (iv) do not require penetrations into the floor, roof, ceiling or walls, other than minor penetrations for wall hangings, fastenings to the floor or similar items not affecting the Building Systems, and (v) do not require work on the roof or within the walls, below the floor or above the ceiling, Tenant shall not make or permit any Alterations in or to the Premises without first obtaining Landlord's consent, which consent shall not be unreasonably withheld. With respect to any Alterations that do not require Landlord's consent, Tenant shall nonetheless provide written notice thereof to Landlord, describing in reasonable detail the nature of the Alteration. With respect to any Alterations made by or on behalf of Tenant (where the Alteration requires Landlord's consent): (i) not less than ten (10) days prior to commencing any Alteration, Tenant shall deliver to Landlord the plans, specifications and necessary permits for the Alteration, together with certificates evidencing that Tenant's contractors and subcontractors have adequate insurance coverage (based on reasonable industry standards) naming Landlord and any other associated or affiliated entity as their interests may appear as additional insureds, (ii) Tenant shall obtain Landlord's prior written approval of any contractor or subcontractor, (iii) the Alteration shall be constructed with new materials, in a good and workmanlike manner, and in compliance with all Laws and the plans and specifications delivered to, and, if required above, approved by Landlord, (iv) Tenant shall pay Landlord all reasonable costs and expenses in an amount not to exceed $2,500 in connection with Landlord's third party costs in connection with the review of Tenant's plans and specifications, and of any supervision or inspection of the construction Landlord deems necessary, and (v) upon Landlord's request Tenant shall, prior to commencing any Alteration, the cost of which exceeds $100,000.00, provide Landlord reasonable security against liens arising out of such construction. Any Alteration by Tenant shall be the property of Tenant until the expiration or termination of this Lease; at that time without payment by Landlord the Alteration shall remain on the Property and become the property of Landlord unless Landlord gives notice to Tenant to remove it, in which event Tenant will remove it, will repair any resulting damage and will restore the Premises to the condition existing prior to Tenant's Alteration. At Tenant's request prior to Tenant making any Alterations, Landlord will notify Tenant whether Tenant is required to remove the Alterations at the expiration or termination of this Lease. Tenant may install its trade fixtures, furniture and equipment in the Premises, provided that the installation and removal of them will not affect any structural portion of the Property, any Building System or any other equipment or facilities serving the Building or any occupant. Notwithstanding anything to the contrary in this Lease, at the expiration or termination of this Lease, Tenant shall not be required to remove the Tenant Improvements, excluding wiring and cabling which Tenant shall be required to remove at its sole cost and expense. Subject to this Section 12, Tenant shall have the right to install a security system in the Premises, provided that Tenant provides Landlord with the code or other access to the security system.

13. Mechanics' Liens. Tenant shall pay promptly for any labor, services, materials, supplies or equipment furnished to Tenant in or about the Premises. Tenant shall keep the Premises and the Property free from any liens arising out of any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to Tenant. Should any such lien or notice of such lien be filed against the Premises or the Property, Tenant shall discharge the same by bonding or otherwise within 15 days after Tenant has notice that the lien or claim is filed regardless of the validity of such lien or claim.

14. Landlord's Right of Entry. Tenant shall permit Landlord and its Agents to enter the Premises at all reasonable times following reasonable notice (except in an emergency) to inspect, Maintain, or make Alterations to the Premises or Property, to exhibit the Premises for the purpose of sale or financing, and, during the last 12 months of the Term, to exhibit the Premises to any prospective tenant. Landlord will make reasonable efforts not to inconvenience Tenant in exercising such rights, but Landlord shall not be liable for any interference with Tenant's occupancy resulting from Landlord's entry.

15. Damage by Fire or Other Casualty. If the Premises or Common Areas shall be damaged or destroyed by fire or other casualty, Tenant shall promptly notify Landlord, and Landlord, subject to the conditions set forth in this Section, shall repair such damage and restore the Premises (including the Tenant Improvements) and Common Areas to substantially the same condition in which they were immediately prior to such damage or destruction, but not including the repair, restoration or replacement of the fixtures, equipment, or Alterations installed by or on behalf of Tenant. Landlord shall notify Tenant, within 30 days after the date of the casualty, of the time that Landlord reasonably anticipates that the restoration of the Premises or Common Areas shall require, and if Landlord reasonably anticipates that the restoration will take more than 180 days from the date of the casualty to complete; in such event, either Landlord or Tenant may terminate this Lease effective as of the date of casualty by giving notice to the other within 10 days after Tenant's receipt of Landlord's notice. If a casualty, which Landlord reasonably anticipates taking more than 30 days to repair occurs during the last 12 months of the Term, Landlord or Tenant may terminate this Lease unless Tenant has the right to extend the Term for at least 3 more years and does so within 30 days after the date of the casualty. Moreover, Landlord may terminate this Lease if the loss is not covered by the insurance required to be maintained by Landlord under this Lease but, subject to the provisions of this Lease, Landlord shall restore the Premises and Common Areas, as applicable, if such proceeds are in fact made available to Landlord. Tenant will receive an abatement of Rent to the extent the Premises are rendered untenantable as a result of the casualty. Furthermore, if Landlord elects to repair the Premises or Common Areas, as applicable, but fails to complete the repairs within 270 days from the date of the damage or destruction, then Tenant shall have the right, exercised within 30 days after the 270 day period, to terminate this Lease by providing Landlord with 30 days' prior written notice therefor if the Premises are not substantially complete within said 30 day notice period.

16. Condemnation. If (a) all of the Premises are Taken, (b) any part of the Premises is Taken and the remainder is insufficient in Landlord's and Tenant's reasonable opinion for the reasonable operation of Tenant's business, or (c) any part of the Property is Taken, such that, in Landlord's and Tenant's reasonable opinion, Tenant is not able to reasonably operate its business in the Premises, or the condemnation proceeds are insufficient to restore the remainder, then this Lease shall terminate as of the date the condemning authority takes possession. If this Lease is not terminated, Landlord shall restore the Property, including the Building, the Premises and Tenant Improvements, as applicable, to a condition as near as reasonably possible to the condition prior to the Taking, the Rent shall be abated for the period of time all or a part of the Premises is

untenantable in proportion that such rentable square foot area that is untenantable bears to the rentable square foot area of the Premises, and this Lease shall be amended appropriately. The compensation awarded for a Taking shall belong to Landlord, except Tenant shall have the right to make a claim for its personal property, fixtures and equipment and any moving expenses, but only to the extent that same does not diminish Landlord's award. Except for any such claim, Tenant hereby assigns all claims against the condemning authority to Landlord, including, but not limited to, any claim relating to Tenant's leasehold estate.

17. Quiet Enjoyment. Landlord covenants that Tenant, upon performing all of its covenants, agreements and conditions of this Lease, shall have quiet and peaceful possession of the Premises as against anyone claiming by or through Landlord, subject, however, to the terms of this Lease.

18. Assignment and Subletting.

(a) Except as provided in Section (b) below, Tenant shall not enter into nor permit any Transfer voluntarily or by operation of law, without the prior consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Without limitation, Tenant agrees that Landlord's consent shall not be considered unreasonably withheld if (i) the proposed transferee is an existing tenant of Landlord and Landlord has available space to lease to such existing tenant consistent with the requirements of said existing tenant at the time of the proposed Transfer, (ii) the business, business reputation or creditworthiness of the proposed transferee is unacceptable to Landlord, (iii) Landlord has comparable space in the Building available for lease by the proposed transferee, or (iv) there is an uncured Event of Default or any act or omission has occurred which would constitute an Event of Default with the giving of notice and/or the passage of time. Consent to one Transfer shall not be deemed to be consent to any subsequent Transfer. In no event shall any Transfer relieve Tenant from any obligation under this Lease. Landlord's acceptance of Rent from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be consent to any Transfer. Any Transfer not in conformity with this Section 18 shall be void at the option of Landlord.

(b) Landlord's consent shall not be required in the event of any Transfer by Tenant to an Affiliate provided that (i) the Affiliate has a tangible net worth (defined to mean total assets less both intangible assets and total liabilities) at least equal to that of Tenant as of the date of this Lease, (ii) Tenant provides Landlord notice of the Transfer at least 15 days prior to the effective date, together with current financial statements of the Affiliate certified by an officer of the Affiliate, and (iii) in the case of an assignment or sublease, Tenant delivers to Landlord an assumption agreement or sublease reasonably acceptable to Landlord executed by Tenant and the Affiliate, together with a certificate of insurance evidencing the Affiliate's compliance with the insurance requirements of Tenant under this Lease (a "Permitted Transfer"). Notwithstanding anything to the contrary in this Lease, an initial public offering by Tenant shall not be considered an assignment of this Lease and shall not require Landlord's consent.

(c) The provisions of subsection (a) above notwithstanding, if Tenant proposes to Transfer all of the Premises for substantially the balance of the Term of this

Lease (other than to an Affiliate), Landlord may terminate this Lease upon written notice to Tenant within 10 business days after receipt of Tenant's notice of its proposal of such Transfer. If this Lease is not so terminated, Tenant shall pay to Landlord, immediately upon receipt, 50% of the excess of (i) all compensation received by Tenant for the Transfer after deducting Tenant's reasonable out of pocket costs incurred with respect to such transfer, with such deduction to be amortized on a straight line basis over the remaining term of this Lease, in the event of an assignment, or over the term of the sublease, over (ii) the Rent allocable to the Premises transferred.

(d) If Tenant requests Landlord's consent to a Transfer, Tenant shall provide Landlord, at least 15 days prior to the proposed Transfer, current financial statements of the transferee certified by an officer of the transferee, a complete copy of the proposed Transfer documents, and any other information Landlord reasonably requests. Promptly following any approved assignment or sublease, Tenant shall deliver to Landlord an assumption agreement reasonably acceptable to Landlord executed by Tenant and the transferee, together with a certificate of insurance evidencing the transferee's compliance with the insurance requirements of Tenant under this Lease. Tenant agrees to reimburse Landlord for reasonable administrative and attorneys' fees in connection with the processing and documentation of any Transfer for which Landlord's consent is requested, not to exceed $2,500.

19. Subordination; Mortgagee's Rights.

(a) Tenant accepts this Lease subject and subordinate to any Mortgage now or in the future affecting the Premises, provided that (i) Tenant's right of possession of the Premises shall not be disturbed by the Mortgagee so long as there is no Event of Default under this Lease, and (ii) Landlord delivers at the time it executes this Lease, a Subordination, Non-disturbance and Attornment Agreement in the form attached hereto as Exhibit "F" with respect to the current Mortgage, and (iii) with respect to any future Mortgage, Tenant shall execute a Subordination, Non-disturbance and Attornment Agreement on such Mortgagee's form within ten (10) business days after request therefor. Tenant shall execute and deliver any further commercially reasonable instruments confirming the subordination of this Lease and any commercially reasonable further instruments of attornment that the Mortgagee may reasonably request. However, any Mortgagee may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by giving notice to Tenant, and this Lease shall then be deemed prior to such Mortgage without regard to their respective dates of execution and delivery; provided that such subordination shall not affect any Mortgagee's rights with respect to condemnation awards, casualty insurance proceeds, intervening liens or any right which shall arise between the recording of such Mortgage and the execution of this Lease.

