NEVRO CORP

FORM 10-K
(Annual Report)

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

FORM 10-K

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the year ended December 31, 2014

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-36715

NEVRO CORP.

(Exact name of registrant as specified in its charter)

Delaware	**56-2568057**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4040 Campbell Avenue
Menlo Park, California 94025
(Address of principal executive offices and zip code)

(650) 251-0005
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $0.001 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act of 1934 (the "Exchange Act"). Yes ☐ No ☒

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐

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

The registrant was not a public company as of the last business day of its most recently completed second fiscal quarter, and therefore cannot calculate the aggregate market value of its voting and non-voting common equity held by non-affiliates as of such date.

As of February 28, 2015, there were 24,875,156 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the registrant's fiscal year ended December 31, 2014.

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PART I

ITEM 1. *BUSINESS*

Overview

We are a medical device company that has developed and commercialized an innovative neuromodulation platform for the treatment of chronic pain. Our Senza system is the only spinal cord stimulation, or SCS, system that delivers our proprietary HF10 therapy. Our SENZA-RCT U.S. pivotal study, a non-inferiority study, met its primary and secondary endpoints, and our post-hoc statistical analysis supports the superiority of HF10 therapy over traditional SCS therapies for treating both leg and back pain. While SCS therapy is indicated and reimbursed for treating back and leg pain, it has limited efficacy in treating back pain and is used primarily for treating leg pain, limiting its market adoption. In our pivotal study, HF10 therapy was demonstrated to provide significant and sustained back pain relief in addition to leg pain relief. Additionally, HF10 therapy was demonstrated to provide pain relief without paresthesia, a constant tingling sensation that is the basis of traditional SCS therapy. HF10 therapy is also designed to reduce variability in the operating procedure, providing meaningful benefits to both patients and physicians. We believe we are positioned to transform and grow the approximately $1.5 billion existing global SCS market under current reimbursement by treating back pain in addition to leg pain and by eliminating paresthesia.

In June 2014, we submitted our premarket approval, or PMA, application to the U.S. Food and Drug Administration, or FDA, for our Senza SCS system, or Senza, and, in January 2015, we received a letter from the FDA informing us of the approvability of our PMA, subject to satisfaction of regulatory inspections and audits of manufacturing facilities, methods and controls for Senza, as well as finalization of the products labeling with the FDA. We are working to satisfy the conditions of approval and anticipate initial commercial availability in the United States by mid-2015, if approved by the FDA. Outside of the United States, Senza is indicated for the treatment of chronic intractable pain of the trunk and limbs, is reimbursed under existing SCS codes, and has been commercially available in certain European markets since November 2010 and in Australia since August 2011. Due to market penetration in Europe and Australia, we expect that our future revenue growth, if any, will be largely from sales in the U.S. market, if we receive FDA approval for Senza.

We completed our SENZA-RCT pivotal study in March 2014, which was the first prospective randomized controlled pivotal study in the history of SCS and the first to directly demonstrate comparative effectiveness between SCS therapies. The SENZA-RCT study was designed as a non-inferiority trial comparing HF10 therapy to traditional commercially available SCS therapy and met its primary and secondary endpoints. Although the statistical analysis plan filed with the FDA did not include a superiority analysis, we performed a post-hoc superiority analysis of the clinical results.

Key highlights of our SENZA-RCT pivotal study are as follows:

- The SENZA-RCT study results demonstrated the non-inferiority of HF10 therapy to traditional SCS therapy on all primary and secondary endpoints. Additionally, our post-hoc statistical analysis supports the superiority of HF10 therapy over traditional SCS therapy in all primary and secondary endpoints.
- HF10 therapy was nearly twice as successful in treating back pain as traditional SCS therapy, with 84.3% of patients receiving HF10 therapy, as compared to 43.8% of patients receiving traditional SCS therapy, reporting 50% or more pain relief at three months, results that were statistically superior based on our post-hoc analysis.
- HF10 therapy was 1.5 times as successful in treating leg pain as traditional SCS therapy, with 83.1% of patients receiving HF10 therapy, as compared to 55.5% of patients receiving traditional SCS therapy, reporting 50% or more pain relief at three months, results that were statistically superior based on our post-hoc analysis.
- HF10 therapy provided a 69.2% reduction in back pain as measured by the Visual Analog Scale, or VAS, versus 44.2% for traditional SCS therapy, at three months, results that were statistically superior based on our post-hoc analysis.

- HF10 therapy provided a 72.8% reduction in leg pain as measured by VAS, versus 51.5% for traditional SCS therapy, at three months, results that were statistically superior based on our post-hoc analysis.
- Our post-hoc statistical analysis supports superior efficacy of HF10 therapy for both back and leg pain at each measurement throughout the 12-month study.
- Patients receiving HF10 therapy did not report paresthesia or uncomfortable stimulation at three months. In comparison, 46.5% of patients receiving traditional SCS therapy reported uncomfortable stimulation at three months.
- Based on our post-hoc analysis, two-thirds of HF10 therapy patients had a VAS pain score of less than or equal to 2.5 on a scale of 0 to 10 for back pain at three months (which we define as achieving remitter status), twice the number of traditional SCS therapy patients, results that were statistically superior.
- Based on our post-hoc analysis, three-fourths of HF10 therapy patients had a VAS pain score of less than or equal to 2.5 on a scale of 0 to 10 for leg pain at three months, twice the number of traditional SCS therapy patients, results that were statistically superior.
- Safety outcomes were consistent across the control and test groups.

The outcomes for HF10 therapy in our pivotal study are consistent with the outcomes from our European clinical study, the two year results of which have been published in the *Pain Medicine* journal of the American Academy of Pain Medicine.

Patients with chronic pain are generally classified by physicians based on the location of their pain, for example whether their worst pain is predominant back, predominant leg, mixed back and leg, upper limb, neck or other. The adoption of SCS to date has been driven primarily by the treatment of patients whose worst pain is in their legs and for whom other treatment approaches have failed. We believe that broader utilization of traditional SCS therapy has been restrained by the lack of prospective randomized clinical evidence supporting SCS broadly and, in particular, demonstrating an ability to treat back pain.

Traditional SCS therapy utilizes low frequency stimulation, typically between 40 Hz and 60 Hz, to generate paresthesia, a constant tingling sensation that overlaps the pain area. Paresthesia is often considered unpleasant or uncomfortable, sometimes causes a shocking or jolting sensation with changes in posture and is a continuous reminder of the patient's chronic condition. Compared to traditional SCS therapy, HF10 therapy delivers spinal cord stimulation at a lower amplitude and a higher frequency waveform of 10,000 Hz. HF10 therapy relies on consistent anatomical placement of the stimulation leads across patients, thus reducing procedure variability relative to traditional SCS therapy. Comparatively, traditional SCS therapy requires individualized lead placement by the physician during the implant procedure utilizing paresthesia mapping, an often time-consuming portion of the procedure in which the patient is awakened and queried by the physician as to whether they feel the paresthesia over the site of their pain. Paresthesia mapping is an often cumbersome and variable process, which creates variability in the implant procedure and can greatly impact a physician's schedule. In contrast, HF10 therapy is intended to relieve pain without causing paresthesia, while increasing the predictability of the procedure. We believe the ability of HF10 therapy to deliver pain relief without paresthesia provides a substantial benefit over traditional SCS therapy to patients and physicians.

We believe our proprietary HF10 therapy has distinct advantages over traditional SCS therapy, including:

- **Compelling efficacy data for both leg and back pain.** We believe that the results of our pivotal clinical trial provide compelling efficacy data in back and leg pain that may enable us to gain significant market share in the approximately $1.5 billion existing global SCS market, which is primarily based on treating leg pain. In addition, we believe our efficacy data in back pain will allow us to expand the SCS market under current reimbursement by meeting demand from back pain patients who are largely untreated by traditional SCS therapies.

- **Strong global clinical evidence.** We believe the strength of our clinical evidence base supporting HF10 therapy differentiates it from traditional SCS therapies and we expect it to drive adoption among patients, providers and payors through increased referrals and utilization.
- **Paresthesia free pain relief for patients.** HF10 therapy does not induce or require paresthesia to provide pain relief. By delivering pain relief without paresthesia, HF10 therapy removes a major barrier for many patients who would otherwise benefit from SCS.
- **Anatomical lead placement for physicians.** Since HF10 therapy relies on anatomical lead placement, it removes the cumbersome process of paresthesia mapping that is required by traditional SCS therapy, reducing variability in the operating procedure and offering a significant benefit to both physicians and hospitals by reducing variability of procedures.
- **Ability to treat a broader group of chronic pain patients.** We are currently investigating the use of HF10 therapy to treat pre-spinal surgery patients, chronic intractable neck and upper extremity pain and refractory chronic migraine.

We believe we have built competitive advantages through our proprietary technology, clinical evidence base, strong track record of execution including over 3,000 patients implanted with Senza, and proven management team with a substantial amount of neuromodulation experience. With what we believe are compelling efficacy data for both leg and back pain compared to traditional SCS therapy, we aim to secure U.S. FDA approval, drive adoption in the U.S. market, which represents the largest opportunity in SCS, and expand patient access to HF10 therapy by investing in the development of Senza for new indications.

Market Overview

Chronic Pain

Chronic pain has been defined by the International Association for the Study of Pain (IASP) as pain that lasts longer than the time required for tissues to heal, which is often defined to be three months. According to a report by the Institute of Medicine, chronic pain is widespread and has seen an increase in prevalence due to aging populations, progress in saving lives after suffering catastrophic injuries, increases in failed surgeries, and greater public understanding of pain. About 1.5 billion people suffer from chronic pain worldwide, including approximately 100 million Americans, which is greater than the sum of patients with heart disease, diabetes and cancer combined. Approximately 10% of chronic pain sufferers have severe disabling pain, which significantly affects their daily activities and quality of life, and is often linked to suicide.

The back is the most common location of chronic pain, with an estimated 84 million patients in the United States experiencing chronic back pain. Among U.S. adults reporting pain, low back pain was the highest reported location at 28%, followed by knee pain at 20% and severe headache/migraine at 16%. In a study conducted by the University of North Carolina at Chapel Hill and published in 2009, the prevalence of low back pain more than doubled from 1992 to 2006. According to data from users of the Department of Veterans Affairs health system, the annualized increase in prevalence of low back pain is larger than increases in the three other conditions studied, which were depression, diabetes and hypertension. In terms of impact, the annual cost of back pain in the United States is estimated to be $34 billion for treatment, with another $100 billion in lost productivity.

Existing Treatments for Chronic Pain and Limitations

Patients who present with chronic pain are typically placed on a treatment progression plan. Initial medical management typically includes behavioral modification, exercise, physical therapy, and over-the-counter analgesics and non-steroidal anti-inflammatory drugs. When early stage medical management is not sufficient for the treatment of chronic leg and back pain, patients may progress to interventional techniques including steroid injections or nerve blocks. Patients who do not respond to these more conservative treatments are considered candidates for more advanced therapies.

Spine Surgery

Spine surgery is a common invasive surgical procedure for the treatment of pain and typically precedes traditional SCS therapy. Despite the possibility of surgical complications, recent data suggests that over 500,000 spinal procedures are performed in the United States every year. Common surgeries include spinal fusion, which involves joining spinal bones to limit movement, and laminectomy, which entails removing part of the bone or ligaments in the back. These surgical procedures often fail to treat certain difficult types of chronic pain, such as severe neuropathic and intractable back pain. Failed Back Surgery Syndrome, or FBSS, is a common outcome of spine surgery where chronic back and/or leg pain continues to persist and affects an estimated 10% to 40% of patients receiving spine surgery. Given the failure rate for spine surgery, FBSS patients make up a significant portion of the addressable patient population for SCS.

Oral Opioids

Oral opioids are prescription pain medications that suppress the patient's acute perception of pain but lack clinical evidence supporting their long term use to treat chronic pain including back pain. Oral opioids can significantly compromise the patient's quality of life, with patients often reporting being in a "fog" and commonly experiencing side effects such as nausea, vomiting, constipation and dizziness. Less common side effects can include immunologic dysfunction, hormonal dysfunction and muscle rigidity. Oral opioids are also known to present a high risk of addiction. Abuse and accidental overdoses have led to dramatic increases in deaths over the past two decades.

Traditional Spinal Cord Stimulation

SCS is a type of neuromodulation technology that utilizes an implantable pacemaker-like device to deliver electrical impulses to the spinal cord. Traditional SCS therapy is a long-established pain treatment designed to induce paresthesia, a tingling sensation that overlaps the distribution of pain with the intent of masking pain perception. The electrical pulses are delivered by small electrodes on leads that are placed near the spinal cord and are connected to a compact, battery-powered generator implanted under the skin. Traditional SCS therapy is currently indicated as a treatment for chronic pain of the trunk and limbs in patients who failed conventional medical management. Traditional SCS therapy is considered to be a minimally invasive, reversible therapy that may provide greater long-term benefits over more invasive surgical approaches or opioids. The most common use for traditional SCS therapy is for neuropathic pain conditions such as FBSS.

With a primary focus on treating leg pain, the global market for traditional SCS therapy has grown from approximately $300 million in 2001 to approximately $1.4 billion in 2012, a compound annual growth rate of approximately 8%. The global SCS market is estimated to be approximately $1.5 billion in 2014 and is expected to grow to approximately $1.8 billion per year by 2017. The United States represents approximately 80% of this global market due in part to governmental reimbursement restraints in international markets. In addition, the addressable market in the United States for potential SCS candidates is estimated to be 1 million patients. We believe that due to factors such as an aging population, and an increasing number of failed back surgeries, the number of candidates for SCS will continue to grow. Despite the sizeable potential market, only approximately 40,000 SCS systems are implanted each year in the United States, representing less than 10% of the addressable U.S. market at a cost of approximately $25,000 per procedure. According to 2012 IMS data, there are approximately 4,400 facilities in the United States where SCS systems are implanted by a variety of physicians, including neurosurgeons, physiatrists, interventional pain specialists and orthopedic spine surgeons. However, only approximately half of chronic pain patients are considered candidates for traditional SCS therapy. A key reason for this may be the limited evidence supporting efficacy of traditional SCS therapy for back pain. We believe there is an additional opportunity for an SCS therapy that effectively treats back pain that is approximately the size of the existing global SCS market.

Traditional SCS therapy generally consists of two phases, an evaluation period, also called the trial period, which typically lasts several days, and a permanent implant for those patients who experience a successful trial. The trial period involves a percutaneously placed insulated wire, called a lead that a physician implants near the

spinal cord using a needle. During the trial period, a temporary external system is used by patients and physicians for evaluating whether traditional SCS therapy is effective for the patient. The patient is able to control their stimulation during the trial period by utilizing the patient remote control, which resembles a small television remote control. The remote control allows a patient to turn the therapy on and off, in addition to other functions. If the trial period is successful, a permanent system is implanted in the patient. The success criterion is typically at least 50% reduction in pain during the evaluation period.

A key part of the permanent system is the Implantable Pulse Generator, or IPG, which is a miniaturized version of the external stimulator. The implant procedure involves connecting the leads to the IPG that is implanted under the skin. The IPG should provide the patient with multiple years of use and can be either rechargeable or non-rechargeable. Primary cell IPGs, or non-rechargeable IPGs, are used in cases where the patient requires a lower level of stimulation and such systems have a limited life. Rechargeable IPGs, a more recent innovation, are more expensive but allow for higher levels of stimulation and can last 10 years or more. Due to payor constraints in certain European countries, the transition from primary cell IPGs to rechargeable IPGs has been slow. In the United States and Australia, most IPGs implanted are rechargeable.

Traditional SCS products have required paresthesia to provide pain relief, and have focused on ancillary features with incremental benefits. Paresthesia coverage has been used as a surrogate metric for successful pain relief. As such, innovation in the SCS market has historically focused on technologies that optimize traditional SCS therapy's ability to create more precise paresthesia fields or different changes that include smaller IPGs and improved compatibility with magnetic resonance imaging, or MRI. Even with successful paresthesia coverage, patients still may not receive pain relief or often lose pain relief after a period of time.

Limitations of Traditional SCS Therapy

- **Limited clinical evidence:** To date, we believe there are only two published prospective randomized SCS studies that provide long-term (at least 12 months) data, both of which focused on leg pain. Neither of these studies was done to support initial regulatory approval of an SCS system. We believe this limited clinical evidence has inhibited market adoption of traditional SCS therapy.
- **Lack of evidence supporting efficacy in back pain:** We believe predominant back pain is more difficult to treat with traditional SCS therapy than leg pain due to the reduced ability to achieve and maintain pain coverage in the back. We are not aware of a prospective, randomized clinical trial supporting the efficacy of traditional SCS therapy in treating back pain. The Kumar study is a widely cited study on SCS and focused on patients with predominant leg pain. The study demonstrated a reduction in leg pain over the 24 month study period, while reductions in back pain at six, 12, and 24 month follow-up were not significant when compared to baseline. The average back pain reduction was 13% at 24 months. As a result, back pain patients are usually not recommended for treatment with traditional SCS therapy.
- **Paresthesia:** Traditional SCS therapy relies on paresthesia to mask pain with a constant tingling sensation. Paresthesia is often considered unpleasant or uncomfortable, sometimes made worse by a shocking or jolting sensation with changes in posture. Unpleasant sensations can be caused by lead movement closer to the spinal cord or away from it as the patient moves, resulting in variation in paresthesia intensity. Paresthesia is also a constant reminder of the patient's chronic condition. Due to the distraction of paresthesia, patients with traditional SCS devices are instructed not to drive or operate machinery when the device is activated. Medtronic, the current leader in neuromodulation, has released a survey showing that 71% of patients find paresthesia uncomfortable at times.
- **Paresthesia mapping:** A crucial part of the traditional SCS procedure is called paresthesia mapping. This mapping process requires a patient to be sedated for the lead placement, then awakened and repeatedly questioned in order for the physician to assess paresthesia coverage over the patient's area of pain and reposition and reprogram the leads to redirect the paresthesia. This process creates

variability in the procedure and a complicated anesthesia management process, impacting the physician's schedule and patient comfort. The primary objective of traditional SCS therapy is to create a stimulation program that covers the areas of pain without creating paresthesia beyond the pain areas, given that this can be uncomfortable and difficult to tolerate. In the operating room, the surgical procedure is as follows:

1. The patient is sedated and leads are inserted into the epidural space along the spine with the guidance of fluoroscopy;

2. Sedation is reduced and the patient is awakened;

3. The patient is queried by the physician and verbal feedback is gathered on paresthesia distribution over the pain site. This process can complicate anesthesia management as patients need to be sedated enough to tolerate the manipulation of the leads in the epidural space, but kept conscious enough to be able to interact with the physician to respond to questions about their sensations of pain and paresthesia. Patients are often groggy from the anesthesia and can have difficulty accurately confirming the overlap of the paresthesia with their pain.

4. The leads are repositioned or reprogrammed to redirect paresthesia. This is often a cumbersome and variable process as steps 3 and 4 are repeated as required. Multiple iterations are often required, impacting operating room scheduling efficiency.