(b) No Mortgagee shall be (i) liable for any act or omission of a prior landlord, except to the extent such act or omission is of a continuing nature after Mortgagee takes ownership of the Building, and Mortgagee's responsibility and liability shall commence from the date Mortgagee takes ownership of the Building, (ii) subject to any rental offsets or defenses against a prior landlord, (iii) bound by any amendment of this Lease made without its written consent, or (iv) bound by payment of Monthly Rent more than one month in advance or liable for any other funds paid by Tenant to Landlord unless such funds actually have been transferred to the Mortgagee by Landlord.

(c) The provisions of Sections 15 and 16 above notwithstanding, Landlord's obligation to restore the Premises after a casualty or condemnation shall be subject to the consent and prior rights of any Mortgagee.

20. Tenant's Certificate; Financial Information. Within ten (10) business days after Landlord's request from time to time, (a) Tenant shall execute, acknowledge and deliver to Landlord, for the benefit of Landlord, Mortgagee, any prospective Mortgagee, and any prospective purchaser of Landlord's interest in the Property, an estoppel certificate in a form reasonably requested by Landlord, modified as necessary to accurately state the facts represented, and (b) not more than twice in any calendar year, Tenant shall furnish to Landlord, Landlord's Mortgagee, prospective Mortgagee and/or prospective purchaser reasonably requested financial information which shall be kept strictly confidential by such parties, other than such parties' attorneys, accountants, affiliates, employees or financial advisors.

21. Surrender.

(a) On the date on which this Lease expires or terminates, Tenant shall return possession of the Premises to Landlord in the same condition as delivered to Tenant, except for ordinary wear and tear, except for Alterations not required to be removed by Tenant by the terms of this Lease, and except for casualty damage or other conditions that Tenant is not required to remedy under this Lease. Prior to the expiration or termination of this Lease, Tenant shall remove from the Property all furniture, trade fixtures, equipment, wiring and cabling (unless Landlord directs Tenant otherwise), and all other personal property installed by Tenant or its assignees or subtenants. Tenant shall repair any damage resulting from such removal and shall restore the Property to the same condition as delivered to Tenant, normal wear and tear excepted. Any of Tenant's personal property not removed as required shall be deemed abandoned, and Landlord, at Tenant's expense, may remove, store, sell or otherwise dispose of such property in such manner as Landlord may see fit and/or Landlord may retain such property or sale proceeds as its property. If Tenant does not return possession of the Premises to Landlord in the condition required under this Lease, Tenant shall pay Landlord all resulting damages Landlord may suffer.

(b) If Tenant remains in possession of the Premises after the expiration or termination of this Lease, Tenant's occupancy of the Premises shall be that of a tenancy at sufferance. Tenant's occupancy during any holdover period shall otherwise be subject to the provisions of this Lease (unless clearly inapplicable), except that the monthly installment of Minimum Annual Rent shall be (i) 125% of the monthly installment of Minimum Annual Rent payable for the last full month immediately preceding the holdover for the first 1 month of such holdover period, (ii) 150% of the monthly installment of Minimum Annual Rent payable for the last full month immediately preceding the holdover for the subsequent month of such holdover period, and (iii) 200% of the monthly installment of Minimum Annual Rent payable for the last full month immediately preceding the holdover thereafter. No holdover or payment by Tenant after the expiration or termination of this Lease shall operate to extend the Term or prevent

Landlord from immediate recovery of possession of the Premises by summary proceedings or otherwise. Any provision in this Lease to the contrary notwithstanding, any holdover by Tenant shall constitute a default on the part of Tenant under this Lease entitling Landlord to exercise, without obligation to provide Tenant any notice or cure period, all of the remedies available to Landlord in the event of a Tenant default, and Tenant shall be liable for all damages, including consequential damages, that Landlord suffers as a result of the holdover. At Tenant's advance written request, Landlord agrees to give Tenant thirty (30) days' prior written notice of any prospective damages that may arise from such holdover, including as a result of an executed lease for all or part of the Premises after the Term.

22. Defaults - Remedies.

(a) It shall be an Event of Default:

(i) If Tenant does not pay in full when due any and all Rent and, except as provided in Section 22(c) below, Tenant fails to cure such default on or before the date that is 5 days after Landlord gives Tenant notice of default;

(ii) If Tenant enters into or permits any Transfer in violation of Section 18 above;

(iii) If Tenant fails to observe and perform or otherwise breaches any other provision of this Lease, and, except as provided in Section 22(c) below, Tenant fails to cure the default on or before the date that is 30 days after Landlord gives Tenant notice of default; provided, however, if the default cannot reasonably be cured within 30 days following Landlord's giving of notice, Tenant shall be afforded additional reasonable time (not to exceed 60 days following Landlord's notice) to cure the default if Tenant begins to cure the default within 30 days following Landlord's notice and continues diligently in good faith to completely cure the default; or

(iv) If Tenant becomes insolvent or makes a general assignment for the benefit of creditors or offers a settlement to creditors, or if a petition in bankruptcy or for reorganization or for an arrangement with creditors under any federal or state law is filed by or against Tenant, or a bill in equity or other proceeding for the appointment of a receiver for any of Tenant's assets is commenced, or if any of the real or personal property of Tenant shall be levied upon; provided that any proceeding brought by anyone other than Landlord or Tenant under any bankruptcy, insolvency, receivership or similar law shall not constitute an Event of Default until such proceeding has continued unstayed for more than 60 consecutive days.

(b) If an Event of Default occurs, Landlord shall have the following rights and remedies:

(i) Landlord, without any obligation to do so, may elect to cure the default on behalf of Tenant, in which event Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord (together with the Administrative Fee) in curing the default, plus interest at the Interest Rate from the respective dates of Landlord's incurring such costs, which sums and costs together with interest at the Interest Rate shall be deemed additional Rent;

(ii) To enter and repossess the Premises and remove all persons and all or any property, by action at law, without being liable for prosecution or damages. Landlord may, at Landlord's option, make Alterations and repairs in order to relet the Premises and relet all or any part(s) of the Premises for Tenant's account. Tenant agrees to pay to Landlord on demand any deficiency (taking into account all costs incurred by Landlord) that may arise by reason of such reletting. In the event of reletting without termination of this Lease, Landlord may at any time thereafter elect to terminate this Lease for such previous breach;

(iii) After a further 10 day prior written notice to Tenant of Landlord's intent to exercise its rights pursuant to this Section 22(b)(iii), unless such Event of Default is cured within said 10 day period, to accelerate the whole or any part of the Rent for the balance of the Term, and declare the same to be immediately due and payable, discounted to present value at the rate equal to the annual yield on 30 day United States Treasury bills at the time of acceleration (provided, however, there shall not be any discounting for any then current arrearage);

(iv) To terminate this Lease and the Term without any right on the part of Tenant to save the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken; and

(v) Intentionally Deleted**.**

(vi) AFTER AN EVENT OF DEFAULT OR THE EXPIRATION OF THE TERM, AND AFTER A FURTHER 5 DAY PRIOR WRITTEN NOTICE TO TENANT OF LANDLORD'S INTENT TO EXERCISE ITS RIGHT PURSUANT TO THIS SECTION 22(b)(vi), FOR THE PURPOSE OF OBTAINING POSSESSION OF THE PREMISES, TENANT HEREBY AUTHORIZES AND EMPOWERS THE PROTHONOTARY OR ANY ATTORNEY OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE, AS ATTORNEY FOR TENANT AND ALL PERSONS CLAIMING UNDER OR THROUGH TENANT, TO APPEAR FOR AND CONFESS JUDGMENT AGAINST TENANT FOR POSSESSION OF THE PREMISES, AND AGAINST ALL PERSONS CLAIMING UNDER OR THROUGH TENANT, IN FAVOR OF LANDLORD, FOR RECOVERY BY LANDLORD OF POSSESSION THEREOF, FOR WHICH THIS AGREEMENT OR A COPY HEREOF VERIFIED BY AFFIDAVIT, SHALL BE A SUFFICIENT WARRANT; AND THEREUPON A WRIT OF POSSESSION MAY IMMEDIATELY ISSUE FOR POSSESSION OF THE PREMISES, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER AND WITHOUT ANY STAY OF EXECUTION. IF FOR ANY REASON AFTER SUCH ACTION HAS BEEN COMMENCED THE SAME SHALL BE TERMINATED AND THE POSSESSION OF THE PREMISES REMAINS IN OR IS RESTORED TO TENANT, LANDLORD SHALL HAVE THE RIGHT UPON ANY SUBSEQUENT DEFAULT TO CONFESS JUDGMENT IN ONE OR MORE FURTHER ACTIONS IN THE MANNER AND FORM SET FORTH ABOVE TO RECOVER POSSESSION OF SAID PREMISES FOR SUCH SUBSEQUENT DEFAULT. TENANT WAIVES ALL ERRORS IN CONNECTION WITH ANY SUCH CONFESSION OF JUDGMENT. NO SUCH TERMINATION OF THIS LEASE, NOR TAKING, NOR RECOVERING POSSESSION OF THE PREMISES SHALL DEPRIVE LANDLORD OF ANY REMEDIES OR ACTION AGAINST TENANT FOR RENT OR FOR DAMAGES

DUE OR TO BECOME DUE FOR THE BREACH OF ANY CONDITION OR COVENANT HEREIN CONTAINED, NOR SHALL THE BRINGING OF ANY SUCH ACTION FOR RENT, OR BREACH OF COVENANT OR CONDITION NOR THE RESORT TO ANY OTHER REMEDY HEREIN PROVIDED FOR THE RECOVERY OF RENT OR DAMAGES FOR SUCH BREACH BE CONSTRUED AS A WAIVER OF THE RIGHT TO INSIST UPON THE FORFEITURE AND TO OBTAIN POSSESSION IN THE MANNER HEREIN PROVIDED.

Tenant Initial Here:

(c) Any provision to the contrary in this Section 22 notwithstanding, (i) Landlord shall not be required to give Tenant the notice and opportunity to cure provided in Section 22(a) above more than twice in any consecutive 12-month period, and thereafter Landlord may declare an Event of Default without affording Tenant any of the notice and cure rights provided under this Lease (except as otherwise expressly provided herein), (ii) Landlord shall not be required to give such notice prior to exercising its rights under Section 22(b) if Tenant fails to comply with the provisions of Sections 13 or 27 or in an emergency, and (iii) if Tenant fails to comply with the provisions of Section 20, and Tenant fails to cure such failure within 5 days following receipt of notice of such failure from Landlord, it shall be an Event of Default.

(d) No waiver by Landlord or Tenant of any breach by the other party shall be a waiver of any subsequent breach, nor shall any forbearance by Landlord or Tenant to seek a remedy for any breach by the other party be a waiver of any rights and remedies with respect to such or any subsequent breach. Efforts by Landlord to mitigate the damages caused by Tenant's default shall not constitute a waiver of Landlord's right to recover damages hereunder. No right or remedy herein conferred upon or reserved to Landlord or Tenant is intended to be exclusive of any other right or remedy provided herein or by law, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the total amount due Landlord under this Lease shall be deemed to be other than on account, nor shall any endorsement or statement on any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of Rent due, or Landlord's right to pursue any other available remedy.

(e) If either party commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the other party reasonable attorneys' fees, costs of suit, investigation expenses and discovery costs, including costs of appeal.

(f) Landlord and Tenant waive the right to a trial by jury in any action or proceeding based upon or related to, the subject matter of this Lease.

(g) Landlord shall use commercially reasonable efforts to mitigate Landlord's damages under the Lease due to a default by Tenant; provided, however, that Landlord shall be under no duty to relet the Premises prior to leasing other available space in the Building and, so long as Landlord uses commercially reasonable efforts as required by

this Section 22(g), in no event shall Landlord be responsible or liable for any failure to relet the Premises or any part thereof, or for any failure to collect any rent due upon a reletting. In the event Landlord shall recover the accelerated rent from Tenant as set forth in Section 22(b)(iii) above, and it shall be determined at the expiration of the Term (taken without regard to early termination for default) that a credit is due Tenant because the net proceeds of reletting, as aforesaid, plus the amounts paid to Landlord by Tenant exceed the aggregate of Rent and other charges accrued in favor of Landlord to the end of said term, Landlord shall refund such excess to Tenant, without interest, promptly after such determination.

23. Authority. Tenant represents and warrants to Landlord that: (a) Tenant is duly formed, validly existing and in good standing under the laws of the state under which Tenant is organized, and qualified to do business in the state in which the Property is located, (b) the person(s) signing this Lease are duly authorized to execute and deliver this Lease on behalf of Tenant and (c) any financial statements provided by Tenant to Landlord are true, correct and complete and fairly represent the financial condition of Tenant as of the date hereof and as of the date of such statements. Landlord represents and warrants to Tenant that: (a) Landlord is duly formed, validly existing and in good standing under the laws of the state under which Landlord is organized, and qualified to do business in the state in which the Property is located, and (b) the person(s) signing this Lease are duly authorized to execute and deliver this Lease on behalf of Landlord.

24. Liability of Landlord. The word "**Landlord**" in this Lease includes the Landlord executing this Lease as well as its successors and assigns, each of which shall have the same rights, remedies, powers, authorities and privileges as it would have had it originally signed this Lease as Landlord. Any such person or entity, whether or not named in this Lease, shall have no liability under this Lease after it ceases to hold title to the Premises except for obligations already accrued (and, as to any unapplied portion of Tenant's Security Deposit, Landlord shall be relieved of all liability upon transfer of such portion to its successor in interest), provided its successor assumes the obligations of Landlord hereunder. Upon such assignment and assumption, Tenant shall look solely to Landlord's successor in interest for the performance of the covenants and obligations of the Landlord hereunder which subsequently accrue. Subject to Section 9(c), Landlord shall not be deemed to be in default under this Lease unless Tenant gives Landlord written notice specifying the default and Landlord fails to cure the default within a reasonable period following Tenant's written notice. In no event shall Landlord be liable to Tenant for any loss of business or profits of Tenant or for consequential, punitive or special damages of any kind. Neither Landlord nor any principal of Landlord nor any owner of the Property, whether disclosed or undisclosed, shall have any personal liability with respect to any of the provisions of this Lease or the Premises; Tenant shall look solely to the equity of Landlord in the Property for the satisfaction of any claim by Tenant against Landlord.

25. Miscellaneous.

(a) The captions in this Lease are for convenience only, are not a part of this Lease and do not in any way define, limit, describe or amplify the terms of this Lease.

(b) This Lease represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Premises or the Property. No rights, easements or licenses are acquired in the Property or any land adjacent to the Property by Tenant by implication or otherwise except as expressly set forth in this Lease. This Lease shall not be modified in any manner except by an instrument in writing executed by the parties. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural number. The word "including" followed by any specific item(s) is deemed to refer to examples rather than to be words of limitation. The word "person" includes a natural person, a partnership, a corporation, a limited liability company, an association and any other form of business association or entity. Both parties having participated fully and equally in the negotiation and preparation of this Lease, this Lease shall not be more strictly construed, nor any ambiguities in this Lease resolved, against either Landlord or Tenant.

(c) Each covenant, agreement, obligation, term, condition or other provision contained in this Lease shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making the same, not dependent on any other provision of this Lease unless otherwise expressly provided. All of the terms and conditions set forth in this Lease shall apply throughout the Term unless otherwise expressly set forth herein.

(d) If any provisions of this Lease shall be declared unenforceable in any respect, such unenforceability shall not affect any other provision of this Lease, and each such provision shall be deemed to be modified, if possible, in such a manner as to render it enforceable and to preserve to the extent possible the intent of the parties as set forth herein. This Lease shall be construed and enforced in accordance with the laws of the state in which the Property is located.

(e) This Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives and permitted successors and assigns. All persons liable for the obligations of Tenant under this Lease shall be jointly and severally liable for such obligations.

(f) Tenant shall not record this Lease or any memorandum without Landlord's prior consent, which shall not be unreasonably withheld, conditioned or delayed, and if granted, may be conditioned upon the requirement that a memorandum of termination be executed at the same time and placed in escrow with an agreed upon agent.

(g) Provided there is no uncured Event of Default at the time of Tenant's request and at the time of the execution of such agreement, Landlord agrees to execute, from time to time promptly following receipt of Tenant's written request therefor, an agreement subordinating Landlord's lien against Tenant's personal property, furniture, fixtures, equipment and other assets, in the form attached hereto as Exhibit "E".

26. Notices. Any notice, consent or other communication under this Lease shall be in writing and addressed to Landlord or Tenant at their respective addresses specified in

Section 1 above (or to such other address as either may designate by notice to the other) with a copy to any Mortgagee or other party designated by Landlord by notice from Landlord to Tenant. Each notice or other communication shall be deemed given if sent by prepaid overnight delivery service or by certified mail, return receipt requested, postage prepaid or in any other manner, with delivery in any case evidenced by a receipt, and shall be deemed to have been given on the business day of actual delivery to the intended recipient or on the business day delivery is refused. The giving of notice by either party's attorneys, representatives and agents under this Section shall be deemed to be the acts of such party.

27.Security Deposit.

(a) At the time of signing this Lease, Tenant shall deposit with Landlord the Security Deposit set forth in Section 1 above in the form of cash, to be retained by Landlord as security for the faithful performance and observance by Tenant of the provisions of this Lease. Tenant shall not be entitled to any interest on the Security Deposit. Landlord shall have the right to comingle the Security Deposit with its other funds. Landlord may use the whole or any part of the Security Deposit for the payment of any amount as to which Tenant is in default or to compensate Landlord for any loss or damage it may suffer by reason of Tenant's default under this Lease. If Landlord uses all or any portion of the Security Deposit as herein provided, within 10 days after demand, Tenant shall pay Landlord cash in an amount equal to that portion of the Security Deposit used by Landlord.

(b) Within sixty (60) days following the signing of this Lease, Tenant shall replace said cash security deposit in the form of a letter of credit in the amount of $350,000.00 (the "Letter of Credit") in accordance with the provisions of this Section 27, to be retained by Landlord during the term of this Lease as security for the faithful performance and observance by Tenant of the covenants, agreements and conditions of this Lease. A failure of Tenant to replace the cash security deposit with a Letter of Credit in compliance with the terms of this Section 27 within sixty (60) days of the date of this Lease shall be a default under this Lease. Within five (5) business days following receipt of the Letter of Credit, Landlord shall return to Tenant the unapplied cash security deposit. Commencing on the first day of the 22nd month of the Term, Tenant shall be entitled to reduce the amount of the Letter of Credit by Fifty Thousand Dollars ($50,000.00) to Three Hundred Thousand Dollars ($300,000.00), provided that Tenant is not currently in default beyond any applicable grace or cure period. Commencing on the first day of the 34th month of the Term, Tenant shall be entitled to reduce the amount of the Letter of Credit by an additional Fifty Thousand Dollars ($50,000.00) to Two Hundred Fifty Thousand Dollars ($250,000.00), provided that Tenant is not currently in default beyond any applicable grace or cure period. Commencing on the first day of the 46th month of the Term, Tenant shall be entitled to reduce the amount of the Letter of Credit by an additional Fifty Thousand Dollars ($50,000.00) to Two Hundred Thousand Dollars ($200,000.00), provided that Tenant is not currently in default beyond any applicable grace or cure period. Commencing on the first day of the 58th month of the Term, Tenant shall be entitled to reduce the letter of credit by an additional Fifty Thousand Dollars ($50,000.00) to One Hundred Fifty Thousand Dollars ($150,000.00), provided that Tenant is not currently in default beyond any applicable grace or cure period. Commencing on the first day of the 70th month of the Term, Tenant shall be

entitled to reduce the Letter of Credit by an additional Fifty Thousand Dollars ($50,000.00) to One Hundred Thousand Dollars ($100,000.00), provided that Tenant is not currently in default beyond any applicable grace or cure period.

(c) If Tenant defaults beyond any applicable grace or cure period with respect to any provision of this Lease, including, but not limited to, the provisions relating to the payment of Rent, Landlord shall be entitled to draw under the Letter of Credit to cure Tenant's default or to compensate Landlord for any other loss, cost or damage that Landlord may suffer by reason of such Tenant default (to which Landlord is entitled pursuant to this Lease). If any portion of said Letter of Credit is so used or applied, Tenant shall, within five (5) business days after written demand therefor, provide a cash security deposit or Letter of Credit in an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a default under this Lease. Any Letter of Credit given as security hereunder shall be unconditional and irrevocable, and shall be in form and substance and issued by a financial institution which are all reasonably satisfactory to Landlord; Landlord hereby agrees that Comerica Bank is a financial institution that is satisfactory to Landlord. The Letter of Credit shall have an expiration date no earlier than one (1) year from the Commencement Date and within thirty (30) days prior to the expiration of the Letter of Credit, Tenant shall deliver to Landlord a renewal or new letter of credit subject to the same conditions hereof. At no time after sixty (60) days following the signing of this Lease and during the Term shall Tenant fail to have a current Letter of Credit in the possession of Landlord. If Tenant shall fail to do so, Landlord shall be entitled to draw immediately upon the current Letter of Credit and to hold the funds so drawn as a cash security deposit in accordance with the provisions of this Lease.

(d) Landlord may deliver the security deposit to a transferee of Landlord's interest in the Premises in the event that such interest is transferred and thereupon Landlord shall be discharged from any further liability with respect to such deposit, and this provision shall also apply to any subsequent transferees of Landlord.