Our Solution for Chronic Pain

HF10 Therapy

Our HF10 therapy is designed to deliver innovative neuromodulation solutions for treating chronic pain based on what we believe to be the best clinical evidence available, which we refer to as evidence-based. By overcoming many of the limitations of traditional SCS therapy, HF10 therapy offers benefits to patients, physicians and hospitals. We believe the advantages of our proprietary HF10 therapy over traditional SCS include:

- **Compelling efficacy data for both leg and back pain:** In our SENZA-RCT pivotal study, HF10 therapy was demonstrated to provide significant and sustained back pain relief in addition to leg pain relief. HF10 therapy was shown to be nearly twice as successful in treating back pain and 1.5 times as successful in treating leg pain relative to traditional SCS therapy. We believe that the results of our pivotal clinical trial provide compelling efficacy data in leg and back pain that may enable us to gain significant market share in the approximately $1.5 billion existing global SCS market, which is primarily based on treating leg pain. In addition, we believe our efficacy data in back pain will allow us to expand the SCS market under current reimbursement by meeting demand from back pain patients who are largely untreated by traditional SCS therapies.
- **Strong global clinical evidence:** We believe the strength of our clinical evidence base supporting HF10 therapy differentiates it from traditional SCS therapies and we expect it to drive adoption among patients, providers and payors through increased referrals and utilization. Our SENZA-RCT pivotal study included 198 patients across 11 U.S. clinical trial sites and was the first randomized controlled prospective pivotal study in SCS. We believe the results of the SENZA-RCT study, which met all its primary and secondary endpoints, are consistent with and confirmatory of the results from our European Long Term Clinical Study that included 83 patients.
- **Paresthesia free pain relief for patients:** HF10 therapy does not induce or require paresthesia to provide pain relief. By delivering pain relief without paresthesia, HF10 therapy removes a major barrier for many patients who would otherwise benefit from SCS therapy. HF10 therapy offers the notable benefit to patients of achieving significant and sustained pain relief without requiring them to endure the uncomfortable shocking or jolting sensations commonly associated with paresthesia.

- **Anatomical lead placement for physicians.** Since HF10 therapy relies on anatomical lead placement, it removes the cumbersome process of paresthesia mapping that is required by traditional SCS therapy, reducing variability in the operating procedure and offering a significant benefit to both physicians and hospitals by reducing variability of procedures.
- **Ability to treat a broader group of chronic pain patients:** Our HF10 therapy is a platform technology that we believe can provide treatment benefits for a broader group of chronic pain indications. We are currently investigating the use of HF10 therapy to treat pre-spinal surgery patients, chronic intractable neck and upper extremity pain and refractory chronic migraine. Based on analysis from our SENZA-RCT and European studies, we believe HF10 therapy may be an attractive treatment option for some pre-spinal surgery patients without mechanical instability due to its cost, reversibility and initial trial period. Due to the removal of paresthesia, HF10 therapy may overcome the intense discomfort that traditional SCS generates for patients with neck pain when leads are placed in the cervical spine. For chronic migraine patients, HF10 therapy's ability to treat without paresthesia enables cervical lead placement, rather than occipital nerve stimulation which requires lead insertion at the base of the skull under traditional SCS therapy.

Clinical Data

To support development of our proprietary HF10 therapy, the technology was evaluated in preclinical studies and further studied in prospective clinical trials, all of which have now been published or are pending publication in peer-reviewed journals. The results from the clinical studies have been consistent across studies and across outcome measures. Most notably, in 2014 we completed our prospective, comparative, randomized, controlled U.S. pivotal study, called SENZA-RCT, to support approval of our PMA for Senza.

Clinical Program Overview

Clinical Trial	Number of Patients Enrolled	Clinical Trial Sites	Year Completed	Trial Overview	Status
U.S. Pivotal (SENZA-RCT)	241	11 U.S. sites	2014	One year evaluation of Senza in patients with back and leg pain in the United States	Completed (submitted but not yet accepted for publication in peer reviewed journal)
EU Long-term (Prospective Multicenter European Clinical Study)	83	2 European sites	2013	Two year evaluation of Senza primarily in patients with predominant back pain in Europe	Completed (published in peer reviewed journal: Pain Medicine)
U.S. Feasibility	24	5 U.S. sites	2009	One week evaluation of Senza in patients with predominant back pain in the United States	Completed (published in peer reviewed journal: Neuromodulation)

Key Metrics for Studies

Statistical significance is denoted by p-values in the figures below for both non-inferiority and our post-hoc superiority analysis. The p-value is the probability that the reported result was achieved purely by chance (i.e., a non-inferiority p-value <0.001 in the Primary Endpoint Results chart means that there is a less than a 0.1% chance that the demonstrated non-inferiority of HF10 therapy in relation to traditional SCS therapy was purely due to chance). The superiority p-value is the probability that the results of the test group are statistically superior to those of the control group (i.e., a between group p-value <0.001 in the Primary Endpoint Results chart means that there is a less than a 0.1% chance that the demonstrated superiority of HF10 therapy in relation to traditional SCS therapy was purely due to chance).

The performance of SCS therapy is evaluated using a number of commonly used metrics, including the following:

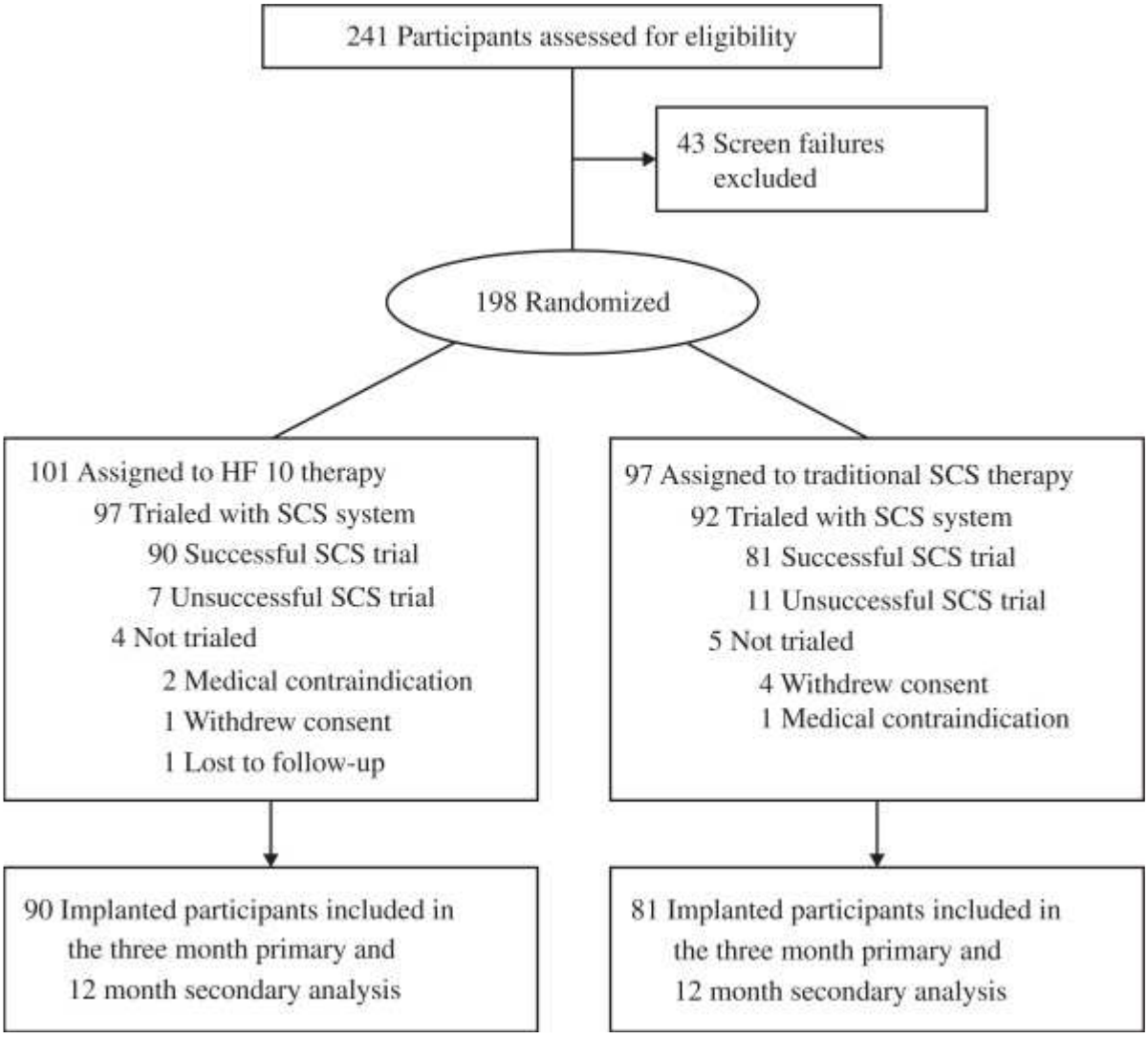
Visual analog score (VAS): VAS measures a patient's pain intensity on a 0 to 10 scale, with 0 representing no pain and 10 representing the worst pain imaginable. The VAS score is used to calculate changes in patient pain.

Oswestry Disability Index (ODI): The questionnaire measures the levels of a patient's disability.

U.S. Pivotal Clinical Study (SENZA-RCT)

Our pivotal study was a prospective, randomized, multi-center study, conducted across 11 U.S. clinical trial sites, comparing the safety and effectiveness of Senza delivering HF10 therapy, which we refer to as the test to Boston Scientific's FDA-approved Precision Plus system, delivering traditional SCS therapy, which we refer to as the control. The study completed enrollment in seven months and study visits took place at one, three, six, nine, and 12 months. Each screened patient was required to have a leg and back pain VAS score of at least 5 to be randomized between the test and control arms. Among the 198 chronic pain patients who were randomized for treatments, 171 had a successful therapy evaluation phase, or trial phase, and were implanted with an SCS system. The study was designed as a non-inferiority trial and met its primary and secondary endpoints. The subjects in our pivotal study were evaluated over a 12-month period, which we believe is considered sufficient by clinicians treating patients with chronic pain with SCS therapies to provide long-term efficacy information regarding the therapy. Although the statistical analysis plan filed with the FDA did not include a superiority analysis, we also performed a post-hoc superiority analysis of the clinical results. We believe our post-hoc statistical analysis supports the superior efficacy of HF10 therapy over traditional SCS therapy.

The following is a graphical representation of the study design:



Patient analysis population

The three analysis populations were:

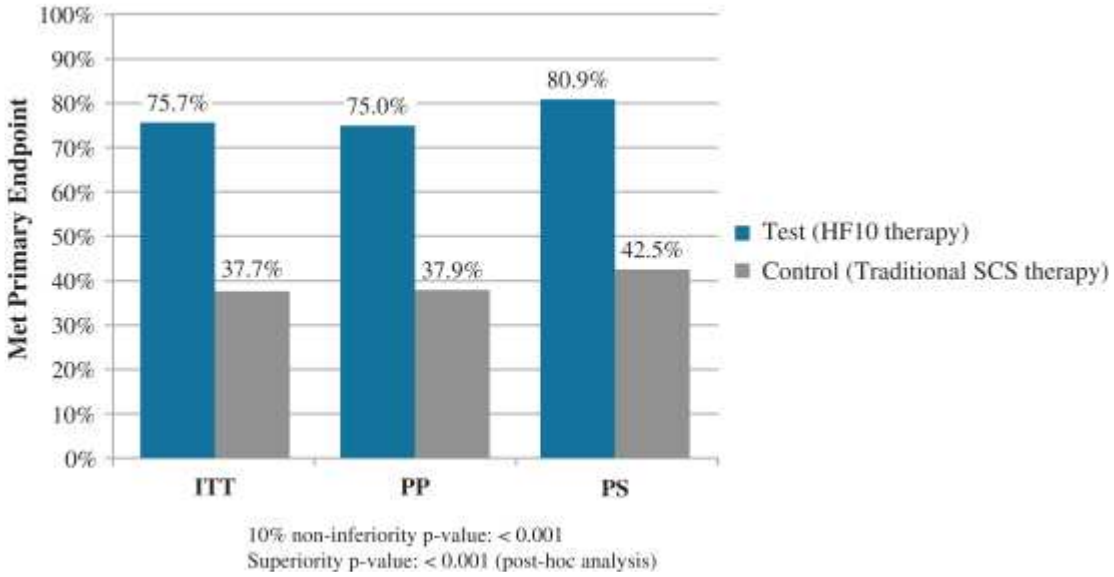
- Intention to Treat (ITT; n=198)—All subjects who met enrollment criteria and received a randomization assignment. Subjects who did not complete a trial or who failed a trial were considered non-responders in this analysis population.
- Per Protocol (PP; n=179)—All randomized subjects who completed a primary endpoint assessment. Subjects who had an unsuccessful SCS trial were considered non-responders in this analysis population.
- Permanent Implant Subsets (PS; n=171)—All randomized subjects who had a successful SCS trial and received a permanent implant.

Primary Endpoint

The primary endpoint of the study is the percentage of subjects who respond to SCS therapy for back pain in both the test and control groups and do not have a stimulation-related neurological deficit at three months. A non-inferiority analysis was performed to assess the primary endpoint and response was defined as 50% or more back pain relief at three months. Subjects who did not have a successful trial or who experienced a stimulation-related neurological deficit were considered non-responders towards the primary endpoint.

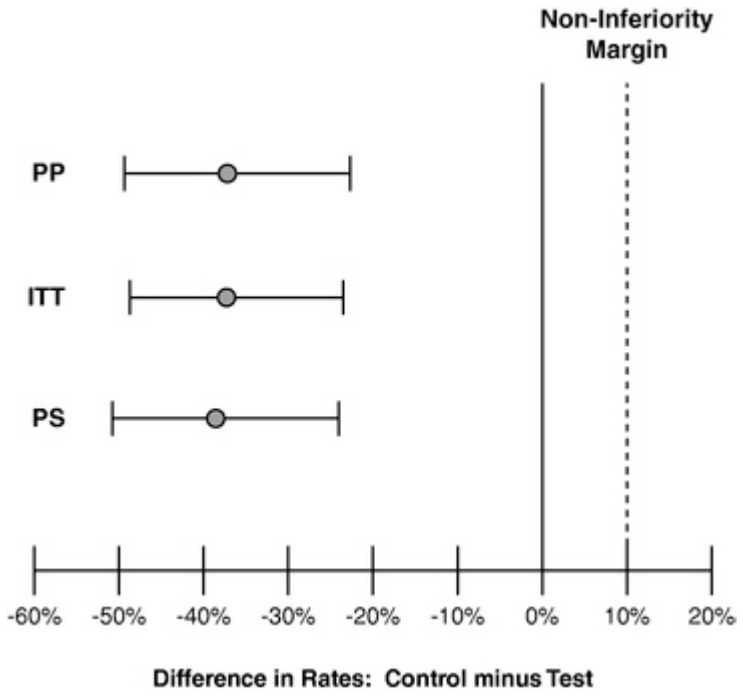
Primary Endpoint Results

The chart below shows a comparison of the response rate for each analysis population at the primary endpoint, as measured by the percent of patients who achieved 50% or more back pain reduction according to their VAS score. The results demonstrate that HF10 therapy was nearly twice as successful in each of the three analysis populations in treating back pain at three months when compared to traditional SCS therapy. These results demonstrated non-inferiority, and, additionally, we believe our post-hoc statistical analysis supports the statistical superiority of HF10 therapy over traditional SCS therapy. Finally, the relatively consistent success across all three analysis populations speaks to the robustness of both the study design and results.



10% non-inferiority p-value: < 0.001
Superiority p-value: < 0.001 (post-hoc analysis)

The following figure demonstrates the difference in response rate between the two treatment groups for all three analysis populations. The center point of each confidence interval is the result of subtracting the test arm response rate from the control arm demonstrating the difference between treatment groups. The results are negative because the test response rate is greater than the control response rate. Since the right hash of the confidence interval for all three analysis populations is to the left of the 10% non-inferiority margin, the results for all three analysis populations are considered statistically to be non-inferior. Furthermore since the right hash of the confidence interval for all three analysis populations is to the left of the 0% line, the results for all three analysis populations are considered statistically superior.



Secondary Endpoints

We used a hierarchical statistical process to assess certain of the secondary endpoints. The study defined seven secondary endpoints to be successively evaluated until non-inferiority was not demonstrated (Per Protocol Population). These secondary endpoints were chosen to complement the primary endpoint responder rate by showing the percent decrease in back and leg pain at three, six and 12 months, as well as disability level at three months. All secondary endpoint analysis on these endpoints demonstrated non-inferiority and our post-hoc statistical analysis supported the superiority of HF10 therapy for all of these endpoints.

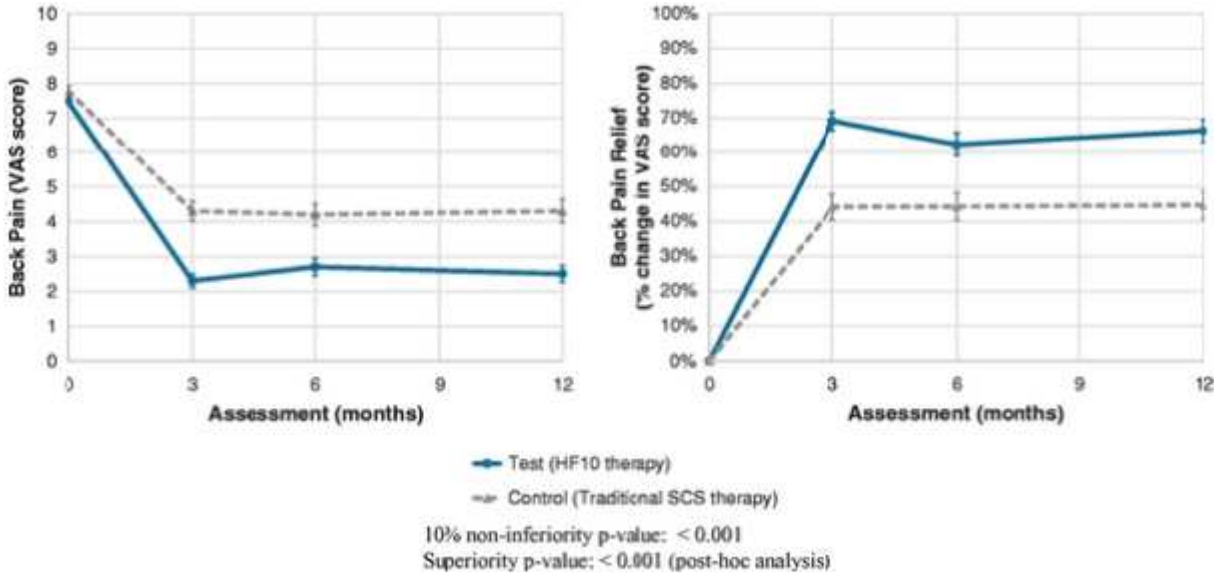
The following figure sets forth the hierarchy of this secondary endpoint analysis:

In addition to the seven hierarchical secondary endpoints, we evaluated other secondary endpoints, including Back Pain Responder Rate at three and 12 months, paresthesia sensation and safety results.