28. Broker. Tenant represents and warrants to Landlord that Tenant has dealt with no broker, agent or other intermediary in connection with this Lease other than Tenant's Broker and Landlord's Broker, and that insofar as Tenant knows, no other broker, agent or other intermediary negotiated this Lease or introduced Tenant to Landlord or brought the Building to Tenant's attention for the lease of space therein. Tenant agrees to indemnify, defend and hold Landlord and its affiliates, partners, members, employees, agents, their partners, members, shareholders, directors, officers, and trustees, harmless from and against any breach by Tenant of its foregoing representation and warranty. Landlord represents and warrants to Tenant that Landlord has dealt with no broker, agent or other intermediary in connection with this Lease other than Tenant's Broker and Landlord's Broker, and that insofar as Landlord knows, no other broker, agent or other intermediary negotiated this Lease or introduced Tenant to Landlord or brought the Building to Tenant's attention for the lease of space therein. Landlord agrees to indemnify, defend and hold Tenant and its affiliates, partners, members, employees, agents, their partners, members, shareholders, directors, officers, and trustees, harmless from and against any breach by Landlord of its foregoing representation and warranty. Landlord agrees to pay all commissions payable to Tenant's Broker and Landlord's Broker pursuant to separate agreements.

29. Renewal Option. Tenant shall have the option to extend the Term of the Lease for all of the then leased Premises for two (2) additional periods (each a "Renewal Option"), under and subject to the following terms and conditions:

(a) The first renewal term ("First Renewal Term") shall be for a five (5)-year period commencing on the day immediately following the expiration date of the initial Term of the Lease and expiring on the day immediately preceding the fifth (5th) anniversary thereof. The second renewal term ("Second Renewal Term") shall be for a three (3)-year period commencing on the day immediately following the expiration date of the First Renewal Term of the Lease and expiring on the day immediately preceding the third (3rd) anniversary thereof. Collectively, the First Renewal Term and the Second Renewal Term are referred to as the "Renewal Terms".

(b) Tenant must exercise the Renewal Option for the First Renewal Term, if at all, by written notice to Landlord delivered at least three hundred sixty five (365) days prior to the expiration date of the initial Term of this Lease, time being of the essence. If Tenant fails to exercise the Renewal Option for the First Renewal Term, the Renewal Option for the Second Renewal Term shall be void and of no further force and effect. Tenant must exercise the Renewal Option for the Second Renewal Term, if at all, by written notice to Landlord delivered at least three hundred sixty five (365) days prior to the expiration date of the First Renewal Term, time being of the essence.

(c) As a condition to Tenant's exercise of either of the Renewal Options, at the time Tenant delivers its notice of election to exercise such Renewal Option to Landlord, there shall be no Event of Default, this Lease shall be in full force and effect, and Tenant shall not have assigned this Lease or sublet the Premises, except pursuant to an assignment or sublet to an Affiliate as permitted hereunder.

(d) The Minimum Annual Rent for the first year of each of the First Renewal Term and Second Renewal Term shall be the then current Fair Market Rental (as defined below) for renewals for comparable space in similar buildings in the Great Valley Corporate Center/Malvern office market. The subsequent years of Minimum Annual Rent during the First Renewal Term and the Second Renewal Term shall increase consistent with market annual escalations which shall be determined as part of the determination of the Fair Market Rental.

(e) Except as set forth in this Section 29, there shall be no further options to extend.

As used herein, the "Fair Market Rental" shall mean the per square foot base rental rate, including annual escalations during the applicable renewal term, then being charged by landlords for comparable office space in office buildings in the Great Valley Corporate Center/Malvern office market for leases commencing on or about the commencement of the applicable renewal term, taking into consideration the term of the lease under consideration, the extent of services provided thereunder, Operating Expenses, tax pass-throughs, other adjustments to the base rental, and any other relevant term or condition in making such evaluation, assuming, however, for purposes of the foregoing analysis, that commencing on the applicable renewal term, the Premises is fit for immediate use and occupancy in its "AS IS" condition. Landlord shall

determine the Fair Market Rental using its good faith judgment and shall provide written notice of such Fair Market Rental within fifteen (15) days after Tenant's exercise notice pursuant to this Section. Tenant shall thereupon have the following options: (i) to accept such proposed Fair Market Rental, or (ii) to notify Landlord in writing that Tenant objects to the proposed Fair Market Rental. Tenant must provide Landlord with written notification of its election within fifteen (15) days after Tenant's receipt of Landlord's notice, otherwise Tenant shall be deemed to have elected clause (i) above. If Tenant objects to Landlord's proposed Fair Market Rental in accordance with clause (ii) above, Landlord and Tenant will attempt to negotiate a mutually acceptable rental rate within fifteen (15) days following notification by Tenant, and if such negotiations have not been concluded within such fifteen (15) day-period, either party may require an independent determination of the Fair Market Rental for the applicable renewal term by giving written notice to the other party no later than five (5) days after the expiration of the fifteen (15)-day period, which notice shall designate a MAI real estate appraiser or real estate broker with at least ten (10) years' experience in the leasing of similar properties in the Great Valley Corporate Center/Malvern office market ("Qualified Appraiser"). Within ten (10) days after receipt of such notice, the other party to this Lease shall select a Qualified Appraiser and give written notice of such selection to the initiating party. If the two (2) Qualified Appraisers fail to agree upon the Fair Market Rental consistent with this subsection within ten (10) days after selection of the second Qualified Appraiser, the two (2) Qualified Appraisers shall select a third (3rd) Qualified Appraiser to determine the Fair Market Rental consistent with this subsection within ten (10) days after the appointment of the third (3rd) Qualified Appraiser. The Fair Market Rental applicable to the Renewal Term shall be equal to the arithmetic average of the three (3) determinations; provided, however, that if one (1) Qualified Appraiser's determination deviates by more than five percent (5%) from the median of the three (3) determinations, the Fair Market Rental shall be an amount equal to the average of the other two determinations. The determination of the Fair Market Rental in accordance with the foregoing shall be final, binding and conclusive on Landlord and Tenant. The parties shall each pay the costs and expenses of their appointed Qualified Appraiser and shall split evenly the costs and expenses of the third (3rd) Qualified Appraiser.

30. Early Termination Option. Provided that there is no Event of Default as of the date that Tenant delivers the Early Termination Notice and on the Early Termination Date (each, as hereinafter defined), Tenant shall have a one-time option to terminate this Lease ("Termination Option") effective as of the last day of the sixty-ninth (69th) month of the Term ("Early Termination Date"), subject to and upon the following terms and conditions:

(a) Tenant shall give Landlord prior written notice ("Early Termination Notice") of its intention to exercise the Termination Option not less than 365 days prior to the Early Termination Date ("Termination Notice Date"). If such Termination Option is validly exercised, the Lease shall terminate as of the Early Termination Date. If Tenant fails to deliver the Early Termination Notice to Landlord within the time period prescribed by this paragraph, then Tenant shall be deemed to have irrevocably waived the Termination Option and the Termination Option shall be null and void.

(b) At the time of giving the Early Termination Notice, as consideration for its exercise of the Termination Option, Tenant shall pay to Landlord a fee (the "Early

Termination Fee") in an amount equal to the unamortized portion of the following costs ("Costs"): (i) all costs incurred by Landlord in connection with the construction of the Tenant Improvements (including, but not limited to, all hard and soft costs, including architects', engineers' and other design professionals' fees); (ii) all commissions paid by Landlord to Landlord's Broker and the Tenant's Broker; and (iii) all other costs incurred by Landlord in connection with this Lease, including, but not limited to, legal fees and expenses and permitting fees and expenses. For purposes of this Section, the Costs shall be amortized over the initial Term of the Lease at an interest rate of nine percent (9%) per annum. Following the Commencement Date, within thirty (30) days following Tenant's request, Landlord shall provide Tenant with a calculation of the Costs and an amortization schedule of same.

(c) The Early Termination Fee shall be paid by Tenant to Landlord via certified check or by wire transfer of immediately available funds to an account designated by Landlord at the time that Tenant delivers the Early Termination Notice as prescribed herein. If Tenant delivers the Early Termination Notice but fails to deliver the Early Termination Fee as prescribed hereby, then the Early Termination Notice shall be null and void and Tenant shall be deemed to have irrevocably waived the Termination Option and the Termination Option shall be null and void.

(d) Notwithstanding Tenant's delivery of the Early Termination Notice and payment of the Early Termination Fee, Tenant shall continue to pay all Rent through the Early Termination Date. Tenant acknowledges that the Early Termination Fee is consideration for Tenant's exercise of the Termination Option and, therefore, shall not be credited against Rent due through the Early Termination Date.

(e) If Tenant validly exercises its Termination Option: (i) on or prior to the Early Termination Date, Tenant shall surrender possession of the Premises in the condition required by the terms of this Lease; and (ii) the Lease shall terminate as of the Early Termination Date, as if such Early Termination Date were the date originally stipulated for the expiration of the Term; provided, however, that nothing herein shall relieve either Landlord or Tenant of any obligations of such party which accrued hereunder prior to the Early Termination Date and that survive the termination or expiration of the Lease.

31. Generator. Tenant shall have the right, at its sole cost and expense, to install a backup electrical generator ("Generator") to provide emergency power to the Premises under the following terms and conditions:

(a) The Generator shall be installed at an outside location on the Property at grade level as prescribed by Landlord and agreed to by Tenant.

(b) Tenant shall install the Generator in accordance with all applicable Laws and in accordance with plans approved by Landlord in writing.

(c) All work in connection with the installation of the Generator shall comply with the terms and conditions of this Lease including, but not limited to, Section 12 regarding Alterations.

(d) Tenant shall be responsible for the maintenance and repair of the Generator, including normal periodic testing of the Generator as recommended by the manufacturer specifications.

(e) At the end of the Term, Tenant shall remove the Generator and shall promptly repair any damage resulting from such removal and restore the area where the Generator is located to the condition which existed prior to the installation of the Generator.

(f) The Generator shall be screened in a manner that is reasonably satisfactory to Landlord at Tenant's cost.

(g) Tenant shall be responsible for any and all utility costs in connection with the Generator.

(h) Tenant shall maintain all necessary licenses, permits and approvals required by applicable governmental authorities in connection with the installation and operation of the Generator and deliver copies of such license, permits and approvals to Landlord.

32. OFAC. Landlord and Tenant each represents, warrants and covenants that neither it nor any of its officers or directors (i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order") and all applicable provisions of Title III of the USA Patriot Act (Public Law No. 107-56 (October 26, 2001)); (ii) is listed on the Denied Persons List and Entity List maintained by the United States Department of Commerce; (iii) is listed on the Foreign Terrorist Organization List and Terrorist Exclusion List maintained by the United States Department of State; (iv) is listed on any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority or pursuant to the Order, the rules and regulations of OFAC (including without limitation the Trading with the Enemy Act, 50 U.S.C. App. 1-44; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06; the unrepealed provision of the Iraq Sanctions Act, Publ.L. No. 101-513; the United Nations Participation Act, 22 U.S.C. § 2349 as-9; The Cuban Democracy Act, 22 U.S.C. §§ 60¬01-10; The Cuban Liberty and Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 233; and The Foreign Narcotic Kingpin Designation Act, Publ. L. No. 106-120 and 107-108, all as may be amended from time to time); or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (v) is engaged in activities prohibited in the Orders; or (vi) has been convicted, pleaded nolo contendere, indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes or in connection with the Bank Secrecy Act (31 U.S.C. §§ 5311 et. seq.). Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorney's fees and costs) arising from or related to any breach of the foregoing representation,

warranty and covenant by Tenant. Landlord hereby agrees to defend, indemnify, and hold harmless Tenant from and against any and all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorney's fees and costs) arising from or related to any breach of the foregoing representation, warranty and covenant by Landlord. The parties' indemnity obligations pursuant to this Section 32 shall survive the expiration or termination of the Lease.

[Remainder of page left intentionally blank.]

Landlord and Tenant have executed this Lease on the respective date(s) set forth below.

Landlord:

EXETER 3222 PHOENIXVILLE, L.P., a Pennsylvania limited partnership

By: Exeter 3222 Phoenixville, LLC,
a Pennsylvania limited liability company,
its sole general partner

By: Exeter Industrial REIT I,
a Maryland statutory trust,
its sole member

By: /s/ Timothy J. Weber
Name: Timothy J. Weber
Title: Secretary/Treasurer

Date signed: _____

Date signed: _____

Tenant:

NEURONETICS, INC., a Delaware corporation

Attest/Witness:

_____
Name:
Title:

By: _____
Name:
Title:

RIDER

ADDITIONAL DEFINITIONS

"ADA" means the Americans With Disabilities Act of 1990 (42 U.S.C. § 1201 et seq.), as amended and supplemented from time to time.

"Administrative Fee" means fifteen percent (15%) of the costs incurred by Landlord in curing Tenant's default or performing Tenant's obligations hereunder.

"Affiliate" means (i) any entity controlling, controlled by, or under common control of, Tenant, (ii) any successor to Tenant by merger, consolidation or reorganization, (iii) any purchaser of all or substantially all of the assets of Tenant as a going concern, and (iv) any entity following a change in control of Tenant.

"Agents" of a party mean such party's employees, agents, representatives, contractors, licensees or invitees.

"Alteration" means any addition, alteration or improvement to the Premises or Property, as the case may be.

"Building Rules" means the rules and regulations attached to this Lease as **Exhibit "B"** as they may be amended from time to time.

"Building Systems" means any electrical, mechanical, structural, plumbing, heating, ventilating, air conditioning, sprinkler, life safety or security systems serving the Building.

"Common Areas" means all areas and facilities as provided by Landlord from time to time for the use or enjoyment of all tenants in the Building or Property, including, if applicable, driveways, sidewalks, parking, loading and landscaped areas.

"Environmental Laws" means all present or future federal, state or local laws, ordinances, rules or regulations (including the rules and regulations of the federal Environmental Protection Agency and comparable state agency) relating to the protection of human health or the environment.

"Environmental Report" shall mean that certain Phase I Environmental Site Assessment Report dated July 10, 2007 prepared by URS Corporation.

"Event of Default" means a default described in Section 22(a) of this Lease.

"First Renewal Term" has the meaning set forth in Section 29 of the Lease.

"Hazardous Materials" means pollutants, contaminants, toxic or hazardous wastes or other materials the removal of which is required or the use of which is regulated, restricted, or prohibited by any Environmental Law.

"Interest Rate" means interest at the rate of 1% per month.

“Land” means the lot or plot of land on which the Building is situated or the portion thereof allocated by Landlord to the Building.

“Laws” means all laws, ordinances, rules, orders, regulations, guidelines and other requirements of federal, state or local governmental authorities or of any private association or contained in any restrictive covenants or other declarations or agreements, now or subsequently pertaining to the Property or the use and occupation of the Property.

“Landlord’s Broker” means Exeter Property Group Advisors, LP.

“Maintain” means to provide such maintenance, repair and, to the extent necessary and appropriate, replacement, as may be needed to keep the subject property in good condition and repair.

“Monthly Rent” means the monthly installment of Minimum Annual Rent plus the monthly installment of estimated Annual Operating Expenses payable by Tenant under this Lease.

“Mortgage” means any mortgage, deed of trust or other lien or encumbrance on Landlord’s interest in the Property or any portion thereof, including without limitation any ground or master lease if Landlord’s interest is or becomes a leasehold estate.

“Mortgagee” means the holder of any Mortgage, including any ground or master lessor if Landlord’s interest is or becomes a leasehold estate.

“Operating Expenses” means all costs, fees, charges and expenses incurred or charged by Landlord in connection with the ownership, operation, maintenance and repair of, and services provided to, the Property, including, but not limited to, (i) the charges at standard retail rates for any utilities serving the Common Areas and any utilities provided by Landlord pursuant to Section 7 of this Lease, (ii) the cost of insurance carried by Landlord pursuant to Section 8 of this Lease together with the cost of any deductible paid by Landlord in connection with an insured loss, (iii) Landlord’s cost to Maintain the Property, subject to the provisions of Section 9 of this Lease, and all costs and expenses of personnel and vendors or contractors required in connection therewith, inclusive of any property caretakers or administrators; (iv) the cost of janitorial services and trash collection, (v) snow removal, and grounds-keeping and landscaping of the Common Areas; (vi) the costs and charges of any easements and campus associations of which the Property is a part; (vii) to the extent not otherwise payable by Tenant pursuant to Section 5 of this Lease, all levies, taxes (including real estate taxes, sales taxes and gross receipt taxes), assessments, liens, license and permit fees, together with the reasonable cost of contesting any of the foregoing, which are applicable to the Term, and which are imposed by any authority or under any Law, or pursuant to any recorded covenants or agreements, upon or with respect to the Property, or any improvements thereto, or directly upon this Lease or the Rent or upon amounts payable by any subtenants or other occupants of the Premises, or against Landlord because of Landlord’s estate or interest in the Property, (viii) the annual amortization (over their estimated economic useful life or payback period, whichever is shorter) of the costs (including reasonable financing charges) of capital improvements or replacements,

provided that the capital improvement or replacement is warranted due to wear and tear or obsolescence and not for color or character changes, or is required for compliance with Laws enacted following the Commencement Date, or is an energy or cost saving device, or is directly related to health or safety of occupants of the Building, and (ix) a management and administrative fee not to exceed 5% of the Minimum Annual Rent and Additional Rent on account of Operating Expenses. The foregoing notwithstanding, Operating Expenses will not include: (A) depreciation on the Building and Property, and any part of either, except as otherwise provided above, (B) financing and refinancing costs (except as provided above), interest on debt or amortization payments on any mortgage, or rental under any ground or underlying lease, or out-of-pocket costs in connection with the sale or change of ownership of the Property, provided, however, the foregoing exclusion shall not apply to any increase in real estate tax or other similar taxes following the sale or change in ownership of the Property, (C) leasing commissions, advertising expenses, tenant improvements or other costs directly related to the leasing of the Property, (D) income, excess profits or corporate capital stock tax imposed or assessed upon Landlord, unless such tax or any similar tax is levied or assessed in lieu of all or any part of any taxes includable in Operating Expenses above, (E) costs of repairs, restoration, replacements or other work occasioned by (1) fire, windstorm or other casualty of an insurable nature (whether such destruction be total or partial) and either (aa) payable (whether paid or not) by insurance required to be carried by Landlord under this Lease, or (bb) otherwise payable (whether paid or not) by insurance then in effect obtained by Landlord, except that the portion of such costs not actually covered by insurance as a result of reasonable deductibles, exclusions, coverage limits and the like shall be included in Operating Expenses, (2) the exercise by governmental authorities of the right of eminent domain, whether such taking be total or partial, (3) the gross negligence or intentional tort of Landlord, or any subsidiary or affiliate of Landlord, or any representative, employee or agent of same, or (4) the act of any other tenant in the Building, or any other tenant's agents, employees, licensees or invitees to the extent Landlord recovers the applicable cost from such person; (F) allowances, concessions and other costs and expenses incurred in completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants (including Tenant), prospective tenants or other occupants and prospective occupants of the Property, or vacant, leasable space (non-common area space) in the Property; (G) costs of the initial construction of the Building and repairing, replacing or otherwise correcting defects (but not the costs of repair for normal wear and tear and not occasioned by construction defects) in the construction of the Building or in the Building equipment; (H) costs, fines, interest, penalties, legal fees or costs of litigation incurred due to the late payments of taxes, utility bills and other costs incurred by Landlord's failure to make such payments when due, except to the extent resulting from a default by Tenant; (I) Landlord's general corporate overhead and general and administrative expenses; (J) the rent or any costs for a leasing office or any other offices or spaces of Landlord or any related office or administrative expenses; (K) except for the management fee paid to the property manager of the Building set forth above, all other fees for management of the Building or Property; (L) costs or expenses of utilities directly metered or billed to tenants of the Building and payable separately by such tenants; (M) any increase in an insurance premium to the extent that such increase is caused or directly attributable to the use, occupancy or act of another tenant; (N) costs incurred (less costs of recovery) for any items to the extent covered by a warranty; (O) the cost of any "tap fees" or one time lump sum sewer or water connection fees for the

Building or Property; (P) additional costs incurred to correct violations existing on the Commencement Date of any law, rule, order or regulation affecting the Building beyond those costs incurred in order to maintain the Building in a state of compliance with any such law, rule, order or regulation and any sums paid by Landlord for any fines or penalties as a result of violation of any law, rule, order or regulation; (Q) the following taxes and charges: excise, profits, estates, inheritance, succession, gift, transfer, franchise, capital, or gross receipts taxes, and interest and penalties on taxes; (R) roof replacements, parking lot and truck court replacements or replacement of exterior walls, but maintenance and repairs of the foregoing shall be included in Operating Expenses; (S) all amounts which would otherwise be included in Operating Expenses which are paid to any affiliate or subsidiaries of Landlord, or any representative, employee or agent of same, to the extent the costs of such services exceed the competitive rates for similar services of comparable quality rendered by persons or entities of similar skill, competence and experience, other than management fees, for which the parties hereto agree shall be based on the formula specified above; (T) new loading dock doors or levelers anywhere in the Building, including in the Premises; (U) costs of performing any cleanup of Hazardous Materials to the Property, other than common office, maintenance and cleaning supplies; and (V) costs in connection with (i) expanding the parking lot at the Property beyond the parking area shown on Exhibit "G", or (ii) work to the parking lot performed prior to the Commencement Date. With respect to whether or not the roof of the Building is to be repaired or replaced, if Tenant objects to the continual repairing of same and the roof is beyond its useful life, Tenant may, once during the Term, require that Landlord hire, at Tenant's cost, a roofing expert reasonably acceptable to Tenant, to determine whether or not the roof is beyond repair and needs to be replaced, which determination shall be binding on Landlord. If Landlord elects to prepay real estate taxes during any discount period, Tenant shall receive its share of the benefit of any such prepayment. Landlord shall have the right to directly perform (by itself or through an affiliate) any services provided under this Lease provided that the Landlord's charges included in Operating Expenses for any such services shall not exceed competitive market rates for comparable services.