Secondary Endpoints Results

Back Pain—Permanent Implant Subset

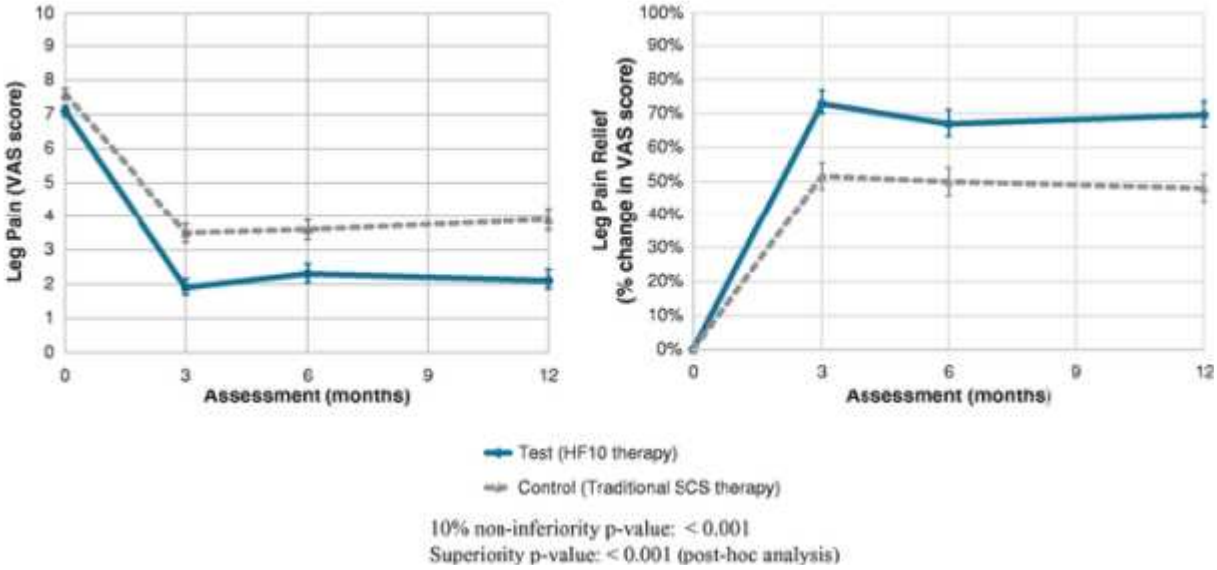
The longitudinal back pain VAS scores for each of the three, six and 12 month measurements are presented in the chart appearing on the left below. The percentage change in back pain results, as calculated by change in VAS score from baseline, at the three, six and 12 month measurements is presented in the chart appearing on the right below. We demonstrated non-inferiority based on percentage change from baseline in back pain at the three, six and 12 month measurement points, which were secondary endpoints. Additionally, our post-hoc statistical analysis supports the superiority of HF10 therapy over traditional SCS therapy at the three, six and 12 month follow-up for both the longitudinal VAS score and percent change in back pain measurements. In particular, at 12 months, mean back pain VAS decreased 66% (or 4.3 points) with HF10 therapy compared to a decrease of 45% (or 2.5 points) for traditional SCS therapy.



10% non-inferiority p-value: < 0.001
Superiority p-value: < 0.001 (post-hoc analysis)

Leg Pain—Permanent Implant Subset

The longitudinal leg pain VAS scores for each of the three, six and 12 month measurements are presented in the chart appearing on the left below. The percentage change in leg pain results, as calculated by change in VAS score from baseline, at the three, six and 12 month measurements are presented in the chart appearing on the right below. We demonstrated non-inferiority based on percentage change from baseline in leg pain at the three, six and 12 month measurement points, which were secondary endpoints. Additionally, our post-hoc statistical analysis supports the superiority of HF10 therapy over traditional SCS therapy at the three, six and 12 month follow-up for both the longitudinal VAS score and percentage change in leg pain measurements. In particular, at 12 months, mean leg pain VAS decreased 70% (or 3.9 points) with HF10 therapy compared to a decrease of 48% (or 2.1 points) for traditional SCS therapy.

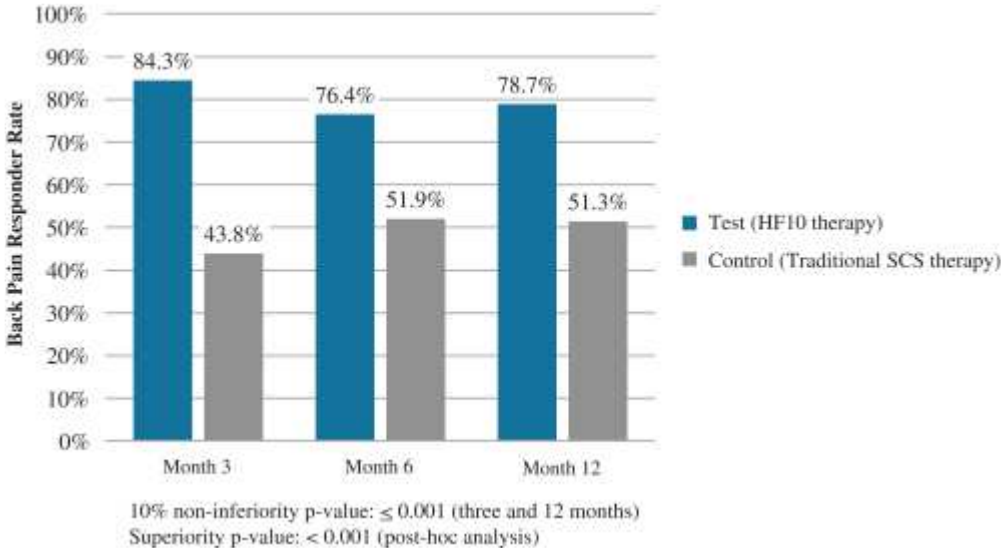


Change in Disability (ODI) at Three Months

As part of the hierarchical secondary endpoint analysis, we evaluated change in disability, as measured by percentage change in ODI score from baseline to three months. The mean ODI score decreased by 31.5% for subjects receiving HF10 therapy, compared to 24% for subjects receiving traditional SCS therapy (10% non-inferiority p-value: <0.001, post-hoc superiority p-value: 0.042).

Back Pain Responder Rate

The chart below presents the secondary endpoint of the back pain responder rate at three and 12 months. The response rate is defined as the percent of patients who achieve 50% or more pain reduction from baseline as measured by VAS score. The following results demonstrate non-inferiority at each of the measurement points for the secondary endpoint and, based on our post-hoc statistical analysis, support the statistical superiority of the response rate of HF10 therapy for treating back pain at each of the three, six and 12 month measurement points over traditional SCS therapy.



Paresthesia Results

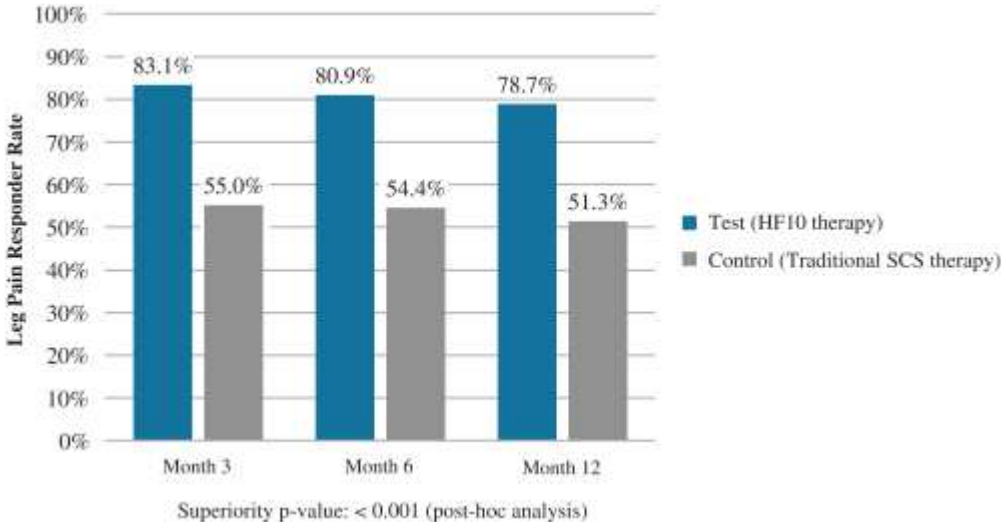
At the three and 12 month time points, subjects were asked to report whether they perceived paresthesia and if so if they general found the stimulation to be uncomfortable. 0% of subjects in the test group reported feeling paresthesia at both three and 12 months, compared to 46.5% and 44.4% of subjects in the control group who reported feeling uncomfortable stimulation at three and 12 months, respectively. No subjects in the test group reported uncomfortable stimulation. The secondary endpoint only considered the response at three months.

Additional Analysis

In addition to the secondary endpoint analysis in our statistical analysis plan filed with the FDA, we also performed two additional analyses of our pivotal trial results—a leg pain responder rate analysis and a remitter status analysis.

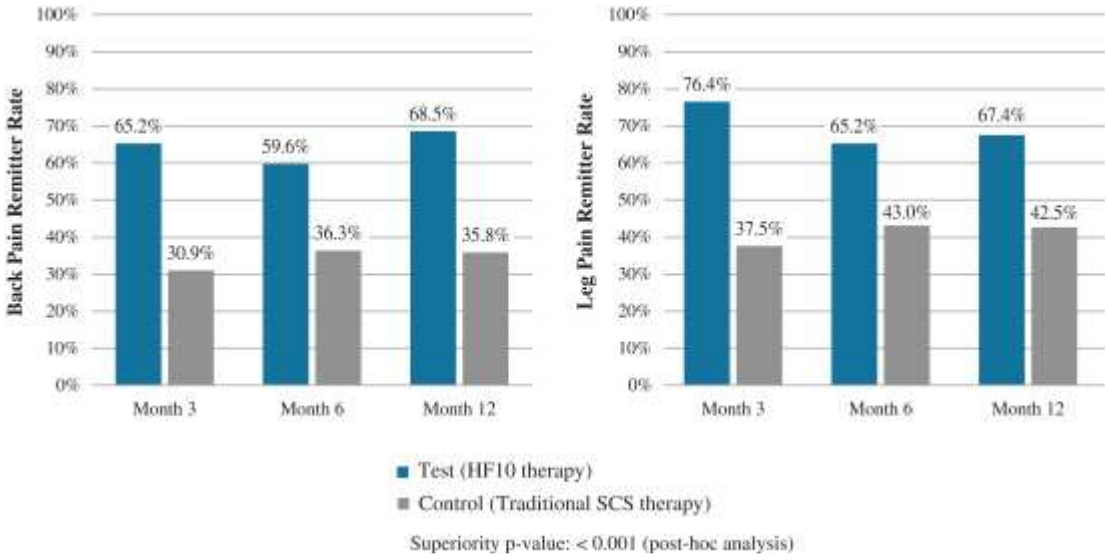
Leg Pain Responder Rate

The chart below presents the secondary endpoint of the leg pain responder rate at three and 12 months. The response rate is defined as the percent of patients who achieve 50% or more pain reduction from baseline as measured by VAS score. The following results demonstrate non-inferiority at each of the measurement points for the secondary endpoint and, based on our post-hoc statistical analysis, support the statistical superiority of the response rate of HF10 therapy for treating leg pain at each of the three, six and 12 month measurement points over traditional SCS therapy.



Remitter Status—Back Pain and Leg Pain

In the practice of pain management, a VAS score above 4 is generally considered to be the threshold for pharmaceutical intervention such as oral opioids. In analyzing the results of the SENZA-RCT pivotal study, we utilized a more conservative threshold of a VAS score less than or equal to 2.5 to assess the ability of both therapies to provide a level of pain relief that would not impact quality of life and activities of daily living. Patients meeting this criteria were considered to be "remitters." Based on this definition, nearly twice the number of patients receiving HF10 therapy achieved remitter status for both back and leg pain compared to patients receiving traditional SCS therapy, a result that was statistically superior.



Safety Results

Safety results were consistent between the test and control groups. Study-related serious adverse events, or SAEs, occurred in 4.0% of HF10 therapy subjects (n=4) compared with 7.2% of traditional SCS therapy subjects (n=7; p = 0.37). In addition to the SAEs described above, there were two deaths, one of which was study-related and resulted from a myocardial infarction of a subject randomized to traditional SCS therapy that occurred during the implant procedure. The other death occurred outside the study period in the test group and resulted from a malignant hepatic neoplasm. The most common study-related AEs were implant site pain (in 11.9% of HF10 therapy and 10.3% of traditional SCS therapy subjects) and uncomfortable paresthesia (in 11.3% of traditional SCS therapy participants). Lead migration leading to revision occurred in 3.0% of HF10 therapy and 5.2% of traditional SCS therapy participants. Importantly, neurological assessment revealed no stimulation-related neurological deficits in either treatment group. Also, there were no stimulation related SAEs in either arm.

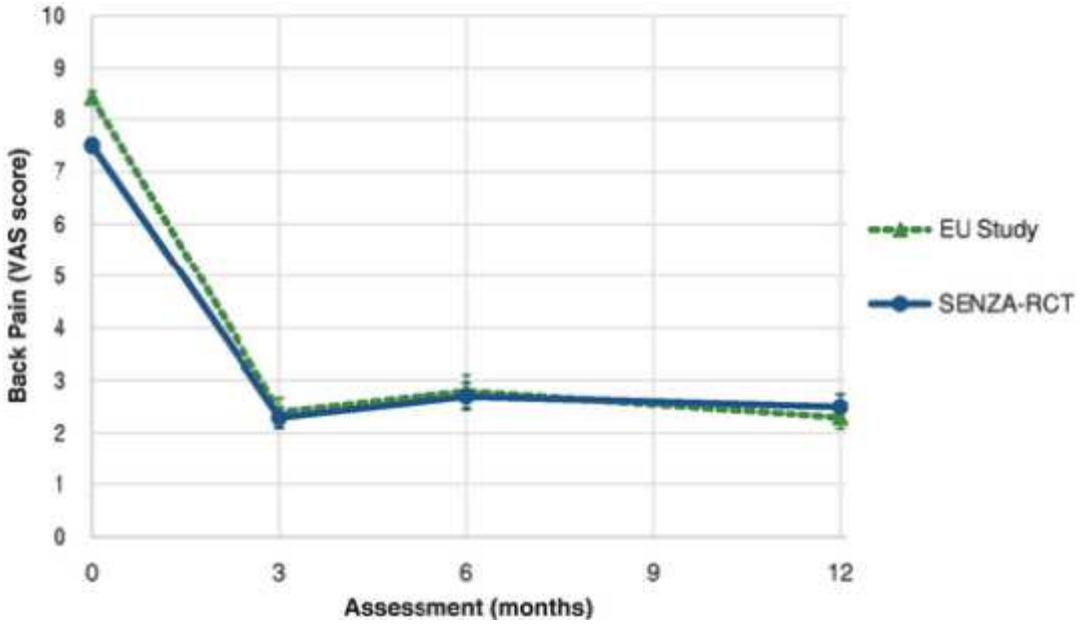
Tertiary Endpoint Analysis

Per our protocol, we collected data on a number of tertiary endpoints regarding functional outcomes and patient satisfaction. The analysis of these tertiary endpoints support the results from the primary and secondary endpoints, with several demonstrating statistical superiority between HF10 therapy and traditional SCS therapy based on our post-hoc analysis.

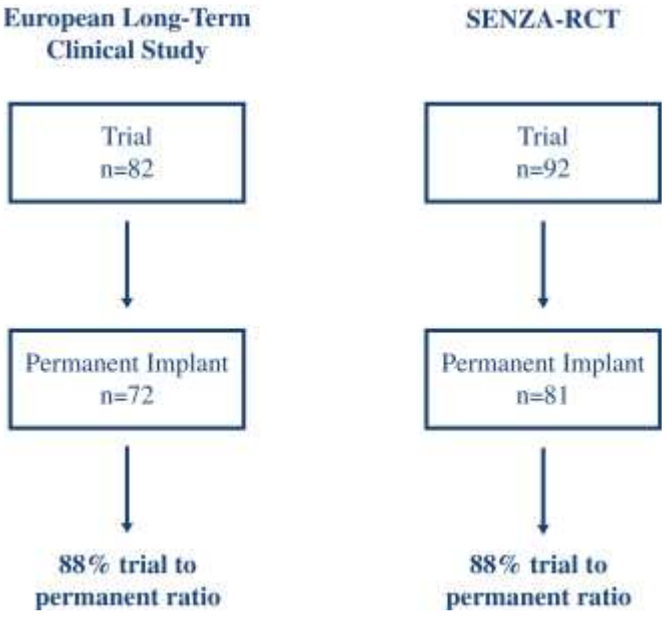
Consistency of Results

We also performed a comparison of the trial results from SENZA-RCT with our European long-term clinical study. This comparison demonstrates consistency of results across these two studies.

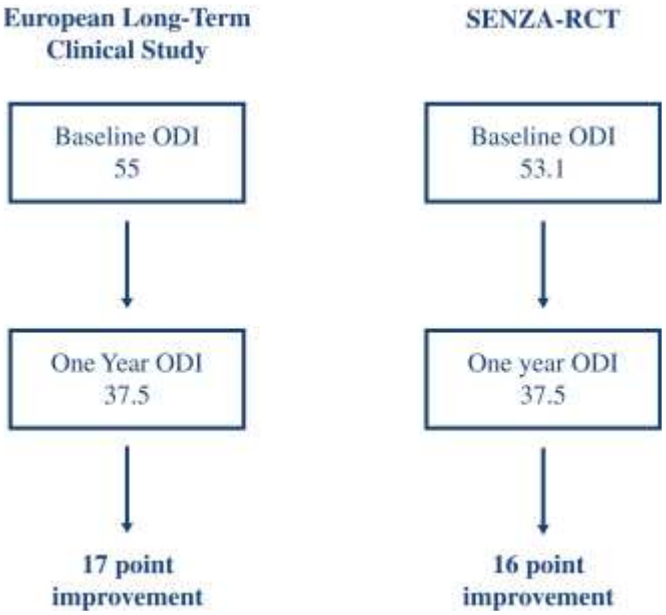
The chart below compares longitudinal back pain, as measured by change in VAS score from baseline of HF10 therapy in SENZA-RCT to our European long-term clinical study at each of the three, six and 12 month measurement points, demonstrating consistency across the results of these two studies.



The figure below compares the trial-to-implant ratio in SENZA-RCT to that of our European long-term clinical study based on achieving a 50% pain reduction from baseline, as measured by change in VAS score, demonstrating consistency across the results of these two studies.



In addition, the figure below compares change in disability from baseline to 12 months, as measured by percentage change in ODI score, in SENZA-RCT to that of our European long-term clinical study, demonstrating consistency across the results of these two studies.



Results of Published Prospective Studies

The following chart sets forth the evidence base for HF10 therapy in light of the history of published prospective studies of SCS therapy for leg and back pain. Traditional SCS therapy performed better in our recent Senza-RCT pivotal study relative to the Kumar Process study, a widely cited study on SCS. This is possibly due to factors such as improvements in technology and patient selection.

Comparatively the evidence base for HF10 therapy as demonstrated in SENZA-RCT and Van Buyten/Al Kaisy studies stands out along several lines. First, both HF10 therapy studies will have 24-month data which matches the total number of 24-month studies in SCS history (Kumar and North). Second, both HF10 therapy studies are uniquely the first to study and show efficacy in treating back pain as can be seen from the back pain portion of the table below. Third, the efficacy demonstrated in treating leg pain exceeds both the control arm in SENZA-RCT and historical data for treating leg pain per this chart. Finally, the table demonstrates the strength of the overall evidence base for HF10 therapy in both quality and quantity of evidence relative to traditional SCS therapy. This can be seen in terms of number of patients treated, relative efficacy in both back and leg pain and comprehensiveness of results reported.