"Permits" means any permits, certificates of occupancy, consents, environmental permits and approvals, authorization, variances, waivers, licenses, certificates or approvals required by any governmental or quasi-governmental authority.

"Permitted Activities" has the meaning set forth in Section 10(d) of this Lease.

"Property" means the Land, the Building, the Common Areas, and all appurtenances to them.

"Rent" means the Minimum Annual Rent, Annual Operating Expenses and any other amounts payable by Tenant to Landlord under this Lease.

"Renewal Option" has the meaning set forth in Section 29 of the Lease.

"Renewal Term" has the meaning set forth in Section 29 of the Lease.

"Second Renewal Term" has the meaning set forth in Section 29 of the Lease.

“Substantially Completed” means the Tenant Improvements have been completed except for minor or insubstantial details of construction, repair, mechanical adjustment, or finishing touches, which items shall not adversely affect Tenant’s conduct of its ordinary business activities in the Premises.

“Taken” or “Taking” means acquisition by a public authority having the power of eminent domain by condemnation or conveyance in lieu of condemnation.

“Tenant’s Broker” means Gola CRE.

“Tenant Delay” means any delays that are caused, in whole or in part, by Tenant or Tenant’s Agents for any reason, including but not limited to, (i) any interference by Tenant or Tenant’s Agents with Landlord’s construction of the Tenant Improvements or (ii) the performance of any work or activity in the Property by Tenant or Tenant’s Agents (including, without limitation, the installation of Tenant’s equipment, cabling, racking systems or furniture) or as otherwise provided herein.

“Tenant Improvements” has the meaning set forth in Section 2 of this Lease.

“Tenant’s Share” means the percentage obtained by dividing the rentable square feet of the Premises by the rentable square feet of the Building, as set forth in Section 1 of this Lease.

“Transfer” means (i) any assignment, transfer, pledge or other encumbrance of all or a portion of Tenant’s interest in this Lease, (ii) any sublease, license or concession of all or a portion of Tenant’s interest in the Premises, or (iii) any transfer of a controlling interest in Tenant.

EXHIBIT “A”

PLAN SHOWING PREMISES

EXHIBIT “B”

BUILDING RULES

1. Any sidewalks, lobbies, passages and stairways shall not be obstructed or used by Tenant for any purpose other than ingress and egress from and to the Premises. Landlord shall in all cases retain the right to control or prevent access by all persons whose presence, in the reasonable judgment of Landlord, shall be prejudicial to the safety, peace or character of the Property.

2. The toilet rooms, toilets, urinals, sinks, faucets, plumbing or other service apparatus of any kind shall not be used for any purposes other than those for which they were installed, and no sweepings, rubbish, rags, ashes, chemicals or other refuse or injurious substances shall be placed therein or used in connection therewith or left in any lobbies, passages, elevators or stairways.

3. Tenant shall not impair in any way the fire safety system and shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. No person shall go on the roof without Landlord’s prior written consent.

4. Skylights, windows, doors and transoms shall not be covered or obstructed by Tenant, and Tenant shall not install any window covering which would affect the exterior appearance of the Building, except as reasonably approved in writing by Landlord. Tenant shall not remove, without Landlord’s prior written consent, any shades, blinds or curtains in the Premises at the time possession is delivered to Tenant.

5. Without Landlord’s prior written consent, Tenant shall not hang, install, mount, suspend or attach anything from or to any sprinkler, plumbing, utility or other lines. If Tenant hangs, installs, mounts, suspends or attaches anything from or to any doors, windows, walls, floors or ceilings, Tenant shall spackle and sand all holes and repair any damage caused thereby or by the removal thereof at or prior to the expiration or termination of the Lease. If Tenant elects to seal the floor, at any time after completion of the Tenant Improvements, Tenant shall seal the entire unfinished floor area within the Premises.

6. Tenant may change any locks or place additional locks, including card access mechanisms, upon any doors with prior notice and written consent from Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, and shall promptly provide Landlord with a copy of all keys and access cards.

7. Tenant shall not use nor keep in the Building any matter having an offensive odor, nor explosive or highly flammable material, nor shall any animals other than handicap assistance dogs in the company of their masters be brought into or kept in or about the Property.

8. If Tenant desires to introduce electrical, signaling, telegraphic, telephonic, protective alarm or other wires, apparatus or devices, Landlord shall direct where and how the same are to be placed, and except as so directed, no installation boring or cutting shall be permitted. Landlord shall have the right to prevent and to cut off the

transmission of excessive or dangerous current of electricity or annoyances into or through the Building or the Premises and to require the changing of wiring connections or layout at Tenant's expense, to the extent that Landlord may deem necessary, and further to require compliance with such reasonable rules as Landlord may establish relating thereto, and in the event of non-compliance with the requirements or rules, Landlord shall have the right immediately to cut wiring or to do what it considers necessary to remove the danger, annoyance or electrical interference with apparatus in any part of the Building. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere where required by Landlord, with the number of the office to which said wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating same.

9. Tenant shall not place weights anywhere beyond the safe carrying capacity of the Building.

10. The use of rooms as sleeping quarters is strictly prohibited at all times.

11. Tenant shall have the right, at Tenant's sole risk and responsibility, to use 130 of the parking spaces at the Property in the parking areas shown on Exhibit "G". Tenant shall comply with all parking regulations reasonably promulgated by Landlord from time to time for the orderly use of the vehicle parking areas, including without limitation the following: Parking shall be limited to automobiles, passenger or equivalent vans, motorcycles, light four wheel pickup trucks and (in designated areas) bicycles. Failure of Tenant to adhere to these limitations shall be deemed a material default of this Lease. The aforesaid allocation does not imply a reservation of any spaces adjacent to the Building or elsewhere in said parking area, nor does it imply an obligation on the part of Landlord to police the utilization of spaces, and Landlord shall have no liability to Tenant if, by reason of utilization of parking spaces by others, the number of parking spaces referred to above are not at any particular time available to Tenant, its employees or invitees. No vehicles shall be left in the parking lot overnight without Landlord's prior written approval, except from time to time when Tenant's employees shall elect to leave their vehicles when traveling out of town. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Vehicles shall be parked only in striped parking spaces, except for loading and unloading, which shall occur solely in zones marked for such purpose, and be so conducted as to not unreasonably interfere with traffic flow within the Property or with loading and unloading areas of other tenants. Tractor trailers shall be parked in areas designated for tractor trailer parking. Employee and tenant vehicles shall not be parked in spaces marked for visitor parking or other specific use. All vehicles entering or parking in the parking areas shall do so at owner's sole risk and Landlord assumes no responsibility for any damage, destruction, vandalism or theft. Tenant shall cooperate with Landlord in any measures implemented by Landlord to control abuse of the parking areas, including without limitation access control programs, tenant and guest vehicle identification programs, and validated parking programs, provided that no such validated parking program shall result in Tenant being charged for spaces to which it has a right to free use under its Lease. Each vehicle owner shall promptly respond to any sounding vehicle alarm or horn, and failure to do so may result in temporary or permanent exclusion of such vehicle from the parking areas. Any vehicle which violates the parking regulations may be cited, towed at the expense of the

owner, temporarily or permanently excluded from the parking areas, or subject to other lawful consequence. All vehicles shall follow Landlord's designated points of entrance and exit and turn-arounds and circulation routes for the Property. Landlord represents and warrants that there are or, as of the Commencement Date, will be sufficient parking spaces on the Property to provide for the parking spaces allocated to Tenant above and those allocated to all other tenants and occupants of the Property.

12. If Landlord designates the Building as a non-smoking building, Tenant and its Agents shall not smoke in the Building nor at the Building entrances and exits.

13. If at Tenant's request, Landlord consents to Tenant having a dumpster at the Property, Tenant shall locate the dumpster in the area designated by Landlord and shall keep and maintain the dumpster clean and painted with lids and doors in good working order and, at Landlord's request, locked. Tenant shall screen, at Tenant's sole cost and expense, the dumpster area at Landlord's request.

14. Tenant shall provide Landlord with a written identification of any vendors engaged by Tenant to perform services for Tenant at the Premises (examples: cleaners, security guards/monitors, trash haulers, telecommunications installers/maintenance).

15. Tenant shall comply with any reasonable move-in/move-out rules provided by Landlord.

16. Tenant shall use commercially reasonable efforts to cause all of Tenant's Agents to comply with these Building Rules.

17. Landlord reserves the right to rescind, suspend or modify any rules or regulations and to make such other rules and regulations as, in Landlord's reasonable judgment, may from time to time be needed for the safety, care, maintenance, operation and cleanliness of the Property. Notice of any action by Landlord referred to in this section, given to Tenant, shall have the same force and effect as if originally made a part of the foregoing Lease. New rules or regulations will not, however, be unreasonably inconsistent with the proper and rightful enjoyment of the Premises by Tenant under the Lease.

18. These Building Rules are not intended to give Tenant any rights or claims in the event that Landlord does not enforce any of them against any other tenants or if Landlord does not have the right to enforce them against any other tenants and such nonenforcement will not constitute a waiver as to Tenant.

EXHIBIT “C”

PLANS AND SPECIFICATIONS

EXHIBIT “D”

SIGNS

EXHIBIT "E"

LANDLORD LIEN SUBORDINATION AGREEMENT

THIS AGREEMENT ("Agreement") is made effective as of the day of January, 2013, by EXETER 3222 PHOENIXVILLE, L.P. ("Landlord"), in favor of COMERICA BANK ("Lender").

WHEREAS, Landlord is the owner of 3222 Phoenixville Pike, Malvern, Pennsylvania ("Building");

WHEREAS, Landlord and Neuronetics, Inc. ("Tenant") are parties to that certain lease dated January , 2013 (collectively, "Lease") pursuant to which Tenant leases from Landlord approximately 32,485 rentable square feet in the Building ("Premises"); and

WHEREAS, Tenant has granted or is granting a continuing lien and security interest to Lender in connection with one or more loans (collectively, the "Loan") from Lender, in Tenant's personal property located at the Premises.

NOW, THEREFORE, for good and valuable consideration and intending to be legally bound hereby, Landlord hereby agrees as follows:

1. Landlord hereby waives, releases and relinquishes to Lender all right, title, interest, claim and lien which Landlord has or may in the future have in, to or against any personal property, including inventory, equipment, machinery, furniture, trade fixtures, and books and records of Tenant located at the Premises up to the amount of the Loan (collectively, the "Personal Property"). Notwithstanding the foregoing, under no circumstance shall the Personal Property include any alterations, improvements, fixtures, equipment or Personal Property installed by or paid for by Landlord. The Personal Property shall not be subject to levy, sale on distress or distraint for rent or any claim, lien or demand of any kind by Landlord. Upon the satisfaction of the Loan, Landlord's interest in the Personal Property shall be automatically revived.

2. Subject to the requirements of Section 3 hereof, Landlord hereby subordinates any lien it may have in the Personal Property to Lender and authorizes Lender, its attorneys, agents and employees to enter the Premises and to take possession of, remove or dispose of the Personal Property, provided in all cases, Lender shall pay all costs to repair any damages (including any replacements) to the condition it was in prior to any damage caused, in whole or in part, by Lender's removal of the Personal Property from the Premises.