					Leg				Back			
Study	System	Patient	Trail Success		Base	6m	12m	24m	Base	6m	12m	24m
SENZA-RCT 2014	Nevro Senza	Back & Leg Pain	81/92 88% [4]	VAS Response [5] N	7.1 — 90	2.3 81% 90	2.1 79% 90	TBD TBD TBD	7.5 — 90	2.7 76% 90	2.5 79% 90	TBD TBD TBD
AL-Kaisy & Van Buyten [6] 2013	Nevro Senza	Predom Back Pain	72/82 88% [4]	VAS Response [5] N	5.4 — 72	1.5 86% 72	2 65% 67	2.3 71% 65	8.4 — 72	2.7 74% 72	2.8 70% 67	3.3 60% 65
SENZA-RCT 2014	Boston Precision	Back & Leg Pain	71/87 82% [4]	VAS Response [5] N	7.6 — 81	3.6 54% 81	3.8 51% 81	TBD TBD TBD	7.8 — 81	4.2 51% 81	4.3 51% 81	TBD TBD TBD
Oakley [7] 2007	Boston Precision	Predom Leg Pain	49/65 75% [4]	VAS Response [5] N	8 — 49	3.9 55% 33	2.2 75% 12	NR NR NR	NR NR NR	NR NR NR	NR NR NR	NR NR NR
Schultz [8] 2012	Medtronic Restore Sensor	Predom Leg Pain	NA [1]	VAS Response [5] N	5.9 — 76	4.3 [2] NR 71 [2]	NR NR NR	NR NR NR	NR NR NR	NR NR NR	NR NR NR	NR NR NR
North [9] 2005	Medtronic Itrel	Predom Leg Pain	17/27 71% [4]	VAS Response [5] N	NR — 24	NR NR 24	NR NR NR	NR 47% [3] 19	NR NR NR	NR NR NR	NR NR NR	NR NR NR
Kumar [10,11] 2008	Medtronic Synergy	Predom Leg Pain	43/52 83% [4]	VAS Response [5] N	7.6 — 52	4 48% 50	4.4 38% 42	4.4 40% 42	5.5 — 52	4.1 NR 50	4.5 NR 42	4.8 NR 42

NR: Not reported

Studies with minimum six month follow up.

(1) NA: Not applicable, subjects already implanted

(2) At follow-up of 16 weeks post implantation

(3) At follow-up of 2.9±1.1 years

(4) Trial Success rates are based on the % of patients who had at least 50% reduction in VAS score from baseline at the end of the trial phase

(5) Response rate defined as % of patients who had at least 50% reduction in VAS score from baseline

(6) Al-Kaisy, A., Van Buyten, J., Smet, I., Palmisani, S., Pang, D., Smith, T. (2014). Sustained Effectiveness of 10 kHz High-Frequency Spinal Cord Stimulation for Patients with Chronic, Low Back Pain: 24-Month Results of a Prospective Multicenter Study. Pain Medicine 2014; 15: 347-354

(7) Oakley , J., Krames , E., et al. A New Spinal Cord Stimulation System Effectively Relieves Chronic, Intractable Pain: A Multicenter Prospective Clinical Study. Neuromodulation 2007; Volume 10, Number 3

(8) Schultz, D., Webster, L., et al. Sensor-Driven Position-Adaptive Spinal Cord Stimulation for Chronic Pain. Pain Physician 2012; 15:1-12

(9) North RB, Kidd DH, Farrokhi F, Piantadosi SA. Spinal Cord Stimulation Versus Repeated Lumbosacral Spine Surgery for Chronic Pain: A Randomized, Controlled Trial. Neurosurgery 2005;56:98-106.

(10) Kumar K, Taylor RS, Jacques L, et al. The Effects of Spinal Cord Stimulation in Neuropathic Pain are Sustained:A 24-Month Follow-Up of the Prospective Randomized Controlled Multicenter Trial of the Effectiveness of Spinal Cord Stimulation. Neurosurgery 2008;63:762-70.

(11) Kumar K, Taylor RS, Jacques L, et al. Spinal Cord Stimulation Versus Conventional Medical Management for Neuropathic Pain: A Multicentre Randomised Controlled Trial in Patients with Failed Back Surgery Syndrome. Pain (200&), doi:10.1016/j.pain2007.07.028

European Long-Term Clinical Study

The two-year follow up of the European long-term clinical study was completed in 2013. The open label, prospective study was conducted at two sites in Belgium and the United Kingdom. 82 chronic pain patients completed the therapy evaluation phase, or trial phase, for HF10 therapy and 72 were permanently implanted as a result of successful evaluation phase. 65 of these patients were followed to two years.

Among the patients who went through the evaluation phase, 87% enrolled had predominant back pain, 17% had failed traditional SCS therapy previously, and 19% of the patients did not have prior back surgery. These are difficult-to-treat patients that have been excluded from traditional SCS therapy studies in the past.

Key safety results:

- No evidence of neurologic deficit or dysfunction attributable to prolonged delivery of HF10 therapy was observed.
- Investigators reported that adverse events were similar in nature and frequency to those seen with traditional SCS therapy. The most common adverse events were implant site pain, infection and lead migration.

Key efficacy results:

- Average back pain VAS was reduced from 8.4 at baseline to 2.8 at 12 months to 3.3 at 24 months. Average leg pain was reduced from 5.4 VAS pain level at baseline to 2.0 at 12 months to 2.3 at 24 months.
- For responder rates, 60% of the implanted patients had at least 50% back pain relief and 71% had at least 50% leg pain relief.
- Disability as measured by ODI improved by an average of 15 points at 24 months, a clinically and statistically significant improvement.
- Opioid intake decreased, with 86% of patients taking some form of opioid at baseline, and to 57% at 24 months. The mean dosage of oral morphine equivalents per patient decreased from 84 milligrams per day, or mg/day, at baseline to 27 mg/day at 24 months.

Other results:

- HF10 therapy did not produce paresthesia.

Pilot Study

Senza and HF10 therapy offers a favorable safety profile. In an initial caprine histological study of HF10 therapy no stimulation-related damage to any evaluated structures was shown, including dorsal nerve rootlets, connective tissue and spinal cord. These results allowed us to move on to an initial pilot study in humans.

In the initial pilot study, twenty-four patients with back pain greater than leg pain who were candidates for spinal cord stimulation were trialed at five centers in the United States in a prospective, open label trial. Results showed there was significant improvement from baseline in overall pain scores (8.68 to 2.03, $p < 0.001$) and back pain scores (8.12 to 1.88, $p < 0.001$) with Senza. Senza was preferred to the commercially available systems in 21 of 24 patients (88%).

Our Growth Strategy

Our mission is to be the neuromodulation leader in the treatment of chronic pain by developing innovative, evidence-based solutions. To accomplish this objective we intend to:

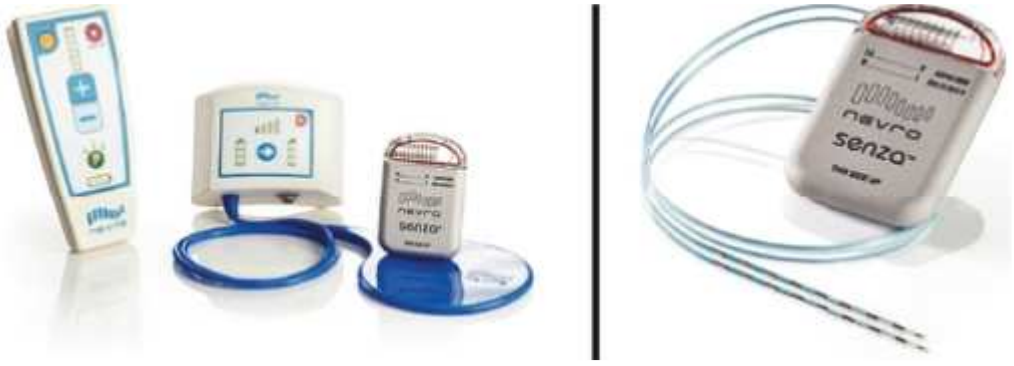
- **Secure FDA approval for Senza in the United States:** We completed our SENZA-RCT U.S. pivotal study in March 2014. The study met its primary endpoint and we believe it supports the safety and effectiveness of Senza and HF10 therapy. The FDA accepted for filing our June 2014 PMA for Senza. We are working to satisfy the conditions of approval and anticipate initial commercial availability in the U.S. by mid-2015, but there can be no assurance we will receive FDA approval within this timeframe or at all.
- **Communicate what we believe is the compelling clinical efficacy of HF10 therapy to patients, physicians and payors globally:** Given our clinical evidence, we believe we will be able to position our therapy with patients, providers and payors in a differentiated way. The statistical analysis from our U.S. pivotal study support the clinical superiority of HF10 therapy to traditional SCS therapy for treating both leg and back pain. To date, we believe there have been only two other randomized, controlled SCS clinical studies comparing pain treatments. However, these studies only focused on leg pain. Given our pivotal study focused on both back and leg pain in a head-to-head comparison with traditional SCS, if approved, we anticipate being able to differentiate HF10 therapy by communicating its clinical benefits and advantages to patients, physicians and payors.
- **Drive adoption of HF10 therapy through a world-class sales and marketing organization:** We will continue to build our worldwide sales organization consisting of direct sales representatives and a network of distributors and sales agents. In anticipation of FDA regulatory approval in the United States, we expect to initially recruit, hire and train approximately 30 to 40 experienced sales representatives in advance of initial commercial availability in the U.S., which we anticipate to occur by mid-2015, with additional hires over the following 24 months, who will target physician specialties involved in SCS treatment decisions, including neurosurgeons, physiatrists, interventional pain specialists and orthopedic spine surgeons. We expect that our direct sales force will target the approximately 2,400 hospitals and outpatient surgery centers, at which we believe an estimated 90% of SCS procedures in the United States are performed. Our marketing and reimbursement teams intend to drive HF10 therapy adoption through creating awareness and demand among additional stakeholders involved in the SCS treatment decision, including third-party payors, hospitals administrators and patients and their families. We do not believe that any changes will be required to existing patient referral flows or existing coverage and reimbursement policies in order to facilitate adoption in the approximately $1.2 billion existing U.S. SCS market. Internationally, we plan to increase coverage of our target markets through an expansion of our existing direct sales force or our network of distributors and sales agents.

- **Expand the existing SCS market by treating back pain:** We believe we can significantly expand the existing SCS market by delivering a system that can provide meaningful treatment to the chronic back pain patient population. We believe there is an additional opportunity for an SCS therapy that effectively treats back pain that is approximately the size of the existing global SCS market. With traditional SCS therapy, patients who experience predominant back pain are associated with lower levels of treatment success. Consequently, predominant back pain patients are typically not recommended for treatment with traditional SCS therapy due to the difficulty of achieving and maintaining pain coverage. We believe HF10 therapy is positioned to expand the existing SCS market by effectively treating back pain in addition to leg pain.
- **Develop HF10 therapy for use in other chronic pain indications:** We plan to use our platform technology to develop HF10 therapy for use in other chronic pain indications with significant unmet medical need, including chronic intractable neck and upper extremity pain, refractory chronic migraine and pre-spinal surgery patients. There can be no assurance that we will be successful in developing HF10 therapy for use in other chronic pain indications or in receiving required regulatory approvals to market Senza and HF10 therapy for use in other chronic pain indications.
- **Invest in research and development to drive innovation:** We are extending our novel and proprietary technologies into a series of product enhancements with the goal of improving the treatment of chronic pain. Product enhancements in development include a next-generation IPG, full body MRI compatibility and paddle leads. We believe these innovative enhancements will drive continued adoption of our technology platform and further validate the advantages and benefits of our HF10 therapy.
- **Scale our business to achieve cost and production efficiencies:** We plan to improve the efficiency of our third-party manufacturing process, which we believe will lower our per unit manufacturing cost. We expect to scale our manufacturing operations as we commercialize Senza in the United States following FDA regulatory approval.

Our Senza System

Senza is designed to create electrical impulses from 2 Hz to 10 kHz, including our proprietary HF10 therapy, which allows for pain relief without paresthesia. HF10 therapy delivers proprietary waveforms at 10 kHz pulse rate with a statistically driven and clinically verified programming algorithm.

Senza, similar to other commercially available SCS systems, consists of leads, a trial stimulator, an implantable pulse generator, or IPG, surgical tools, a clinician laptop programmer, a patient remote control, and a mobile charger. These components enable physicians to implant the leads and the IPG, and patients to operate the system.



Leads: The leads are thin, insulated medical wires that conduct electrical pulses from the IPG to near the spinal cord. Senza uses percutaneous leads, which can be inserted to the epidural space minimally invasively through a needle. The leads are cylindrical, flexible and steerable, and are offered in different lengths.

Trial Stimulator: The trial stimulator contains electronics that deliver electrical pulses to the lead. It is an external device that is worn around the waist during the evaluation period that typically lasts several days. It is powered by batteries.

Implantable Pulse Generator (IPG): The IPG contains a rechargeable battery and electronics that deliver electrical pulses to the lead. It has 16 output channels and can connect to one or two leads. It is a programmable device and can deliver customized programs for each patient. The IPG is rechargeable and is placed surgically under the skin, usually above the buttock or the abdomen. The Senza SCS system is CE Marked and has “at least 10 year battery life” as indicated in its CE label.

Surgical Tools: Surgical tools include percutaneous insertion needles that are used to introduce the lead into the epidural space, a variety of stylets that give physicians the ability to steer and deliver the lead to the desired location, anchors to secure the leads, and tunneling tools that provide access from the lead insertion site to the location of the IPG.

Programmer: The clinician laptop programmer contains proprietary software that allows customized programming of the IPG. It can non-invasively interrogate the IPG and transmit programming information and download diagnostic information.

Patient Remote Control: The patient remote control is a handheld device that allows patients to turn their stimulation on and off and change programs.

Charger: The charger recharges the IPG from outside the body. To charge, the charging coil of the charger is placed over the location of the IPG and then initiated by pushing a button on the charger. The charger is mobile and can be worn around the waist using a belt when charging is needed, so that the patient can perform various tasks while charging. Charging sessions are usually performed daily and are expected to average approximately 45 minutes a day.

Growth Opportunities

Senza is a platform technology. We believe that our platform will have applications in other pain indications, and we are actively investigating some of these opportunities.

Pre-Spinal Surgery

One of the most common uses for SCS is for neuropathic pain conditions such as FBSS. The incidence of patients that will develop FBSS following lumbar spinal surgery is estimated to be within the range of 10% to 40%. With the increasing number of spinal surgeries in the United States, FBSS is also increasing. While there is a clear need for spinal surgery in many patients, given the high rate of FBSS there is a potential for SCS to move up the treatment progression ahead of spinal surgery for some patients without mechanical instability. HF10 therapy could provide an attractive treatment option for these patients due to its cost, reversibility and initial trial period. In subset analysis of pre-spinal surgery patients from our SENZA-RCT and European studies, we found a decrease in back pain VAS scores from 7.2 to 2.5 (12 months, n=11) and 8.1 to 3.4 (24 months, n=14), respectively, as well as a decrease in leg pain VAS scores from 7.1 to 2.3 (12 months, n=11) and 5.9 to 2.8 (24 months, n=14) respectively. We have an ongoing feasibility study in this indication.

Chronic Intractable Neck and Upper Extremity Pain

Chronic neck pain with or without upper extremity pain is prevalent in 48% of women and 38% of men in the general adult population, with persistent complaints in 22% of women and 16% of men. Multiple treatments

currently exist in the market today, such as epidural injections, but there is a lack of clinically efficacious treatments. In addition, there has been a very small body of evidence published on the application of SCS in chronic neck pain and upper extremity pain by placing the leads in the cervical spine. The evidence has suggested promising therapeutic response when traditional SCS therapy is used, but the paresthesia in the cervical spine associated with traditional SCS therapy can create intolerable discomfort, limiting its viability. We believe Senza can overcome this barrier due to its ability to deliver pain relief without paresthesia. We have an ongoing feasibility study in this indication.

Refractory Chronic Migraine

Chronic migraine is a widespread and debilitating disorder affecting 2% of the general population. Chronic migraine patients have greater than 15 headache-days per four week period lasting more than 3 months. Conventional treatments often include non-steroidal anti-inflammatory drugs, triptans, ergots, acetaminophens, opioids and botox as well as other therapies. Despite all of these pharmacologics, many patients do not respond to these therapies. Recognizing the opportunity and the potential for HF10 therapy to address this unmet need, we have begun to investigate this indication through feasibility studies. The benefit of HF10 therapy in this indication as opposed to traditional SCS therapy in chronic migraine is the treatment of patients without paresthesia through cervical lead placement, rather than occipital nerve stimulation which requires lead insertion at the base of the skull.

Third-Party Coverage and Reimbursement

In the United States, the primary purchasers of Senza are hospitals and outpatient surgery centers. These purchasers bill various third-party payors, such as Medicare, Medicaid and private health insurance plans for the healthcare services associated with the SCS procedure. Government agencies and private payors determine whether to provide coverage for specific procedures. We believe that SCS procedures using Senza, if approved, would be adequately described by existing CPT, HCPCS II, and ICD-9-CM codes for the implantation of spinal cord stimulators and related leads performed in various sites of care. Medicare reimbursement rates for the same or similar procedures vary due to geographic location, nature of facility in which the procedure is performed (i.e., hospital outpatient department or outpatient surgery centers) and other factors. Although private payors' coverage policies and reimbursement rates tend to vary, the Medicare program is increasingly used as a model for how private payors and other governmental payors develop their coverage and reimbursement policies for healthcare items and services, including SCS procedures. Outside the United States, reimbursement levels vary significantly by country, and by region within some countries. Reimbursement is obtained from a variety of sources, including government-sponsored and private health insurance plans, and combinations of both. Some countries will require us to gather additional clinical data before recognizing granting broader coverage and reimbursement for our products. It is our intent to complete the requisite clinical studies and obtain coverage and reimbursement approval beyond what we have today in countries where it makes economic sense to do so.

Product Development

Our objective is to continue to improve patient outcomes and further expand patient access to HF10 therapy through enhancements to Senza and the development of new indications. Research and development expenses were $15.7 million, $20.3 million and $19.8 million, for the years ended December 31, 2012, 2013 and 2014, respectively.

Since the launch of the initial Senza system, we have introduced a number of new product enhancements. These include a short-tip version of the lead, new lengths of the lead, an active anchor with improved performance over silicon anchors, second generation active anchor with smaller volume, lead adaptors that allow use of competitor leads already implanted in patients, second generation clinician programmer software, second generation IPG with improved shape and compatibility for scans of the head and extremities with both 1.5 and 3 Tesla (T) MRI machines. We also expect to continue developing enhancements to Senza to further increase performance and introduce new benefits including next generation IPGs and leads and improved MRI compatibility.

Sales and Marketing

United States

We are in the process of hiring and training a direct sales organization in the United States. In anticipation of FDA regulatory approval we expect to recruit, hire and train a direct sales force in the United States, who will target physician specialties involved in SCS treatment decisions, including neurosurgeons, physiatrists, interventional pain specialists and orthopedic spine surgeons. We plan to target approximately 2,400 hospitals and outpatient surgery centers at which we believe an estimated 90% of SCS procedures are performed in the United States. In addition, our commercial team plans to create awareness and demand for Senza among additional stakeholders involved in the SCS treatment decision, including third-party payors, hospitals administrators and SCS patients and their families. We also intend to develop a product support team in order to provide ongoing support to physicians for the use of Senza.

International

We sell Senza in Europe and Australia through a combination of our direct sales force and a network of sales agents and independent distributors. We began our direct sales operations in the United Kingdom in 2010 and to date have expanded our direct sales operations to Austria, Australia, Belgium, Germany, Luxembourg, Sweden and Switzerland. We utilize sales agents and independent distributors to sell in an additional seven countries.

Competition

We compete in the SCS market for chronic pain. We also compete with spine surgeries, in particular re-surgeries. Currently, our major competitors are Medtronic, Boston Scientific and St. Jude Medical, who have obtained regulatory approval for SCS systems. We believe that the primary competitive factors in the market are:

- Sales force experience and access
- Company brand recognition
- Product support and service
- Effective marketing and education
- Technological innovation, product enhancements and speed of innovation
- Pricing and reimbursement
- Published clinical efficacy data
- Product reliability, safety and durability
- Ease of use
- Clinical research leadership

Many of our competitors have greater capital resources, more established operations, longer commercial histories and more extensive relationships with physicians. They also have a wider product offerings within neuromodulation and in other product categories, providing them with greater supplier power and with more opportunities to interact with stakeholders involved in purchasing decisions. We also face competition to recruit and retain qualified sales and other personnel.

We expect our competitors to launch new products and release additional clinical evidence within the next few years. For example, St. Jude Medical is currently working on a U.S. pivotal study, SUNBurst, to gain approval for its burst stimulation technology, intended for chronic pain relief with minimal paresthesia. Medtronic is performing randomized clinical studies to collect data on existing SCS products for back pain. Additionally, Boston Scientific has commenced recruiting patients for a randomized clinical trial of a high-frequency SCS therapy. Boston Scientific is also expected to introduce incremental product enhancements such

as a reduction in the size of the IPG, new accessories and improved MRI compatibility labeling. Additionally, there are a number of emerging competitors that we believe are in the process of or have recently received FDA approval.

Intellectual Property

We actively seek to protect the intellectual property and proprietary technology that we believe is important to our business, which includes seeking and maintaining patents covering our technology and products, proprietary processes and any other inventions that are commercially or strategically important to the development of our business. We also rely upon trademarks to build and maintain the integrity of our brand, and we seek to protect the confidentiality of trade secrets that may be important to the development of our business. For more information, please see "Risk factors—Risks Related to Intellectual Property."

Patents, Trademarks and Proprietary Technology

As of January 31, 2015, we owned 64 issued patents globally, of which 46 were issued U.S. patents, 11 were issued Australian patents, 4 were issued European patents, two were German Utility Models, and one was an issued Chinese design patent. In particular, one of our patent claims covers a SCS systems that are configured to generate a non-parasthesia producing therapy signals at frequencies between 1,500 Hz to 100,000 Hz. As of January 31, 2015, we held 110 patent applications pending globally, of which 55 were patent applications pending in the United States, and 55 were patent applications pending across Europe, Australia, Canada, Japan, China, and Korea. We also have an exclusive license from the Mayo Foundation to one U.S. issued patent and two U.S. pending patent applications. All of our current issued patents are projected to expire between 2028 and 2032.

As of January 31, 2015, our trademark portfolio contained 15 trademark registrations, 4 of which were U.S. trademark registrations, as well as 16 pending U.S. trademark applications and 5 pending foreign trademark applications.

The term of individual patents depends on the legal term for patents in the countries in which they are granted. In most countries, including the United States, the patent term is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country. We cannot assure you that patents will be issued from any of our pending applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection for our technology. Notwithstanding the scope of the patent protection available to us, a competitor could develop treatment methods or devices that are not covered by our patents. Furthermore, numerous U.S. and foreign issued patents and patent applications owned by third parties exist in the fields in which we are developing products. Because patent applications can take many years to issue, there may be applications unknown to us, which applications may later result in issued patents that our existing or future products or proprietary technologies may be alleged to infringe.

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

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

The Mayo License

In October 2006, we entered into a license agreement, or the Mayo License, with the Venturi Group, LLC, or VGL, and the Mayo Foundation for Medical Education and Research, or the Mayo Foundation, pursuant to which the Mayo Foundation committed to confer with us exclusively to develop products for the treatment of autonomic and peripheral nervous system disorders, including pain, using devices to modulate nerve signaling, and non-exclusively to test such devices, and VGL committed to confer with us non-exclusively to develop such devices, and exclusively to test such devices. These commitments to confer expired in January 2011. We were granted a worldwide license to make, use, sell, offer for sale, and import products incorporating or using the know-how developed for and provided to us by the Mayo Foundation or VGL in the course of such development and testing activities, exclusively for product development and non-exclusively for product testing. We were also granted an exclusive worldwide license under certain patents and patent applications, including any patent applications or issued patents claiming inventions that arose out of the device development and testing activities conducted on our behalf by the Mayo Foundation or VGL pursuant to the agreement, to develop, make, use, sell, offer for sale, and import products covered by the licensed patents or patent applications. As of August 5, 2014, two issued patents were covered by the Mayo License. These two patents expire in 2027 and 2028, respectively.

Pursuant to the Mayo License, we are obligated to pay royalties in the low single digits to the Mayo Foundation, on a country-by-country and product-by-product basis, based on a percentage of net sales of licensed products, subject to reduction under certain circumstances. Our obligation to pay royalties commences upon the first commercial sale of a licensed product in a particular country and expires, on a country-by-country and product-by-product basis, in the case of products covered by a licensed patent or patent application upon the expiration of the last valid claim covering such product in such country, and in the case of any other licensed product, upon the fifth anniversary of the first commercial sale of such product in such country. We are obligated to pay Mayo a double-digit percentage of any sublicensing revenue we receive from any sublicensees during the term of the Mayo License. In addition, in connection with the consummation of our IPO in November 2014, we issued the Mayo Foundation 20,833 shares of our common stock pursuant to the terms of the Mayo License. We are also required under the Mayo License to use commercially reasonable efforts to research, develop and commercialize licensed products.

The Mayo License terminates upon the expiration (1) the last to expire of the licensed patents or (2) our obligation to pay royalties, whichever is later. We, the Mayo Foundation or VGL may terminate the Mayo License upon 60 days' notice of a party's material breach if such breach remains uncured after such 60-day period. In the event of termination as a result of our material breach, all licenses to the licensed patents will terminate, and our licenses to the know-how provided to us by the Mayo Foundation or VGL in the course of the development and testing activities will become non-exclusive. We do not believe a termination of the Mayo License would have a material adverse impact on our ability to develop, market and sell Senza. In the event that we terminate the Mayo License for breach by either the Mayo Foundation or VGL, all licenses to licensed patents continue, our license to the licensed know-how shall become non-exclusive and our obligation to pay royalties on net sales of licensed products shall be reduced by half. The Mayo Foundation or VGL may also terminate in the event of our insolvency.

Manufacturing and Supply

We rely upon third-party suppliers for the manufacture and assembly of our Senza SCS system and its components, some of which are single- or sole-sources of the relevant product component. We have not yet identified and qualified second-source replacements for many of our critical single-source suppliers. Thus, in the event that our relationship with any of our single- or sole-source suppliers terminates in the future, we may have difficulty maintaining sufficient production of our products at the standards we require. Where practicable, we are currently seeking, or intending to seek, second-source manufacturers for our single-source components. We believe that existing third-party facilities will be adequate to meet our current and anticipated manufacturing needs. We do not currently plan to manufacture the Senza SCS system components ourselves.

We believe our manufacturing operations, and those of our suppliers, are in compliance with regulations mandated by the FDA. Manufacturing facilities that produce medical devices or their component parts intended for distribution world-wide are subject to regulation and periodic unannounced inspection by the FDA and other domestic and international regulatory agencies. In the United States, we are required to manufacture any products that we sell in compliance with the FDA's Quality System Regulation, or QSR, which covers the methods used in, and the facilities used for, the design, testing, control, manufacturing, labeling, quality assurance, packaging, storage and shipping of our products. In international markets, we are required to obtain and maintain various quality assurance and quality management certifications. We have obtained the following international certifications: Quality Management System ISO13485, Full Quality Assurance Certification for the design and manufacture of spinal cord stimulator systems and accessories and a Design Examination certificate for Implantable Pulse Generator and Accessories. We are required to demonstrate continuing compliance with applicable regulatory requirements to maintain these certifications and will continue to be periodically inspected by international regulatory authorities for certification purposes.

We believe that our most significant supply contracts are as follows:

Pro-Tech Design and Manufacturing

In July 2014, we entered into a new supply agreement with Pro-Tech Design and Manufacturing, Inc., or Pro-Tech, pursuant to which Pro-Tech, as a single-source supplier, conducts the inspection, labeling, packaging and sterilization of our Senza SCS system. Our supply agreement is scheduled to expire in July 2019, unless terminated earlier. We may terminate the agreement without cause upon six months' prior written notice, and Pro-Tech may terminate without cause upon 18 months' prior written notice. In addition, we and Pro-Tech have the right to terminate the agreement upon 30 days' prior written notice in the event of the other party's material breach that remains uncured at the end of such 30-day period.

Stellar Technologies

On July 1, 2009, we entered into a manufacturing agreement with Stellar Technologies, Inc., or Stellar, our single-source supplier of our percutaneous leads and percutaneous lead extenders for our neurological stimulator products. On June 30, 2014, the agreement's initial term expired, and the agreement automatically renewed for the first time. On July 1, 2014, we entered into a first amendment to the manufacturing agreement with Stellar, which provides for an additional five year term commencing from the date of the amendment, after which the agreement automatically renews for successive one-year terms unless either party provides written notice of intent not to renew at least 30 days before the expiration of the then-current term. We refer to the manufacturing agreement as amended by the first amendment as the Stellar Agreement.

Either we or Stellar may terminate the Stellar Agreement at will upon one years' advance notice, subject to certain remaining rights and payment obligations, including an early cancellation fee payable by us to Stellar. We may also terminate the Stellar Agreement if Stellar is unable to perform its obligations under the Stellar Agreement for 60 days or more, or if Stellar is unwilling to perform its obligations under the Stellar Agreement and does not cure such defect within 60 days' of our providing written notice to cure. Stellar may terminate the Stellar Agreement in the event of our default of certain specified obligations, including our payment obligations, material violation of a warranty or law, our material breach, and our insolvency.

CCC Supply Agreement

We rely upon C.C.C. Del Uruguay S.A., or CCC, a subsidiary of Greatbatch Ltd., as our single-source manufacturer of our implantable pulse generator (IPG). In April 2012, we entered into our original supply agreement with CCC, which we later amended in March 2013 and June 2014. In connection with entry into our new supply agreement, our existing supply agreement with CCC (described below), which was to expire by its terms on March 31, 2015, was terminated.

On March 13, 2015, we entered into a new multi-year supply agreement with CCC, pursuant to which CCC has agreed to manufacture and supply IPGs, chargers, trial simulators and programmer wands (collectively, the "Products"). We are obligated to purchase from CCC specified minimum purchase quantities of IPGs during the first two years of the supply agreement and thereafter specified increasing percentages of IPGs, unless CCC is unable to manufacture such IPGs, at similar quantities to those contemplated in the agreement. In addition, if we seek to have a third-party manufacture any products, components and materials not currently produced by CCC as of the effective date of this supply agreement, we are obligated to provide CCC with the opportunity to bid for the supply of such products, components and materials.

The supply agreement continues for ten years unless terminated earlier. The term of the supply agreement automatically renews for additional two-year terms unless one party provides the other party with written notice of termination at least one year prior to the end of the applicable renewal period. In the event of a change in control, the supply agreement may be terminated by us or the applicable acquirer, subject to payment of a termination fee of between $50.0 million and $75.0 million and other conditions, upon no earlier than six years after the effective date of the supply agreement. The supply agreement may also be terminated by us, subject to payment of a termination fee of $50.0 million, upon six months' prior written notice if we determine that we will discontinue the sale of the IPG; provided, that the effective date of any such termination may not occur prior to the date that is 5 years after the effective date of the supply agreement. In addition, the supply agreement may be terminated by mutual agreement of the parties, or by either party, with written notice, upon the other party's cessation of business or other termination of its business operations, uncured material breach or insolvency of the other party.

EaglePicher Medical Power Supply Agreement

In April 2009, we entered into a product supply and development agreement with EaglePicher Medical Power LLC, or EaglePicher, our single-source supplier of the batteries and related products for our IPG. Pursuant to the agreement, EaglePicher must use its best efforts to supply these batteries and related products in sufficient quantity to meet our demand. The agreement also provides that, upon our written request, EaglePicher will conduct development of a modified version of these products to our specifications, if we so desire. The initial term of our supply agreement with EaglePicher expired in November 2010, and the term has been automatically renewing for successive one-year periods.

In March 2015, we entered into a First Amendment to the product supply and development agreement with EaglePicher. The amendment commits us to specified minimum purchase amounts over the course of the term of the agreement and adjusts EaglePicher's production capacity and facilities commitments under the agreement as well as certain pricing, purchasing, delivery and cancellation terms. The amendment also extends the term of the agreement to December 31, 2019, with an additional two-year automatic renewal period unless we or EaglePicher provides notice of its intent not to renew prior to the commencement of such renewal term. We have also agreed, subject to certain conditions, to purchase minimum quantities of product. The amendment further provides us with the right to place a final order with EaglePicher following termination of the agreement, as amended and modifies certain warranty and assignment terms and the parties' limitations of liability.

Other Key Suppliers

We also have other key suppliers, including some sole-source suppliers, for certain of our components, with whom we do not have agreements.

Product Liability and Insurance

The manufacture and sale of our products subjects us to the risk of financial exposure to product liability claims. Our products are used in situations in which there is a risk of serious injury or death. We carry insurance

policies which we believe to be customary for similar companies in our industry. We cannot assure you that these policies will be sufficient to cover all or substantially all losses that we experience.

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

Government Regulations

United States

Our products and operations are subject to extensive and rigorous regulation by the U.S. Food and Drug Administration, or FDA, under the Federal Food, Drug, and Cosmetic Act, or FFDCA, and its implementing regulations, guidances, and standards. The FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, promotion, distribution, and production of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. The FDA also regulates the export of medical devices manufactured in the United States to international markets. Any violations of these laws and regulations could result in a material adverse effect on our business, financial condition and results of operations. In addition, if there is a change in law, regulation or judicial interpretation, we may be required to change our business practices, which could have a material adverse effect on our business, financial condition and results of operations.

Under the FFDCA, 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 control needed to ensure safety and effectiveness.

Class I devices are those for which safety and effectiveness can be assured by adherence to FDA's "general controls" for medical devices, which include compliance with the applicable portions of the FDA's Quality System Regulation, or QSR, facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading labeling, advertising, and promotional materials. Some Class I devices also require premarket clearance by the FDA through the 510(k) premarket notification process described below.

Class II devices are subject to FDA's general controls, and any other "special controls" deemed necessary by FDA to ensure the safety and effectiveness of the device. Premarket review and clearance by the FDA for Class II devices is accomplished through the 510(k) premarket notification procedure, though certain Class II devices are exempt from this premarket review process. When a 510(k) is required, the manufacturer must submit to the FDA a premarket notification submission demonstrating that the device is "substantially equivalent" to a legally marketed device, which in some cases may require submission of clinical data. Unless a specific exemption applies, 510(k) premarket notification submissions are subject to user fees. If the FDA determines that the device, or its intended use, is not substantially equivalent to a legally marketed device, the FDA will place the device, or the particular use of the device, into Class III, and the device sponsor must then fulfill much more rigorous premarketing requirements.

A Class III product is a product which has a new intended use or utilizes advanced technology that is not substantially equivalent to that of a legally marketed device. The safety and effectiveness of Class III devices cannot be assured solely by general or special controls. These devices almost always require formal clinical studies to demonstrate safety and effectiveness.

Submission and FDA approval of a premarket approval, or PMA, application is required before marketing of a Class III device can proceed. As with 510(k) submissions, unless subject to an exemption, PMA submissions are subject to user fees. The PMA process is much more demanding than the 510(k) premarket notification process. A PMA application, which is intended to demonstrate that the device is safe and effective, must be supported by extensive data, including data from preclinical studies and human clinical trials. The PMA must also contain a full description of the device and its components, a full description of the methods, facilities, and

controls used for manufacturing, and proposed labeling. Following receipt of a PMA application, once the FDA determines that the application is sufficiently complete to permit a substantive review, the FDA will formally accept the application for review. The FDA, by statute and by regulation, has 180-days to review an "accepted" PMA application, although the review of an application more often occurs over a significantly longer period of time, and can take up to several years. In approving a PMA application or clearing a 510(k) application, the FDA may also require some form of post-market surveillance when necessary to protect the public health or to provide additional safety and effectiveness data for the device. In such cases, the manufacturer might be required to follow certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients.

PMA Approval

The Senza SCS system is a Class III device subject to review and approval through the PMA pathway. PMA applications must be supported by, among other things, valid scientific evidence, which typically requires extensive data, including technical, preclinical, clinical and manufacturing data, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. A PMA application must also include, among other things, a complete description of the device and its components, a detailed description of the methods, facilities and controls used to manufacture the device, and proposed labeling.

The FDA has 45 days from its receipt of a PMA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. During this review period, the FDA may request additional information or clarification of information already provided. In addition, the FDA will conduct a pre-approval inspection of the applicant and/or its third-party manufacturers' or suppliers' manufacturing facility or facilities to ensure compliance with the QSR, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures.

The timing of FDA review of an initial PMA application can vary substantially and, in some cases, require several years to complete. The FDA can delay, limit, or deny approval of a PMA application for many reasons, including:

- it is not demonstrated that there is reasonable assurance that the device is safe or effective under the conditions of use prescribed, recommended, or suggested in the proposed labeling;
- the data from preclinical studies and clinical trials may be insufficient; and
- the manufacturing process, methods, controls, or facilities used for the manufacture, processing, packing, or installation of the device do not meet applicable requirements.

If the FDA evaluations of both the PMA application and the manufacturing facilities are favorable, the FDA will either issue an approval letter or an approvable letter, which usually contains a number of conditions that must be met in order to secure final approval of the PMA. If the FDA's evaluation of the PMA or manufacturing facilities is not favorable, the FDA will deny approval of the PMA or issue a not approvable letter. A not approvable letter will outline the deficiencies in the application and, where practical, will identify what is necessary to make the PMA approvable. The FDA may also determine that additional clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and the data is then submitted in an amendment to the PMA. Once granted, PMA approval may be withdrawn by the FDA if compliance with post approval requirements, conditions of approval or other regulatory standards is not maintained or problems are identified following initial marketing.

Approval by the FDA of new PMA applications or PMA supplements may be required for modifications to the manufacturing process, labeling, device specifications, materials or design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information as an initial 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.

Clinical Studies

When FDA approval of a Class I, Class II or Class III device requires human clinical trials, and if the device presents a "significant risk" to human health, the device sponsor is required to file an investigational device exemption, or IDE, application with the FDA and obtain IDE approval prior to commencing the human clinical trial. If the device is considered a "non-significant risk," IDE submission to FDA is not required. Instead, only approval from the Institutional Review Board, or IRB, overseeing the investigation at each clinical trial site is required. Human clinical studies are generally required in connection with approval of Class III devices and may be required for Class I and II devices. The FDA or the IRB at each institution at which a clinical trial is being performed may suspend a clinical trial at any time for various reasons, including a belief that the subjects are being exposed to an unacceptable health risk.

Continuing Regulation

After FDA permits a device to enter commercial distribution, numerous regulatory requirements apply. These include: compliance with the QSR, which requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations; the FDA's general prohibition against promoting products for unapproved or "off-label" uses; the reports of Corrections and Removals regulation, which requires manufacturers to report recalls and field actions to the FDA if initiated to reduce a risk of health posed by the device or to remedy a violation of the FDC Act; and the Medical Device Reporting, or MDR, regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to reoccur. Manufacturers are also required to register and list their devices with the FDA, based on which the FDA will conduct inspections to ensure continued compliance with applicable regulatory requirements.