3. At such time as Tenant vacates the Premises, voluntarily or involuntarily, the Lease is terminated, or Lender repossesses the Personal Property, Lender may store the Personal Property on the Premises solely for a period of sixty (60) days and otherwise operate the Premises, prepare the Personal Property for sale for such sixty (60) day period, provided that Lender shall pay to Landlord, on a weekly basis in advance (pro rata, depending on the number of days Lender is in possession), the current monthly rent accruing under the Lease during the period while Lender is in possession of the Premises. Lender shall have no responsibility whatsoever for any

back rent or other obligations which have accrued under the Lease prior to Lender's entry into possession under this Agreement. Failure to remove any Personal Property within such sixty (60) day period shall be deemed Lender's abandonment of the same. Under no circumstances, however, may Lender conduct a sale, auction or liquidation of such Personal Property on the Premises.

4. This instrument shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

5. Landlord shall endeavor to notify Lender in the event that Tenant vacates the Premises, or if the Lease is terminated, provided, however, in no event shall Landlord's failure to provide such notice be considered a default under this Agreement.

6. All notices hereunder shall be given to the following addresses (which addresses may be modified from time to time by such parties in writing delivered to the other parties):

If to Lender:	*Comerica Bank* *M/C 7578* *39200 W. Six Mile Road* *Livonia, MI 48152*
If to Landlord:	*c/o Exeter Property Group* *140 W. Germantown Pike, Suite 150* *Plymouth Meeting, PA 19462* *Attention: Chief Financial Officer*

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, Landlord and Lender have executed this Agreement effective the day and year first above written.

LANDLORD:

EXETER 3222 PHOENIXVILLE, L.P., a Pennsylvania limited partnership

By: Exeter 3222 Phoenixville, LLC,
a Pennsylvania limited liability company,
its sole general partner

By: Exeter Industrial REIT I,
a Maryland statutory trust,
its sole member

By: /s/ Timothy J. Weber
Name: Timothy J. Weber
Title: Secretary/Treasurer

LENDER:

COMERICA BANK

By: _____

Name: _____

Title: _____

EXHIBIT "F"

FORM OF SNDA

SUBORDINATION, NONDISTURBANCE, AND ATTORNMENT AGREEMENT

This SUBORDINATION, NONDISTURBANCE, AND ATTORNMENT AGREEMENT (this "Agreement") is entered into as of January , 2013 (the "Effective Date"), between Bank of America, N.A,, a national banking association ("Mortgagee"), and Neuronetics, Inc., a Delaware corporation, whose current address is 31 General Warren Boulevard, Malvern, PA 19355, Attention: Chief Financial Officer (and whose address as of the Commencement Date under the Lease shall be at Tenant's Premises, Attention: Chief Financial Officer) ("Tenant"), with reference to the following facts:

Exeter 3222 Phoenixville, L.P., a Pennsylvania limited partnership, whose address is c/o Exeter Property Group, LLC, 140 W. Germantown Pike, Suite 150, Plymouth Meeting, PA 19462, Attn: Chief Financial Officer ("Landlord"), owns the real property located at 3222 Phoenixville Pike, Malvern, PA (such real property, including all buildings, improvements, structures and fixtures located thereon, "Landlord's Premises"), as more particularly described in Schedule A.

1. Mortgagee has made a loan to Landlord in the original principal amount of $89,100,000 (the "Loan").

2. To secure the Loan, Landlord has encumbered Landlord's Premises by entering into that certain Open End Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing, for the benefit of Mortgagee (as amended, increased, renewed, extended, spread, consolidated, severed, restated, or otherwise changed from time to time, the "Mortgage") recorded on December 13, 2010, in Book 8071, Page 749,in the Public Records of Chester County, Pennsylvania (the "Land Records").

3. Pursuant to a Lease, dated as of January , 2013 (the "Lease"); Landlord demised to Tenant a portion of Landlord's Premises ("Tenant's Premises"). Tenant's Premises are commonly known as Suite 300 consisting of approximately 32,485 rentable square feet.

4. Tenant and Mortgagee desire to agree upon the relative priorities of their interests in Landlord's Premises and their rights and obligations if certain events occur.

NOW, THEREFORE, for good and sufficient consideration and intending to be legally bound hereby, Tenant and Mortgagee agree:

(A) Definitions. The following terms shall have the following meanings for purposes of this Agreement.

(i) "Construction-Related Obligation(s)" means any obligation of Landlord under the Lease to make, pay for, or reimburse Tenant for any alterations, demolition, or other improvements or work at Landlord's Premises, including Tenant's

Premises. Construction-Related Obligations shall not include: (a) reconstruction or repair following fire, casualty or condemnation; or (b) day-to-day maintenance and repairs.

(ii) "Foreclosure Event" means: (a) foreclosure under the Mortgage; (b) any other exercise by Mortgagee of rights and remedies (whether under the Mortgage or under applicable law, including bankruptcy law) as holder of the Loan and/or the Mortgage, as a result of which Successor Landlord becomes owner of Landlord's Premises; or (c) delivery by Landlord to Mortgagee (or its designee or nominee) of a deed or other conveyance of Landlord's interest in Landlord's Premises in lieu of any of the foregoing.

(iii) "Former Landlord" means Landlord and any other party that was landlord under the Lease at any time before the occurrence of any attornment under this Agreement.

(iv) "Offset Right" means any right or alleged right of Tenant to any offset, defense (other than one arising from actual payment and performance, which payment and performance would bind a Successor Landlord pursuant to this Agreement), claim, counterclaim, reduction, deduction, or abatement against Tenant's payment of Rent or performance of Tenant's other obligations under the Lease, arising (whether under the Lease or other applicable law) from Landlord's breach or default under the Lease.

(v) "Rent" means any fixed rent, base rent or additional rent under the Lease.

(vi) "Successor Landlord" means any party that becomes owner of Landlord's Premises as the result of a Foreclosure Event.

(vii) "Termination Right" means any right of Tenant to cancel or terminate the Lease or to claim a partial or total eviction arising (whether under the Lease or under applicable law) from Landlord's breach or default under the Lease.

(B) Subordination. The Lease, including all rights of first refusal, purchase options and other rights of purchase, shall be, and shall at all times remain, subject and subordinate to the Mortgage, the lien imposed by the Mortgage, and all advances made under or secured by the Mortgage.

(C) Nondisturbance; Recognition; and Attornment.

(i) No Exercise of Mortgage Remedies Against Tenant. So long as the Lease has not been terminated on account of Tenant's default that has continued beyond applicable cure periods (an "Event of Default"), Mortgagee shall not name or join Tenant as a defendant in any exercise of Mortgagee's rights and remedies arising upon a default under the Mortgage unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord or prosecuting such rights and remedies. In the latter case, Mortgagee may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under the Lease or this Agreement in such action.

(ii) Nondisturbance and Attornment. If the Lease has not been terminated on account of an Event of Default by Tenant, then, when Successor Landlord takes title to Landlord's Premises: (a) Successor Landlord shall not terminate or disturb Tenant's possession of Tenant's Premises under the Lease, except in accordance with the terms of the Lease and this Agreement; (b) Successor Landlord shall be bound to Tenant under all the terms and conditions of the Lease (except as provided in this Agreement); (c) Tenant shall recognize and attorn to Successor Landlord as Tenant's direct landlord under the Lease as affected by this Agreement; and (d) the Lease shall continue in full force and effect as a direct lease, in accordance with its terms (except as provided in this Agreement), between Successor Landlord and Tenant.

(iii) Further Documentation. The provisions of this Article shall be effective and self-operative without any need for Successor Landlord or Tenant to execute any further documents. Tenant and Successor Landlord shall, however, confirm the provisions of this Article in writing upon request by either of them.

(D) Protection of Successor Landlord. Notwithstanding anything to the contrary in the Lease or the Mortgage, Successor Landlord shall not be liable for or bound by any of the following matters:

(i) Claims Against Former Landlord. Any Offset Right that Tenant may have against any Former Landlord relating to any event or occurrence before the date of attornment, including any claim for damages of any kind whatsoever as the result of any breach by Former Landlord that occurred before the date of attornment. (The foregoing shall not limit either (a) Tenant's right to exercise against Successor Landlord any Offset Right otherwise available to Tenant because of events occurring after the date of attornment, or (b) Successor Landlord's obligation to correct any conditions that existed as of the date of attornment and violate Successor Landlord's obligations as landlord under the Lease.)

(ii) Acts or Omissions of Former Landlord. Any act, omission, default, misrepresentation, or breach of warranty, of any previous landlord (including Former Landlord) or obligations accruing prior to Successor Landlord's actual ownership of the Property. (The foregoing shall not limit either (a) Tenant's right to exercise against Successor Landlord any Offset Right otherwise available to Tenant because of events occurring after the date of attornment, or (b) Successor Landlord's obligation to correct any conditions that existed as of the date of attornment and violate Successor Landlord's obligations as landlord under the Lease.)

(iii) Prepayments. Any payment of Rent that Tenant may have made to Former Landlord more than thirty (30) days before the date such Rent was first due and payable under the Lease with respect to any period after the date of attornment other than, and only to the extent that, the Lease expressly required such a prepayment. Furthermore, Successor Landlord shall not be liable for any refund and/or credit which may be due to Tenant, pursuant to Section 22(g) of the Lease, as a result of Tenant's payment of accelerated Rent to any Former Landlord, provided that such payment of accelerated Rent was not actually delivered to Successor Landlord.

(iv) Payment; Security Deposit. Any obligation (a) to pay Tenant any sum(s) that any Former Landlord owed to Tenant, or (b) with respect to any security deposited with Former Landlord, unless such sum(s) or security was actually delivered to Mortgagee. This paragraph is not intended to apply to Landlord's obligation to make any payment that constitutes a Construction-Related Obligation.

(v) Modification; Amendment; or Waiver. Any modification or amendment of the Lease, or any waiver of any terms of the Lease, made without Mortgagee's written consent.

(vi) Surrender; Etc. Any consensual or negotiated surrender, cancellation, or termination of the Lease, in whole or in part, agreed upon between Landlord and Tenant, unless effected unilaterally by Tenant pursuant to the express terms of the Lease or if the Lease expires by its terms.

(vii) Construction-Related Obligations. Any Construction-Related Obligation of Landlord under the Lease.

(E) Default Under Mortgage. In the event that Mortgagee notifies Tenant of a default under the Mortgage and demands that Tenant pay its Rent and all other sums due under the Lease directly to Mortgagee, Tenant shall honor such demand and pay the full amount of its Rent and all other sums due under the Lease directly to Mortgagee, without offset, or as otherwise required pursuant to such notice beginning with the payment next due after such notice of default, without inquiry as to whether a default actually exists under the Mortgage and notwithstanding any contrary instructions of or demands from Landlord.