The FDA has broad post-market and regulatory and enforcement powers. Failure to comply with the applicable U.S. medical device regulatory requirements could result in, among other things, warning letters; fines; injunctions; consent decrees; civil penalties; repairs replacements or refunds; recalls, corrections or seizures of products; total or partial suspension of production; the FDA's refusal to grant future premarket clearances or approvals; withdrawals or suspensions of current product applications; and criminal prosecution. If any of these events were to occur, they could have a material adverse effect on our business, financial condition and results of operations.

International

Our international sales are subject to regulatory requirements in the countries in which our products are sold. The regulatory review process varies from country to country and may in some cases require the submission of clinical data. In addition, the FDA must be notified of, or approve the export to certain countries of devices that require a PMA, and not yet approved in the United States.

In the European Economic Area, or EEA (which is comprised of the 28 Member States of the EU plus Norway, Liechtenstein and Iceland), we need to comply with the requirements of the EU Active Implantable Medical Devices Directive or AIMDD, and appropriately affix the CE Mark on our products to attest to such compliance. To achieve compliance, our products must meet the "Essential Requirements" laid down in Annex I of the AIMDD relating to safety and performance. To demonstrate compliance with the Essential Requirements and obtain the right to affix the CE mark we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization designated by a competent authority of an EEA country to conduct conformity assessments. Depending on the relevant conformity assessment procedure, the Notified Body would 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 CE

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. The assessment of the conformity of Senza has been certified by our Notified Body ((the British Standards Institution or BSI).

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 and that the known and foreseeable risks, and that 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 (e.g., product labeling and instructions for use) are supported by suitable evidence. This assessment must be based on clinical data, which can be obtained from (1) clinical studies conducted on the devices being assessed, (2) scientific literature from similar devices whose equivalence with the assessed device can be demonstrated or (3) both clinical studies and scientific literature. With respect to active implantable medical devices or Class III devices, the manufacturer must conduct clinical studies to obtain the required clinical data, unless reliance on existing clinical data from equivalent devices can be justified. The conduct of clinical studies in the EEA is governed by detailed regulatory obligations. These may include the requirement of prior authorization by the competent authorities of the country in which the study takes place and the requirement to obtain a positive opinion from a competent Ethics Committee. This process can be expensive and time-consuming. Additionally, Senza must continue to comply with the requirements of certain EU Directives.

We are subject to continued surveillance by our Notified Body and will be required to report any serious adverse incidents to the appropriate authorities. We also must comply with additional requirements of individual countries in which our products are marketed.

The assessment of the conformity of Senza with the AIMDD and the R&TTE (Radio and Telecommunications Terminal) Directive has been certified by our Notified Body (the British Standards Institution or BSI).

In September 2012, the European Commission published proposals for the revision of the EU regulatory framework for medical devices. The proposal would replace the Medical Devices Directive and the Active Implantable Medical Devices Directive with a new regulation (the Medical Devices Regulation). Unlike the Directives that must be implemented into national laws, the Regulation would be directly applicable in all EEA Member States and so is intended to eliminate current national differences in regulation of medical devices.

In October 2013, the European Parliament approved a package of reforms to the European Commission’s proposals. Under the revised proposals, only designated “special notified bodies” would be entitled to conduct conformity assessments of high-risk devices, such as active implantable devices. These special notified bodies will need to notify the European Commission when they receive an application for a conformity assessment for a new high-risk device. The European Commission will then forward the notification and the accompanying documents on the device to the Medical Devices Coordination Group, or MDCG, (a new, yet to be created, body chaired by the European Commission, and representatives of Member States) for an opinion. These new procedures may result in the re-assessment of our existing medical devices, or a longer or more burdensome assessment of our new products.

If adopted, the Medical Devices Regulation is expected to enter into force in 2015 and become applicable three years thereafter. In its current form it would, among other things, also impose additional reporting requirements on manufacturers of high risk medical devices, impose an obligation on manufacturers to appoint a “qualified person” responsible for regulatory compliance, and provide for more strict clinical evidence requirements.

Other Regulations

We are also subject to healthcare fraud and abuse regulation in the jurisdictions in which we will conduct our business. These laws include, without limitation, applicable anti-kickback, false claims, physician sunshine and patient privacy and security laws and regulations.

Anti-Kickback Statute: The federal Anti-Kickback Statute prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in exchange for or to induce either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service for which payment may be made, in whole or in part, under federal healthcare programs such as Medicare and Medicaid. The federal Anti-Kickback Statute is broad and prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. The term "remuneration" includes kickbacks, bribes, or rebates and also has been broadly interpreted to include anything of value, including for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests and providing anything at less than its fair market value. There are a number of statutory exceptions and regulatory safe harbors protecting certain business arrangements from prosecution under the federal Anti-Kickback Statute. These statutory exceptions and safe harbors set forth provisions that, if all their applicable requirements are met, will assure healthcare providers and other parties that they may not be prosecuted under the federal Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more applicable statutory exceptions or safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy all requirements of an applicable safe harbor may result in increased scrutiny by government enforcement authorities and will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Further, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it. In addition, 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 which is discussed below. Penalties for violations of the Anti-Kickback Statute include, but are not limited to, criminal, civil and/or administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from Medicare, Medicaid and other federal healthcare programs, and the curtailment or restructuring of operations.

Federal Civil False Claims Act: The federal civil False Claims Act prohibits, among other things, persons or entities from knowingly presenting or causing to be presented a false or fraudulent claim to, or the knowing use of false statements to obtain payment from or approval by, the federal government. In addition, private individuals have the ability to bring actions under the civil False Claims Act in the name of the government alleging false and fraudulent claims presented to or paid by the government (or other violations of the statutes) and to share in any amounts paid by the entity to the government in fines or settlement. Such suits, known as qui tam actions, have increased significantly in the healthcare industry in recent years. Manufacturers can be held liable under these laws if they are deemed to "cause" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. Penalties for a federal civil False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim, the potential for exclusion from participation in federal healthcare programs and criminal liability. The majority of states also have statutes or regulations similar to the federal Anti-Kickback and False Claims Act, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor.

Health Insurance Portability and Accountability Act of 1996: The federal Health Insurance Portability and Accountability Act, or HIPAA, created several new federal crimes, including healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up

a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

In addition, HIPAA and its implementing regulations established uniform standards for certain covered entities, which are healthcare providers, health plans and healthcare clearinghouses, as well as their business associates, governing the conduct of specified electronic healthcare transactions and protecting the security and privacy of protected health information. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH created four new tiers of civil monetary penalties and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent than HIPAA and HITECH.

EU Data Protection Directive: We are subject to laws and regulations in non-U.S. countries covering data privacy and the protection of health-related and other personal information. EU member states and other jurisdictions have adopted data protection laws and regulations, which impose significant compliance obligations. For example, the EU Data Protection Directive, as implemented into national laws by the EU member states, imposes strict obligations and restrictions on the ability to collect, analyze and transfer personal data, including health data from clinical trials and adverse event reporting. Failing to comply with these laws could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results. A proposal for an EU Data Protection Regulation, intended to replace the current EU Data Protection Directive, is currently under consideration and, if adopted, could lead to additional and stricter requirements and penalties in the event of non-compliance.

The Federal Physician Payments Sunshine Act: The federal Physician Payments Sunshine Act 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 Centers for Medicare & Medicaid Services, or CMS, information related to "payments or other transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and to report annually to CMS certain ownership and investment interests held by physicians and their immediate family members. Certain states also require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures, require pharmaceutical companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources.

Healthcare Reform: In March 2010 the Affordable Care Act was signed into law, which has the potential to substantially change healthcare financing and delivery by both governmental and private insurers, and significantly impact the medical device industry. The Affordable Care Act impacted existing government healthcare programs and resulted in the development of new programs. The Affordable Care Act's provisions of importance include, but are not limited to, a deductible 2.3% excise tax on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, effective January 1, 2013.

The full impact of the ACA, as well as other laws and reform measures that may be proposed and adopted in the future, remains uncertain, but may continue the downward pressure on medical device pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs, which could have a material adverse effect on our business operations.

The Foreign Corrupt Practices Act: The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also

obligates companies whose securities are listed in the United States to comply with accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

The UK Bribery Act. The UK Bribery Act prohibits giving, offering, or promising bribes to any person, including non-UK government officials and private persons, as well as requesting, agreeing to receive, or accepting bribes from any person. In addition, under the UK Bribery Act, companies which carry on a business or part of a business in the UK, as we do, may be held liable for bribes given, offered or promised to any person, including non-UK government officials and private persons, by employees and persons associated with the company in order to obtain or retain business or a business advantage for the company. Liability is strict, with no element of a corrupt state of mind, but a defense of having in place adequate procedures designed to prevent bribery is available. Furthermore, under the UK Bribery Act there is no exception for facilitation payments.

Employees

As of December 31, 2014, we had 132 employees globally. We believe the success of our business will depend, in part, on our ability to attract and retain qualified personnel. We are committed to developing our employees and providing them with opportunities to contribute to our growth and success. Our employees are not subject to a collective bargaining agreement, and we believe that we have good relations with our employees.

About Us

We were incorporated in Minnesota in March 2006 and reincorporated in Delaware in October 2006. We completed the initial public offering of our common stock in November 2014. Our common stock is currently listed on the New York Stock Exchange under the symbol "NVRO." We are an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, and therefore we are subject to reduced public company reporting requirements. Our principal executive offices are located at 4040 Campbell Avenue, Menlo Park, California 94025. Our telephone number is (650) 251-0005. Our website address is www.nevro.com. The information on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K or any other filings we make with the U.S. Securities and Exchange Commission, or SEC.

Available Information

We make available on or through our website certain reports and amendments to those reports that we file with, or furnish to, the SEC in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make this information available on or through our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. Copies of this information may be obtained at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings, at www.sec.gov. The information on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K or any other filings we make with the SEC.

ITEM 1A. *RISK FACTORS*

Our business involves significant risks, some of which are described below. You should carefully consider these risks, as well as the other information in this Annual Report on Form 10-K, including our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business.

Risks Related to our Business

We have a history of significant losses. If we do not achieve and sustain profitability, our financial condition could suffer.

We have experienced significant net losses, and we expect to continue to incur losses for the foreseeable future. We expect to continue to incur losses as we seek U.S. regulatory approval of Senza, build our U.S. commercial sales force and initiate our commercial launch in the United States, as well as continue to investigate the use of our HF10 therapy to treat other chronic pain conditions. We incurred net losses of $30.7 million and $26.0 million for the years ended December 31, 2014 and 2013, respectively, and as of December 31, 2014, our accumulated deficit was $122.0 million. Our prior losses, combined with expected future losses, have had and will continue to have, for the foreseeable future, an adverse effect on our stockholders' deficit and working capital. If our revenue grows more slowly than we anticipate, or if our operating expenses are higher than we expect, we may not be able to achieve profitability and our financial condition could suffer. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

If we fail to obtain or maintain U.S. Food and Drug Administration approval to market and sell Senza, or if such approval is delayed, we will be unable to commercially distribute and market Senza in the United States

The process of seeking regulatory approval to market a medical device is expensive and time consuming. There can be no assurance that approval will be granted. Although the Senza SCS system is CE marked for sale in the European Economic Area, or EEA, and approved for sale in Australia, we have not received regulatory approval to commercialize Senza in the United States. If we are not successful in obtaining timely approval of Senza from the U.S. Food and Drug Administration, or FDA, we may never be able to generate significant revenue and may be forced to cease operations. We are currently seeking FDA premarket approval, or PMA, of Senza for the treatment of chronic intractable pain of the trunk and/or limbs, including but not limited to unilateral or bilateral pain associated with failed back surgery syndrome and intractable low back pain and leg pain. The PMA process requires an applicant to demonstrate the safety and effectiveness of the device based, in part, on extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The FDA can delay, limit or deny approval of a device for many reasons, including:

- we may not be able to demonstrate to the FDA's satisfaction that our product is safe and effective for its intended use;
- the FDA may disagree that our clinical data supports the label that we are seeking;
- the FDA may disagree that the data from our preclinical studies and clinical trials is sufficient to support approval; and
- the manufacturing process and facilities we use may not meet applicable requirements.

Obtaining approval from the FDA could result in unexpected and significant costs for us and consume management's time and other resources. The FDA could ask us to supplement our submissions, collect additional non-clinical data, conduct additional clinical trials or engage in other time-consuming actions, or it could simply deny our application. In addition, if approved, we will be required to obtain FDA approval prior to making any modification to the device, and the FDA may revoke the approval or impose other restrictions if post-market data

demonstrates safety issues or lack of effectiveness. If we are unable to obtain and maintain the necessary regulatory approvals, our financial condition may be adversely affected, and our ability to grow domestically and internationally would likely be limited. Additionally, even if approved, Senza may not be approved for the indications that are necessary or desirable for successful commercialization or profitability.

We are substantially dependent on the FDA's approval of Senza, as well as market acceptance in the United States for our HF10 therapy, and our failure to receive FDA approval of Senza or the failure of our HF10 therapy to gain such market acceptance would negatively impact our business.

Since our inception, we have devoted substantially all of our efforts to the development and commercialization of Senza and HF10 therapy for the treatment of chronic leg and back pain. From inception through December 31, 2014, our total revenue was $81.9 million and was derived entirely from sales of Senza in Europe and Australia. We have not yet received approval from the FDA to market and sell Senza in the United States. However, we have incurred and will in the future incur significant costs, including costs to build our sales force, in anticipation of PMA approval. If we are unable to obtain approval from the FDA to market and sell Senza in the United States and then to achieve significant market acceptance in the United States, our results of operations will be adversely affected as the United States is expected to be the principal market for this product. Further, because we have incurred costs prospectively in advance of PMA approval, we would be unable to recoup these costs if Senza is not approved by the FDA. Because we do not have any other products currently in development, if we are unsuccessful in commercializing Senza or are unable to market Senza as a result of a quality problem, failure to maintain or obtain regulatory approvals, unexpected or serious complications or other unforeseen negative effects related to our HF10 therapy or the other factors discussed in these risk factors, we would lose our only source of revenue, and our business will be materially adversely affected.

We may in the future become involved in lawsuits to protect or enforce our intellectual property, which could be expensive and time consuming, and ultimately unsuccessful, and could result in the diversion of significant resources, thereby hindering our ability to effectively commercialize our existing or future products. If we are unable to obtain, maintain, protect, and enforce our intellectual property, our business will be negatively affected.

The market for medical devices is subject to rapid technological change and frequent litigation regarding patent and other intellectual property rights. It is possible that our patents or licenses may not withstand challenges made by others or protect our rights adequately.

Our success depends in large part on our ability to secure effective patent protection for our products and processes in the United States and internationally. We have filed and intend to continue to file patent applications for various aspects of our technology and trademark applications to protect our brand and business. We seek to obtain and maintain patents and other intellectual property rights to restrict the ability of others to market products or services that misappropriate our technology and/or infringe our intellectual property to compete with our products.

However, we face the risks that:

- We may fail to secure necessary patents, potentially permitting competitors to market competing products and make, use or sell products that are substantially the same as ours without incurring the sizeable development costs that we have incurred, which would adversely affect our ability to compete.
- Patents may not issue from any of our currently pending or future patent applications.
- Our already-granted patents and any future patents may not survive legal challenges to their scope, validity or enforceability, or provide significant protection for us, and they may be re-examined or invalidated, and/or may be found to be unenforceable or not cover competing products.
- Even if our patents are determined by a court to be valid and enforceable, they may not be drafted or interpreted sufficiently broadly to prevent others from marketing products and services similar to ours

or designing around our patents. For example, third parties may be able to make systems or devices that are similar to ours but that are not covered by the claims of our patents. Third parties may assert that we or our licensors were not the first to make the inventions covered by our issued patents or pending patent applications. The claims of our issued patents or patent applications when issued may not cover our commercial technology or the future products and services that we develop. We may not have freedom to operate unimpeded by the patent rights of others. Third parties may have dominating, blocking or other patents relevant to our technology of which we are not aware. In addition, because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after the filing of certain priority documents (or, in some cases, are not published until they issue as patents) and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for our technology or our contemplated technology. Any such patent applications may have priority over our patent applications or issued patents, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to ours, depending on when the timing of the filing date falls under certain patent laws, we may have to participate in a priority contest (such as an interference proceeding) declared by the U.S. Patent and Trademark Office, or USPTO, to determine priority of invention in the United States. There may be prior public disclosures that could invalidate our inventions or parts of our inventions of which we are not aware. Further, we may not develop additional proprietary technologies and, even if we do, they may not be patentable.

- Patent law can be highly uncertain and involve complex legal and factual questions for which important principles remain unresolved. In the United States and in many foreign jurisdictions, policies regarding the breadth of claims allowed in patents can be inconsistent. The U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. Similarly, foreign courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. We cannot predict future changes in the interpretation of patent laws or changes to patent laws that might be enacted into law by U.S. and foreign legislative bodies. Those changes may materially affect our patents or patent applications, our ability to obtain patents or the patents and patent applications of our licensors. Future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage, which could adversely affect our financial condition and results of operations.
- Monitoring unauthorized uses of our intellectual property is difficult and costly. From time to time, we seek to analyze our competitors' products and services, and may in the future seek to enforce our patents or other proprietary rights against potential infringement. However, the steps we have taken to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. We may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Our competitors may also independently develop similar technology. Any inability to meaningfully protect our intellectual property could result in competitors offering products that incorporate our product features, which could reduce demand for our products. In addition, we may need to defend our patents from third-party challenges, including interferences, derivation proceedings, re-examination proceedings, post-grant review, inter partes review, third-party submissions oppositions, nullity actions, or other patent proceedings. We may need to initiate infringement claims or litigation. Adverse proceedings such as litigation can be expensive, time consuming and may divert the efforts of our technical and managerial personnel, which could in turn harm our business, whether or not we receive a determination favorable to us. In addition, in an infringement proceeding, a court may decide that the patent we seek to enforce is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that the patent in question does not cover the technology in question. An adverse result in any litigation could place one or more of our patents at risk of being invalidated or interpreted narrowly. Some of our competitors may be able to devote significantly more resources to intellectual property litigation, and may have significantly broader patent portfolios to assert against us, if we assert our rights against

them. Further, because of the substantial discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be disclosed or otherwise compromised during litigation.

- We may not be able to accurately estimate or control our future operating expenses in relation to obtaining, enforcing and/or defending intellectual property, which could lead to cash shortfalls. Our operating expenses may fluctuate significantly in the future as a result of the costs of preparing, filing, prosecuting, defending and enforcing patent claims and other patent related costs, including litigation costs and the results of such litigation.
- We may also be forced to enter into cross-license agreements with competitors in order to manufacture, use, sell, import and/or export products or services that are covered by our competitors' intellectual property rights. If we need to use our intellectual property to enter such cross-license agreements, it may compromise the value of our intellectual property due to the fact that our competitors may be able to manufacture, use, sell, import and/or export our patented technology.

For additional information regarding risks related to our intellectual property, see "Risks Related to Intellectual Property."

We must demonstrate to physicians the merits of our HF10 therapy compared to those of our competitors.

Physicians play a significant role in determining the course of a patient's treatment and, as a result, the type of product that will be used to treat a patient. As a result, our success depends, in large part, on effectively marketing our HF10 therapy to physicians. In order for us to sell Senza, we must successfully demonstrate to physicians the merits of our HF10 therapy compared to our competitors' SCS systems for use in treating patients with chronic leg and back pain. Acceptance of our HF10 therapy depends on educating physicians as to the distinctive characteristics, perceived benefits, safety, ease of use and cost-effectiveness of Senza as compared to our competitors' SCS systems, and communicating to physicians the proper application of our HF10 therapy. If we are not successful in convincing physicians of the merits of our HF10 therapy or educating them on the use of Senza, they may not use Senza and we may be unable to increase our sales, sustain our growth or achieve profitability.

In addition, we believe support of our products by physicians is essential for market acceptance and adoption. If we do not receive support from physicians or long-term data does not show the benefits of using our HF10 therapy, physicians may not use Senza. In such circumstances, our results of operations would be materially adversely affected.

Our competitors are large, well-established companies with substantially greater resources than us and have a long history of competing in the SCS market.

Our current and potential competitors are publicly traded, or are divisions of publicly-traded, major medical device companies that have substantially greater financial, technical, sales and marketing resources than we do. The existing global SCS market is estimated to be approximately $1.5 billion in 2014, with the United States comprising approximately 80% of the market. Given the size of the existing and potential market in the United States, we expect that as we prepare to initiate our commercial launch and launch in the United States our competitors will take aggressive action to protect their current market position. For example, in 2012, one of our principal competitors, Boston Scientific Corporation, made a number of allegations regarding the SENZA-RCT U.S. pivotal study, including that we had introduced bias into the study. We will face significant competition in establishing our market share in the United States and may encounter unforeseen obstacles and competitive challenges in the United States.

In addition, we face a particular challenge overcoming the long-standing practices by some physicians of using the neuromodulation products of our larger, more established competitors. Physicians who have completed many successful implants using the neuromodulation products made by these competitors may be reluctant to try new products from a source with which they are less familiar. If these physicians do not try and subsequently adopt our product, then our revenue growth will slow or decline.

Further, a number of our competitors are currently conducting, or we anticipate will be conducting, clinical trials to demonstrate the results of their SCS systems. The results of these trials may be equivalent to, or potentially better than, the results of our pivotal U.S. trial.

If we are unable to educate physicians on the safe and effective use of our HF10 therapy and Senza, we may be unable to achieve our expected growth.

An important part of our sales process includes the education of physicians on the safe and effective use of our HF10 therapy and Senza, particularly because Senza and high frequency neuromodulation treatment is relatively new as compared to existing low frequency traditional SCS systems. In addition, we will need to spend substantial time educating physicians using traditional SCS systems on the value of our HF10 therapy as demonstrated by our pivotal U.S. clinical data. Physicians typically need to perform several procedures to become comfortable using HF10 therapy and Senza. If a physician experiences difficulties during an initial procedure or otherwise, that physician may be less likely to continue to use our product or to recommend it to other physicians. It is critical to the success of our commercialization efforts to educate physicians on the proper use of Senza, and to provide them with adequate product support during clinical procedures. It is important for our growth that these physicians advocate for the benefits of our products in the broader marketplace. If physicians misuse or ineffectively use our products, it could result in unsatisfactory patient outcomes, patient injuries, negative publicity or lawsuits against us, any of which could have an adverse effect on our business.

If our competitors are better able to develop and market neuromodulation products that are safer, more effective, less costly, easier to use or otherwise more attractive than Senza, our business will be adversely impacted.

The medical device industry is highly competitive and subject to technological change. Our success depends, in part, upon our ability to establish a competitive position in the neuromodulation market by securing broad market acceptance of our HF10 therapy and Senza for the treatment of chronic pain conditions. Any product we develop that achieves regulatory clearance or approval will have to compete for market acceptance and market share. We believe that the primary competitive factors in the neuromodulation market are demonstrated clinical effectiveness, product safety, reliability and durability, ease of use, product support and service, minimal side effects and salesforce experience and relationships. We face significant competition in the United States and internationally, which we believe will intensify if we enter the U.S. market. For example, our major competitors, Medtronic, Inc., Boston Scientific Corporation and St. Jude Medical, Inc., each has approved neuromodulation systems in at least the United States, Europe, and Australia and have been established for several years. In addition, we understand that St. Jude Medical is working on a U.S. pivotal study for its burst stimulation technology, intended for chronic pain relief with minimal paresthesia, and that Boston Scientific has made public its commencement of recruiting patients for a randomized clinical trial of a high-frequency SCS therapy. In addition to these major competitors, we may also face competition from other emerging competitors and smaller companies with active neuromodulation system development programs that may emerge in the future. Many of the companies developing or marketing competing products enjoy several advantages over us, including:

- more experienced sales forces;
- greater name recognition;
- more established sales and marketing programs and distribution networks;
- earlier regulatory approval;
- long established relationships with physicians and hospitals;
- significant patent portfolios, including issued U.S. and foreign patents and pending patent applications, as well as the resources to enforce patents against us or any of our third-party suppliers and distributors;

- the ability to acquire and integrate our competitors and/or their technology;
- demonstrated ability to develop product enhancements and new product offerings;
- established history of product reliability, safety and durability;
- the ability to offer rebates or bundle multiple product offerings to offer greater discounts or incentives;
- greater financial and human resources for product development, sales, and marketing; and
- greater experience in and resources for conducting research and development, clinical studies, manufacturing, preparing regulatory submissions, obtaining regulatory clearance or approval for products and marketing approved products.

Our competitors may develop and patent processes or products earlier than us, obtain patents that may apply to us at any time, obtain regulatory clearance or approvals for competing products more rapidly than us or develop more effective or less expensive products or technologies that render our technology or products obsolete or less competitive. We also face fierce competition in recruiting and retaining qualified sales, scientific, and management personnel, establishing clinical trial sites and enrolling patients in clinical studies. If our competitors are more successful than us in these matters, our business may be harmed.

We only recently began commercializing Senza in the EEA and Australia and we may never achieve market acceptance.

Senza has been CE marked since 2010, enabling us to commercialize it throughout the EEA, which is comprised of the 28 Member States of the European Union, or EU, plus Norway, Liechtenstein and Iceland. It was also approved by the Australia Therapeutic Goods Administration, or TGA, in 2011. Senza has not yet been approved by the FDA. As a result, we have a limited history of commercializing our product and no history of selling Senza in the United States. We have limited experience engaging in commercial activities and limited established relationships with physicians and hospitals as well as third-party suppliers on whom we depend for the manufacture of our product. We may be unable to gain broader market acceptance in the countries in which we have already begun to commercialize Senza, or, if approved by the FDA, successfully commercialize it in the United States for a number of reasons, including:

- established competitors with strong relationships with customers, including physicians, hospitals and third-party suppliers;
- limitations in our ability to demonstrate differentiation and advantages of our product compared to competing products and the relative safety, efficacy and ease of use of our product;
- the limited size of our sales force and the learning curve required to gain experience selling our product;
- the inability to obtain sufficient supply of the components for Senza or secure second-source suppliers if our main suppliers are unable to fulfill our orders;
- insufficient financial or other resources to support our commercialization efforts necessary to reach profitability; and
- the introduction and market acceptance of new, more effective or less expensive competing products and technologies.

Moreover, physicians and hospitals may not perceive the benefits of our products and may be unwilling to change from the SCS devices they are currently using. Communicating the benefits of Senza and HF10 therapy to these physicians and hospitals requires a significant commitment by our marketing team and sales organization. Physicians and hospitals may be slow to change their practices because of perceived risks arising from the use of new products. Physicians may not recommend or use Senza until there is more long-term commercial experience to convince them to alter their existing treatment methods, or until they receive additional

recommendations from other physicians that our product is effective. We cannot predict when, if ever, physicians and hospitals may adopt use of our product. If we are unable to educate physicians and hospitals about the advantages of our HF10 therapy and Senza, do not achieve significantly greater market acceptance of our product, do not gain momentum in our sales activities, or fail to significantly grow our market share, we will not be able to grow our revenue and our business and financial condition will be adversely affected.

If we fail to develop and retain an effective direct sales force in the United States, our business could suffer.

In order to commercialize Senza in the United States, if approved by the FDA, we must build a substantial direct sales force. As we initiate our commercial launch and increase our marketing efforts, we will need to retain, grow and develop our direct sales personnel. We intend to make a significant investment in recruiting and training sales representatives in advance of PMA approval. There is significant competition for sales personnel experienced in relevant medical device sales. Once hired, the training process is lengthy because it requires significant education for new sales representatives to achieve the level of clinical competency with our products expected by physicians. Upon completion of the training, our sales representatives typically require lead time in the field to grow their network of accounts and achieve the productivity levels we expect them to reach in any individual territory. Furthermore, the use of our products often requires or benefits from direct support from us. If we are unable to attract, motivate, develop and retain a sufficient number of qualified sales personnel, and if our sales representatives do not achieve the productivity levels we expect them to reach, our revenue will not grow at the rate we expect and our financial performance will suffer. Also, to the extent we hire personnel from our competitors, we may have to wait until applicable non-competition provisions have expired before deploying such personnel in restricted territories or incur costs to relocate personnel outside of such territories, and we have been in the past, and may be subject to future allegations that these new hires have been improperly solicited, or that they have divulged to us proprietary or other confidential information of their former employers. Any of these risks may adversely affect our business.

Our success depends on physicians' use of our HF10 therapy to treat chronic back pain.

Our success is dependent on physicians' acceptance and use of our HF10 therapy to treat chronic back pain. We believe a significant limitation of current neuromodulation systems is the limited evidence supporting efficacy of traditional SCS for treating chronic back pain. Senza utilizes high- frequency stimulation technology capable of delivering waveform of up to 10,000 Hz for spinal cord stimulation that has been shown to be effective in the treatment of both leg and back pain. However, we may face challenges convincing physicians, many of whom have extensive experience with competitors' SCS products and established relationships with other companies, to appreciate the benefits of HF10 therapy and, in particular, its ability to treat back pain as well as leg pain, and adopt it for treatment of their patients. If Senza is unable to gain acceptance by physicians for the treatment of back pain, our potential to expand the existing neuromodulation market will be significantly limited and our revenue potential will be negatively impacted.

Traditional SCS has been available for over 40 years, while Senza has only been commercially available since 2010 and, as a result, we have a limited track record compared to our competitors.

Traditional SCS has been commercialized since 1967, while we only began commercializing Senza internationally in 2010. Because we have a limited commercial track record compared to our competitors and Senza has been implanted in patients for less than five years, physicians may be slower to adopt or recommend Senza. Further, while we believe our international commercial experience and our European two year study and U.S. pivotal study support the safety and effectiveness of our HF10 therapy, future studies or patient experience over a longer period of time may indicate that treatment with our HF10 therapy does not achieve non-inferiority status as compared to treatment with competitive products or that our HF10 therapy causes unexpected or serious complications or other unforeseen negative effects. Such results would likely slow the adoption of Senza and significantly reduce our sales, which would harm our business and adversely affect our results of operations.

Furthermore, if patients with traditional SCS implantations were to experience unexpected or serious complications or other unforeseen effects, the market for Senza may be adversely affected, even if such effects are not applicable to Senza.

Our past results in the international markets in which we commercialize Senza should not be relied upon as an indication of our future performance in those markets or, if approved for sale, in the United States

Our revenue has increased from $18.2 million for the year ended December 31, 2012 to $23.5 million for the year ended December 31, 2013 to $32.6 million for the year ended December 31, 2014 on the basis of our sales of Senza in Europe and Australia; however, we do not expect to continue this rate of revenue growth in these international markets. Due to our current penetration in these markets, we expect to grow less rapidly in the future than we have in the past in these markets.

In addition, the characteristics of these markets differ significantly from the U.S. market, including as a result of differences in payor systems and patient treatment regimens. As a result of the differences in these markets, you should not compare our financial results in the international market to any potential future results in the U.S. market nor should you rely on our past results as an indication of our future performance.

Our international operations subject us to certain operating risks, which could adversely impact our results of operations and financial condition.

Sales of Senza outside the United States represented all of our revenue from Senza sales in the years ended December 31, 2013 and 2014. In 2010, we began selling Senza in the EEA through distributors and, in August 2011, we began selling Senza in Australia through our own sales force and distributors. As of December 31, 2014, we sell Senza directly in Austria, Switzerland, United Kingdom, Sweden, Australia, Belgium, Luxembourg and Germany and through distributors and agents located in the Netherlands, Spain, Italy, Slovakia, Turkey, Kuwait and Ireland. The sale and shipment of Senza across international borders, as well as the purchase of components from international sources, subject us to U.S. and foreign governmental trade, import and export, and customs regulations and laws.

Compliance with these regulations and laws is costly and exposes us to penalties for non-compliance. Other laws and regulations that can significantly impact us include various anti-bribery laws, including the U.S. Foreign Corrupt Practices Act, as well as export controls laws. Any failure to comply with applicable legal and regulatory obligations could impact us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments, restrictions on certain business activities and exclusion or debarment from government contracting.

Our international operations expose us and our distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- difficulties in enforcing our intellectual property rights and in defending against third-party threats and intellectual property enforcement actions against us, our distributors, or any of our third-party suppliers;
- reduced or varied protection for intellectual property rights in some countries;
- pricing pressure that we may experience internationally;
- a shortage of high-quality sales people and distributors;
- third-party reimbursement policies that may require some of the patients who receive our products to directly absorb medical costs or that may necessitate the reduction of the selling prices of Senza;
- competitive disadvantage to competition with established business and customer relationships;
- foreign currency exchange rate fluctuations;

- the imposition of additional U.S. and foreign governmental controls or regulations;
- economic instability;
- changes in duties and tariffs, license obligations and other non- tariff barriers to trade;
- the imposition of restrictions on the activities of foreign agents, representatives and distributors;
- scrutiny of foreign tax authorities which could result in significant fines, penalties and additional taxes being imposed on us;
- laws and business practices favoring local companies;
- longer payment cycles;
- difficulties in maintaining consistency with our internal guidelines;
- difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- the imposition of costly and lengthy new export licensing requirements;
- the imposition of U.S. or international sanctions against a country, company, person or entity with whom we do business that would restrict or prohibit continued business with the sanctioned country, company, person or entity; and
- the imposition of new trade restrictions.

If we experience any of these risks, our sales in non-U.S. jurisdictions may be harmed and our results of operations would suffer.

We are dependent upon third-party manufacturers and suppliers, in some cases sole- or single-source suppliers, making us vulnerable to supply shortages and problems and price fluctuations, which could harm our business.

We rely on a limited number of suppliers who manufacture and assemble certain components of Senza.

Our suppliers may encounter problems during manufacturing for a variety of reasons, including, for example, failure to follow specific protocols and procedures, failure to comply with applicable legal and regulatory requirements, equipment malfunction and environmental factors, failure to properly conduct their own business affairs, and infringement of third-party intellectual property rights, any of which could delay or impede their ability to meet our requirements. Our reliance on these third-party suppliers also subjects us to other risks that could harm our business, including:

- we are not a major customer of many of our suppliers, and these suppliers may therefore give other customers' needs higher priority than ours;
- third parties may threaten or enforce their intellectual property rights against our suppliers, which may cause disruptions or delays in shipment, or may force our suppliers to cease conducting business with us;
- we may not be able to obtain an adequate supply in a timely manner or on commercially reasonable terms;
- our suppliers, especially new suppliers, may make errors in manufacturing that could negatively affect the efficacy or safety of Senza or cause delays in shipment;
- we may have difficulty locating and qualifying alternative suppliers;
- switching components or suppliers may require product redesign and possibly submission to FDA, EEA Notified Bodies, or other foreign regulatory bodies, which could significantly impede or delay our commercial activities;

- one or more of our sole- or single-source suppliers may be unwilling or unable to supply components of Senza;
- other customers may use fair or unfair negotiation tactics and/or pressures to impede our use of the supplier;
- the occurrence of a fire, natural disaster or other catastrophe impacting one or more of our suppliers may affect their ability to deliver products to us in a timely manner; and
- our suppliers may encounter financial or other business hardships unrelated to our demand, which could inhibit their ability to fulfill our orders and meet our requirements.

If Senza is approved for sale in the United States, we may not be able to quickly establish additional or alternative suppliers if necessary, in part because we may need to undertake additional activities to establish such suppliers as required by the regulatory approval process. Any interruption or delay in obtaining products from our third-party suppliers, or our inability to obtain products from qualified alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and cause them to switch to competing products. Given our reliance on certain single-source suppliers, we are especially susceptible to supply shortages because we do not have alternate suppliers currently available.

We rely upon third-party, single-source, and in certain cases sole- source, suppliers for many of the components and materials used in Senza, and for critical manufacturing and packaging services, and the loss of any of these suppliers could harm our business.

A number of the critical components used in Senza are supplied to us from single-source, or in certain cases sole-source, suppliers, including our IPGs, leads and lead extenders, neurostimulator components, telemetry modules, batteries, and packaging services. Our ability to supply Senza commercially depends, in part, on our ability to obtain a supply of these components that has been manufactured in accordance with regulatory requirements and in sufficient quantities for commercialization and clinical testing. We have not entered into manufacturing, supply or quality agreements with all of our single-source and sole-source suppliers, some of which supply components critical to our products. We are not certain that our single-source or sole-source suppliers will be able to meet our demand for their products and services, either because of the nature of our agreements with those suppliers, or our limited experience with those suppliers, or due to our relative importance as a customer to those suppliers. It may be difficult for us to assess their ability to timely meet our demand in the future based on past performance. While our suppliers have generally met our demand for their products on a timely basis in the past, they may subordinate our needs in the future to their other customers.

Establishing additional or replacement suppliers for the components or processes used in Senza, if required, may not be accomplished quickly. If we are able to find a replacement supplier, such replacement supplier would need to be qualified and may require additional regulatory authority approval, which could result in further delay. While we seek to maintain adequate inventory of the single-source or sole-source components and materials used in our products, any interruption or delay in the supply of components or materials, or our inability to obtain components or materials from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and cause them to cancel orders.

If our third-party suppliers fail to deliver the required commercial quantities of materials, or the level of services we require, on a timely basis and at commercially reasonable prices, and we are unable to find one or more replacement suppliers capable of production at a substantially equivalent cost in substantially equivalent volumes and quality and on a timely basis, the continued commercialization of Senza would be impeded, delayed, limited or prevented, which could harm our business, results of operations, financial condition and prospects.

Our ability to achieve profitability will depend, in part, on our ability to reduce the per unit manufacturing cost of Senza.

Currently, the gross profit generated from the sale of Senza is not sufficient to cover our operating expenses. To achieve our operating and strategic goals, we need to, among other things, reduce the per unit manufacturing cost of Senza. This cannot be achieved without increasing the volume of components that we purchase in order to take advantage of volume based pricing discounts, improve manufacturing efficiency or increase our volume to leverage manufacturing overhead costs. If we are unable to improve manufacturing efficiency and reduce manufacturing overhead costs per unit, our ability to achieve profitability will be severely constrained. Any increase in manufacturing volumes is dependent upon a corresponding increase in sales. The occurrence of one or more factors that negatively impact the manufacturing or sales of Senza or reduce our manufacturing efficiency may prevent us from achieving our desired reduction in manufacturing costs, which would negatively affect our operating results and may prevent us from attaining profitability.

We may not be able to establish or strengthen our brand.

We believe that establishing and strengthening the Nevro and Senza brands is critical to achieving widespread acceptance of HF10 therapy, particularly because of the highly competitive nature of the market for SCS products. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide physicians with a reliable product for successful treatment of chronic leg and back pain. Given the established nature of our competitors, and our lack of commercialization in the United States, it is likely that our future marketing efforts will require us to incur significant additional expenses. These brand promotion activities may not yield increased sales and, even if they do, any sales increases may not offset the expenses we incur to promote our brand. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, our HF10 therapy may not be accepted by physicians, which would adversely affect our business, results of operations and financial condition.