(F) Exculpation of Successor Landlord. Notwithstanding anything to the contrary in this Agreement or the Lease, upon any attornment pursuant to this Agreement the Lease shall be deemed to have been automatically amended to provide that Successor Landlord's obligations and liability under the Lease shall never extend beyond Successor Landlord's (or its successors' or assigns') interest, if any, in Landlord's Premises from time to time, including insurance and condemnation proceeds, Successor Landlord's interest in the Lease, and the proceeds from any sale or other disposition of Landlord's Premises by Successor Landlord (collectively, "Successor Landlord's Interest"). Tenant shall look exclusively to Successor Landlord's Interest (or that of its successors and assigns) for payment or discharge of any obligations of Successor Landlord under the Lease as affected by this Agreement. If Tenant obtains any money judgment against Successor Landlord with respect to the Lease or the relationship between Successor Landlord and Tenant, then Tenant shall look solely to Successor Landlord's Interest (or that of its successors and assigns) to collect such judgment. Tenant shall not collect or attempt to collect any such judgment out of any other assets of Successor Landlord. In addition to any limitation of liability set forth in this Agreement, Mortgagee and/or its successors and assigns shall under no circumstances be liable for any incidental, consequential, punitive, or exemplary damages.

(G) Mortgagee's Right to Cure.

(i) Notice to Mortgagee. Notwithstanding anything to the contrary in the Lease or this Agreement, before exercising any Termination Right or Offset Right, Tenant shall provide Mortgagee with notice of the breach or default by Landlord giving rise to same (the "Default Notice") and, thereafter, the opportunity to cure such breach or default as provided for below.

(ii) Mortgagee's Cure Period. After Mortgagee receives a Default Notice, Mortgagee shall have a period of thirty (30) days beyond the time available to Landlord under the Lease in which to cure the breach or default by Landlord except in the case of an emergency. Mortgagee shall have no obligation to cure (and shall have no liability or obligation for not curing) any breach or default by Landlord, except to the extent that Mortgagee agrees or undertakes otherwise in writing.

(iii) Extended Cure Period. In addition, as to any breach or default by Landlord the cure of which requires possession and control of Landlord's Premises, provided only that Mortgagee undertakes to Tenant by written notice to Tenant within thirty (30) days after receipt of the Default Notice to exercise reasonable efforts to cure or cause to be cured by a receiver such breach or default within the period permitted by this paragraph, Mortgagee's cure period shall continue for such additional time as Mortgagee may reasonably require, provided however, that such additional time shall not exceed sixty (60) days in excess of Mortgagee's standard cure period provided for in Section G(ii) above (the "Extended Cure Period"), to either (a) obtain possession and control of Landlord's Premises and thereafter cure the breach or default with reasonable diligence and continuity, or (b) obtain the appointment of a receiver and give such receiver a reasonable period of time in which to cure the default.

(H) Confirmation of Facts. Tenant represents to Mortgagee and to any Successor Landlord, in each case as of the Effective Date:

(i) Effectiveness of Lease. The Lease is in full force and effect, has not been modified, and constitutes the entire agreement between Landlord and Tenant relating to Tenant's Premises. Tenant has no interest in Landlord's Premises except pursuant to the Lease.

(ii) Rent. Tenant has not paid any Rent that is first due and payable under the Lease after the Effective Date except as required by the Lease.

(iii) No Landlord Default. To the best of Tenant's knowledge, no breach or default by Landlord exists and no event has occurred that, with the giving of notice, the passage of time or both, would constitute such a breach or default.

(iv) No Tenant Default. To the best of Tenant's knowledge, Tenant is not in default under the Lease and has not received any uncured written notice of any default by Tenant under the Lease.

(v) No Termination. Tenant has not commenced any action nor sent or received any written notice to terminate the Lease. To the best of Tenant's knowledge, Tenant has no presently exercisable Termination Right(s) or Offset Right(s).

(vi) Commencement Date. The "Commencement Date" of the Lease has not yet occurred.

(vii) Intentionally Deleted.

(viii) No Transfer. Tenant has not transferred, encumbered, mortgaged, assigned, conveyed or otherwise disposed of the Lease or any interest therein, other than in compliance with the Lease.

(ix) Due Authorization. Tenant has full authority to enter into this Agreement, which has been duly authorized by all necessary actions of Tenant.

(F) Tenant Covenants. Tenant shall not, without obtaining the prior written consent of Mortgagee, (a) enter into any agreement amending, modifying, extending, restating or terminating the Lease, (b) prepay any of the Rent or other sums due under the Lease for more than one (1) month in advance of the due dates thereof except as expressly required by the Lease, (c) voluntarily surrender the Tenant's Premises demised under the Lease or terminate the Lease without cause or shorten the term thereof, except pursuant to any right of Tenant expressly set forth in the Lease or upon the expiration of the Lease by its terms, or (d) assign the Lease or sublet the Tenant's Premises or any part thereof other than pursuant to the provisions of the Lease; and any such amendment, modification, termination, prepayment, voluntary surrender, assignment or subletting, without Mortgagee's prior consent, shall not be binding upon Mortgagee.

(J) Miscellaneous.

(i) Notices. All notices or other communications required or permitted under this Agreement shall be in writing and given by certified mail (return receipt requested) or by nationally recognized overnight courier service that regularly maintains records of items delivered. Each party's address is as set forth in the opening paragraph of this Agreement, and is subject to change by notice under this paragraph. Notices shall be effective upon receipt or refusal of delivery.

(ii) Successors and Assigns. This Agreement shall bind and benefit the parties, their successors and assigns, any Successor Landlord, and its successors and assigns. If Mortgagee assigns the Mortgage, then upon delivery to Tenant of written notice thereof accompanied by the assignee's written assumption of all obligations under this Agreement, all liability of the assignor shall terminate.

(iii) Entire Agreement. This Agreement constitutes the entire agreement between Mortgagee and Tenant regarding the subordination of the Lease to the Mortgage and the rights and obligations of Tenant and Mortgagee as to the subject matter of this Agreement.

(iv) Interaction with Lease and with Mortgage. If this Agreement conflicts with the Lease, then this Agreement shall govern as between the parties and any Successor Landlord, including upon any attornment pursuant to this Agreement. This Agreement supersedes, and constitutes full compliance with, any provisions in the Lease that provide for subordination of the Lease to, or for delivery of nondisturbance agreements by the holder of, the Mortgage. Mortgagee confirms that Mortgagee has consented to Landlord's entering into the Lease.

(v) Mortgagee's Rights and Obligations. Except as expressly provided for in this Agreement, Mortgagee shall have no obligations to Tenant with respect to the Lease. If an attornment occurs pursuant to this Agreement and Mortgagee is not a Successor Landlord, then all rights and obligations of Mortgagee under this Agreement shall terminate, without thereby affecting in any way the rights and obligations of Successor Landlord provided for in this Agreement.

(vi) Interpretation; Governing Law. The interpretation, validity and enforcement of this Agreement shall be governed by and construed under the internal laws of the Commonwealth of Pennsylvania, excluding its principles of conflict of laws.

(vii) Amendments. This Agreement may be amended, discharged or terminated, or any of its provisions waived, only by a written instrument executed by the party to be charged.

(viii) Execution. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(ix) Mortgagee's Representation. Mortgagee represents that Mortgagee has full authority to enter into this Agreement, and Mortgagee's entry into this Agreement has been duly authorized by all necessary actions.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered under seal by Mortgagee and Tenant as of the Effective Date.

MORTGAGEE

BANK OF AMERICA, N.A., a national banking association

By: _____
Name:
Title:

TENANT

NEURONETICS,INC., a Delaware corporation

By: _____
Name:
Title:

LANDLORD'S CONSENT

Landlord consents and agrees to the foregoing Agreement, which was entered into at Landlord's request. The foregoing Agreement shall not alter, waive or diminish any of Landlord's obligations under the Mortgage or the Lease. The above Agreement discharges any obligations of Mortgagee under the Mortgage and related loan documents to enter into a nondisturbance agreement with Tenant. Tenant is hereby authorized to pay its rent and all other sums due under the Lease directly to Mortgagee upon receipt of a notice as set forth in Section E above from Mortgagee and Tenant is not obligated to inquire as to whether a default actually exists under the Mortgage. Landlord is not a party to the above Agreement.

LANDLORD:

EXETER 3222 PHOENIXVILLE, L.P.,
a Pennsylvania limited partnership

By: Exeter 3222 Phoenixville, LLC,
a Pennsylvania limited liability
company its sole general partner

By: Exeter Industrial REIT I,
a Maryland statutory trust,
its sole member

By: /s/ Timothy J. Weber
Name: Timothy J. Weber
Title: Secretary/Treasurer

Dated: January , 2013

COMMONWEALTH OF PENNSYLVANIA

S.

COUNTY OF _____

On this, the day of , , before me, a Notary Public, personally appeared , who acknowledged himself/herself to be a of NEURONETICS, INC. and that he/she as such officer, being authorized to do so, executed the foregoing document, for the purposes therein contained by signing the name of the corporation by himself/herself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission expires: _____

STATE OF _____

S.

COUNTY OF _____

On this, the day of , , before me, a Notary Public, personally appeared , who acknowledged himself/herself to be a of and that he/she as such officer, being authorized to do so, executed the foregoing document, for the purposes therein contained by signing the name of the by himself/herself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission expires: _____

STATE OF _____

S.

COUNTY OF _____

On this, the day of , , before me, a Notary Public, personally appeared , who acknowledged himself/herself to be a of and that he/she as such officer, being authorized to do so, executed the foregoing document, for the purposes therein contained by signing the name of the bank by himself/herself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission expires: _____

SCHEDULE A

Description of Landlord’s Premises

EXHIBIT “G”

PARKING AREAS

EXHIBIT "H"

COMMENCEMENT DATE MEMORANDUM

THIS COMMENCEMENT DATE MEMORANDUM ("Memorandum") is made as of this day of , 20 , between , a (hereinafter called "Landlord") and , a (hereinafter called "Tenant").

W I T N E S S E T H:

WHEREAS, by that certain Lease Agreement dated , 2012 ("Lease"), Landlord leases to Tenant certain premises consisting of rentable square feet (the "Premises") located at .

WHEREAS, Landlord and Tenant have agreed to enter into this memorandum setting forth certain information with respect to the Lease.

NOW, THEREFORE, Landlord and Tenant agree as follows:

1. All terms not otherwise defined herein shall have the meaning ascribed them in the Lease.

2. The parties to this Memorandum hereby agree that the Commencement Date is .

3. The Free Rent Period ends on .

4. The Expiration Date of the initial Term of the Lease is .

5. Tenant has accepted possession of the Premises pursuant to the terms of the Lease and all improvements required by the terms of the Lease to be made by Landlord are Substantially Completed.

6. Tenant acknowledges that, to Tenant's knowledge, there are no existing defenses or offsets which Tenant has against the enforcement of the Lease by Landlord.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum to be executed the day and year first above written.

LANDLORD:

By: _____

Name: _____

Title: _____

TENANT:

By: _____

Name: _____

Title: _____