We rely in part on a small group of third-party distributors to effectively distribute our products outside the United States.

We depend in part on medical device distributors for the marketing and selling of our products in certain territories in Europe and Australia. We depend on these distributors' efforts to market our products, yet we are unable to control their efforts completely. These distributors typically sell a variety of other, non-competing products that may limit the resources they dedicate to selling Senza. In addition, we are unable to ensure that our distributors comply with all applicable laws regarding the sale of our products. If our distributors fail to effectively market and sell Senza, in full compliance with applicable laws, our operating results and business may suffer. Recruiting and retaining qualified third-party distributors and training them in our technology and product offering requires significant time and resources. To develop and expand our distribution, we must continue to scale and improve our processes and procedures that support our distributors. Further, if our relationship with a successful distributor terminates, we may be unable to replace that distributor without disruption to our business. If we fail to maintain positive relationships with our distributors, fail to develop new relationships with other distributors, including in new markets, fail to manage, train or incentivize existing distributors effectively, or fail to provide distributors with competitive products on attractive terms, or if these distributors are not successful in their sales efforts, our revenue may decrease and our operating results, reputation and business may be harmed.

If third-party payors do not provide adequate coverage and reimbursement for the use of Senza, our revenue will be negatively impacted.

Our success in marketing Senza depends and will depend in large part on whether U.S. and international government health administrative authorities, private health insurers and other organizations adequately cover and reimburse customers for the cost of our products.

In the United States, we expect to derive nearly all our sales from sales of Senza to hospitals and outpatient surgery centers who typically bill various third-party payors, including Medicare, Medicaid, private commercial insurance companies, health maintenance organizations and other healthcare-related organizations, to cover all or a portion of the costs and fees associated with Senza and bill patients for any applicable deductibles or co-payments. Access to adequate coverage and reimbursement for SCS procedures using Senza (and our other products in development) by third-party payors is essential to the acceptance of our products by our customers.

Because there is generally no separate reimbursement for medical devices and other supplies used in such procedures, including Senza and our HF10 therapy, and because we believe that SCS procedures using Senza, if approved, would be adequately described by existing CPT, HCPCS II and ICD-9-CM codes for the implantation of spinal cord stimulators and related leads performed in various sites of care, some of our target customers may be unwilling to adopt Senza over more established or lower cost therapeutic alternatives already available or subsequently become available. Further, any decline in the amount payors are willing to reimburse our customers for SCS procedures using Senza could make it difficult for new customers to adopt Senza and could create additional pricing pressure for us, which could adversely affect our ability to invest in and grow our business.

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

Reimbursement systems in international markets vary significantly by country and by region within some countries, and reimbursement approvals must be obtained on a country-by-country basis. In many international markets, a product must be approved for reimbursement before it can be approved for sale in that country. Further, many international markets have government-managed healthcare systems that control reimbursement for new devices and procedures. For example, the governmental healthcare system in France has not yet approved reimbursement of Senza. In most markets there are private insurance systems as well as government-managed systems. If sufficient coverage and reimbursement is not available for our current or future products, in either the United States or internationally, the demand for our products and our revenues will be adversely affected.

If we fail to receive access to hospital facilities, our sales may decrease.

In the United States, in order for physicians to use Senza, we expect that the hospital facilities where these physicians treat patients will typically require us to enter into purchasing contracts. This process can be lengthy and time-consuming and require extensive negotiations and management time. In the EU, from time to time certain institutions require us to engage in a contract bidding process in the event that such institutions are considering making purchase commitments that exceed specified cost thresholds, which vary by jurisdiction. These processes are only open at certain periods of time, and we may not be successful in the bidding process. If we do not receive access to hospital facilities via these contracting processes or otherwise, or if we are unable to secure contracts or tender successful bids, our sales may decrease and our operating results may be harmed. Furthermore, we may expend significant effort in these time-consuming processes and still may not obtain a purchase contract from such hospitals.

If we fail to properly manage our anticipated growth, our business could suffer.

We have been growing rapidly in recent periods and have a relatively short history of operating as a commercial company. We intend to continue to grow and may experience periods of rapid growth and expansion,

which could place a significant additional strain on our limited personnel, information technology systems and other resources. In particular, the hiring of our direct sales force in the United States requires significant management, financial and other supporting resources. Any failure by us to manage our growth effectively could have an adverse effect on our ability to achieve our development and commercialization goals.

To achieve our revenue goals, we must successfully increase manufacturing output to meet expected customer demand. In the future, we may experience difficulties with manufacturing yields, quality control, component supply and shortages of qualified personnel, among other problems. These problems could result in delays in product availability and increases in expenses. Any such delay or increased expense could adversely affect our ability to generate our revenue.

Future growth will also impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. In addition, rapid and significant growth will place a strain on our administrative and operational infrastructure.

In order to manage our operations and growth we will need to continue to improve our operational and management controls, reporting and information technology systems and financial internal control procedures. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and our operating results and business could suffer.

If clinical studies for future indications do not produce results necessary to support regulatory clearance or approval in the United States or elsewhere, we will be unable to commercialize our products for these indications.

We are currently conducting clinical trials for Senza to explore the potential for HF10 therapy to treat other chronic pain indications, including pre-spinal surgery patients, chronic intractable neck and upper extremity pain and refractory chronic migraine. We will likely need to conduct additional clinical studies in the future to support approval for these new indications. Clinical testing takes many years, is expensive and carries uncertain outcomes. The initiation and completion of any of these studies may be prevented, delayed, or halted for numerous reasons, including, but not limited to, the following:

- the FDA, institutional review boards, or IRBs, Ethics Committees, EU Competent Authorities or other regulatory authorities do not approve a clinical study protocol, force us to modify a previously approved protocol, or place a clinical study on hold;
- patients do not enroll in, or enroll at a lower rate than we expect, or do not complete a clinical study;
- patients or investigators do not comply with study protocols;
- patients do not return for post-treatment follow-up at the expected rate;
- patients experience serious or unexpected adverse side effects for a variety of reasons that may or may not be related to our products such as the advanced stage of co-morbidities that may exist at the time of treatment, causing a clinical study to be put on hold;
- sites participating in an ongoing clinical study withdraw, requiring us to engage new sites;
- difficulties or delays associated with establishing additional clinical sites;
- third-party clinical investigators decline to participate in our clinical studies, do not perform the clinical studies on the anticipated schedule, or perform in a manner inconsistent with the investigator agreement, clinical study protocol, good clinical practices, other FDA, IRB or Ethics Committee requirements, and EEA Member State or other foreign regulations governing clinical trials;
- third-party organizations do not perform data collection and analysis in a timely or accurate manner;

- regulatory inspections of our clinical studies or manufacturing facilities require us to undertake corrective action or suspend or terminate our clinical studies;
- changes in federal, state, or foreign governmental statutes, regulations or policies;
- interim results are inconclusive or unfavorable as to immediate and long-term safety or efficacy;
- the study design is inadequate to demonstrate safety and efficacy; or
- the statistical endpoints are not met.

Clinical failure can occur at any stage of the testing. Our clinical studies may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical or non-clinical studies in addition to those we have planned. Our failure to adequately demonstrate the safety and effectiveness of any of our devices would prevent receipt of regulatory clearance or approval and, ultimately, the commercialization of that device or indication for use.

We could also encounter delays if the FDA concludes that our financial relationships with investigators results in a perceived or actual conflict of interest that may have affected the interpretation of a study, the integrity of the data generated at the applicable clinical trial site or the utility of the clinical trial itself. Principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive cash compensation and/or stock options in connection with such services. If these relationships and any related compensation to or ownership interest by the clinical investigator carrying out the study result in perceived or actual conflicts of interest, or if the FDA concludes that the financial relationship may have affected interpretation of the study, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay or rejection of our PMA by the FDA. Any such delay or rejection could prevent us from commercializing any of our products currently in development.

Even if our products are approved in the United States, Australia and the EEA, comparable regulatory authorities of additional foreign countries must also approve the manufacturing and marketing of our products in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, Australia or the EEA, including additional preclinical studies or clinical trials. Any of these occurrences may harm our business, financial condition and prospects significantly.

We may face product liability claims that could result in costly litigation and significant liabilities.

Manufacturing and marketing of Senza, and clinical testing of our HF10 therapy, may expose us to product liability and other tort claims. Although we have, and intend to maintain, liability insurance, the coverage limits of our insurance policies may not be adequate and one or more successful claims brought against us may have a material adverse effect on our business and results of operations. For example, the U.S. Supreme Court recently declined to hear an appeal where the U.S. Court of Appeals for the Ninth Circuit ruled that the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act did not preempt state laws in a product liability case involving a medical device company. If other courts in the United States adopt similar rulings, we may be subject to increased litigation risk in connection with our products. Product liability claims could negatively affect our reputation, continued product sales, and our ability to obtain and maintain regulatory approval for our products.

If we fail to retain our key executives or recruit and hire new employees, our operations and financial results may be adversely effected while we attract other highly qualified personnel.

Our future success depends, in part, on our ability to continue to retain our executive officers and other key employees and recruit and hire new employees. All of our executive officers and other employees are at-will

employees, and therefore may terminate employment with us at any time with no advance notice. The replacement of any of our key personnel likely would involve significant time and costs, may significantly delay or prevent the achievement of our business objectives and may harm our business.

In addition, many of our employees have become or will soon become vested in a substantial amount of stock or number of stock options. Our employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly below the market price of our common stock. Further, our employees' ability to exercise those options and sell their stock in a public market may result in a higher than normal turnover rate.

Our future success also depends on our ability to retain executive officers and other key employees and attract new key employees. Many executive officers and employees in the neuromodulation and medical device industry are subject to strict non-compete or confidentiality agreements with their employers, including our main competitors Medtronic, Inc., Boston Scientific Corp., and St. Jude Medical, Inc. In addition, some of our existing and future employees are or may be subject to confidentiality agreements with previous employers. Our competitors may allege breaches of and seek to enforce such non-compete agreements or initiate litigation based on such confidentiality agreements. Such litigation, whether or not meritorious, may impede our ability to attract or use executive officers and other key employees who have been employed by our competitors and may result in intellectual property claims against us. Boston Scientific Corp., for example, has initiated a lawsuit against one of our employees alleging that the employee cannot work for us without inevitably disclosing Boston Scientific's proprietary information. Although we are not a party to this lawsuit, it has impeded our ability to utilize this employee. It is likely that we will experience similar aggressive tactics by our competitors as they seek to protect their market position, particularly as we prepare to enter the U.S. market.

Our credit facility contains restrictions that limit our flexibility in operating our business.

In October 2014, we entered into a term loan agreement with Capital Royalty Partners and certain of its affiliates, which we refer to as our credit facility. Subject to certain conditions, we have access to borrow up to $50.0 million principal amount of senior secured term loan financing in up to three draws on or before September 30, 2015 under the credit facility. In December 2014, we drew down $20.0 million under this facility. Our credit facility also contains various covenants that limit our ability to engage in specified types of transactions. Subject to limited exceptions, these covenants limit our ability to, among other things:

- sell, lease, transfer, exclusively license or dispose of our assets;
- create, incur, assume or permit to exist additional indebtedness or liens;
- make restricted payments, including paying dividends on, repurchasing or making distributions with respect to our capital stock;
- make specified investments (including loans and advances);
- merge, consolidate or liquidate; and
- enter into certain transactions with our affiliates.

In addition, our credit facility contains certain financial covenants, including certain minimum pre-specified liquidity and revenue requirements. In particular, we are required to maintain a minimum of $5.0 million of cash and certain cash equivalents, and we must achieve minimum revenue of $25.0 million in 2015, $30.0 million in 2016, $40.0 million in 2017, $50.0 million in 2018 and $70.0 million in 2019. The covenants in our credit facility may limit our ability to take certain actions and, in the event that we breach one or more covenants, our lenders may choose to declare an event of default and require that we immediately repay all amounts outstanding, terminate the commitment to extend further credit and foreclose on the collateral granted to it to collateralize such indebtedness, which includes our intellectual property. In addition, if we fail to meet the required covenants, we will not have access to the additional tranches under the credit facility.

Failure to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions, or data corruption could significantly disrupt our operations and adversely affect our business and operating results.

We rely on information technology and telephone networks and systems, including the Internet, to process and transmit sensitive electronic information and to manage or support a variety of business processes and activities, including sales, billing, marketing, procurement and supply chain, manufacturing, and distribution. We use enterprise information technology systems to record, process, and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory, financial reporting, legal, and tax requirements. Our information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions, or shutdowns due to computer viruses, attacks by computer hackers, failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, telecommunication failures, user errors, or catastrophic events. Despite the precautionary measures we have taken to prevent breakdowns in our information technology and telephone systems, if our systems suffer severe damage, disruption, or shutdown and we are unable to effectively resolve the issues in a timely manner, our business and operating results may suffer.

Risks Related to Intellectual Property

We may in the future become involved in lawsuits to defend ourselves against intellectual property disputes, which could be expensive and time consuming, and ultimately unsuccessful, and could result in the diversion of significant resources, and hinder our ability to commercialize our existing or future products.

Our success depends in part on not infringing the patents or violating the other proprietary rights of others. Intellectual property disputes can be costly to defend and may cause our business, operating results and financial condition to suffer. Significant litigation regarding patent rights occurs in the medical industry. Whether merited or not, it is possible that U.S. and foreign patents and pending patent applications controlled by third parties may be alleged to cover our products. We may also face allegations that our employees have misappropriated the intellectual property rights of their former employers or other 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, sell, and/or export our products. For example, our major competitors, Medtronic, Inc., Boston Scientific Corp., and St. Jude Medical, Inc., each have significant patent portfolios covering systems, sub-systems, methods, and manufacturing processes. These competitors may have one or more patents for which they can threaten and/or initiate patent infringement actions against us and/or any of our third-party suppliers. Our ability to defend ourselves and/or our third-party suppliers may be limited by our financial and human resources, the availability of reasonable defenses, and the ultimate acceptance of our defenses by the courts or juries. Further, if such patents are successfully asserted against us, this may result in an adverse impact on our business, including injunctions, damages, and/or attorneys' fees. From time to time and in the ordinary course of business, we may develop noninfringement and/or invalidity positions with respect to third-party patents, which may or not be ultimately adjudicated as successful by a judge or jury if such patents were asserted against us.

We may receive in the future, particularly as a public company, communications from patent holders, including non-practicing entities, alleging infringement of patents or other intellectual property rights or misappropriation of trade secrets, or offering licenses to such intellectual property. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. At any given time, we may be involved as either a plaintiff or a defendant in a number of patent infringement actions, the outcomes of which may not be known for prolonged periods of time.

The large number of patents, the rapid rate of new patent applications and issuances, the complexities of the technologies involved and the uncertainty of litigation significantly increase the risks related to any patent litigation. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, making, using, or exporting products that use the disputed intellectual property;
- obtain a license from the intellectual property owner to continue selling, making, exporting, or using products, which license may require substantial royalty payments and may not be available on reasonable terms, or at all;
- incur significant legal expenses;
- pay substantial damages or royalties to the party whose intellectual property rights we may be found to be infringing, potentially including treble damages if the court finds that the infringement was willful;
- if a license is available from a third-party, we may have to pay substantial royalties, upfront fees or grant cross-licenses to intellectual property rights for our products and services;
- pay the attorney fees and costs of litigation to the party whose intellectual property rights we may be found to be infringing;
- find non-infringing substitute products, which could be costly and create significant delay due to the need for FDA regulatory clearance;
- find alternative supplies for infringing products or processes, which could be costly and create significant delay due to the need for FDA regulatory clearance; and/or
- redesign those products or processes that infringe any third-party intellectual property, which could be costly, disruptive, and/or infeasible.

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business with respect to intellectual property. Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. Finally, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

If any of the foregoing occurs, we may have to withdraw existing products from the market or may be unable to commercialize one or more of our products, all of which could have a material adverse effect on our business, results of operations and financial condition. Any litigation or claim against us, even those without merit, may cause us to incur substantial costs, and could place a significant strain on our financial resources, divert the attention of management from our core business and harm our reputation. Further, as the number of participants in the neuromodulation industry grows, the possibility of intellectual property infringement claims against us increases.

In addition, we may indemnify our customers, suppliers and international distributors against claims relating to the infringement of the intellectual property rights of third parties relating to our products, methods, and/or manufacturing processes. Third parties may assert infringement claims against our customers, suppliers, or distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, suppliers or distributors, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers, suppliers, 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, or our suppliers may be forced to stop providing us with products.

Similarly, interference or derivation proceedings provoked by third parties or brought by the USPTO or any foreign patent authority may be necessary to determine the priority of inventions or other matters of inventorship with respect to our patents or patent applications. We may also become involved in other proceedings, such as re-examination or opposition proceedings, before the USPTO or its foreign counterparts relating to our intellectual property or the intellectual property rights of others. An unfavorable outcome in any such proceedings could require us to cease using the related technology or to attempt to license rights to it from the prevailing party, or could cause us to lose valuable intellectual property rights. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, if any license is offered at all. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may also become involved in disputes with others regarding the ownership of intellectual property rights. For example, we jointly develop intellectual property with certain parties, and disagreements may therefore arise as to the ownership of the intellectual property developed pursuant to these relationships. If we are unable to resolve these disputes, we could lose valuable intellectual property rights.

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

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art, may affect patent litigation, and switched the United States patent system from a "first-to-invent" system to a "first-to-file" system. Under a "first-to-file" system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to the patent on an invention regardless of whether another inventor had made the invention earlier. The USPTO recently developed new regulations and procedures to govern administration of the Leahy- Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, in particular, the first-to-file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. The Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

In addition, patent reform legislation may pass in the future that could lead to additional uncertainties and increased costs surrounding the prosecution, enforcement and defense of our patents and applications. Furthermore, the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the United States are interpreted. Similarly, foreign courts have made, and will likely continue to make, changes in how the patent laws in their respective jurisdictions are interpreted. We cannot predict future changes in the interpretation of patent laws or changes to patent laws that might be enacted into law by United States and foreign legislative bodies. Those changes may materially affect our patents or patent applications and our ability to obtain additional patent protection in the future.

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 similar provisions during the patent application process. In addition, periodic maintenance fees on issued patents often must be paid to the USPTO and foreign patent agencies over the lifetime of the patent. While an unintentional lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of

patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we fail to maintain the patents and patent applications covering our products or procedures, we may not be able to stop a competitor from marketing products that are the same as or similar to our own, which would have a material adverse effect on our business.

We may not be able to adequately protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries, and the breadth of patent claims allowed can be inconsistent. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories in which we have patent protection that may not be sufficient to terminate infringing activities.

We do not have patent rights in certain foreign countries in which a market may exist. Moreover, in foreign jurisdictions where we do have patent rights, proceedings to enforce such rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing. Additionally, such proceedings could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Thus, we may not be able to stop a competitor from marketing and selling in foreign countries products that are the same as or similar to our products, and our competitive position in the international market would be harmed.

If we fail to comply with our obligations under our existing intellectual property license with the Mayo Foundation or under future license agreements, we could lose license rights that are important to our business.

We are currently a party to a license agreement, or the Mayo License, with the Mayo Foundation for Medical Education and Research, or the Mayo Foundation. Our Mayo License imposes, and we expect that future license agreements will impose, various diligence, royalty, insurance and other obligations on us. For example, the Mayo License requires that we continue to use commercially reasonable efforts to commercialize products incorporating the technology we license and to satisfy other specified obligations, including the payment of royalties on the sales of such products. If we fail to comply with our obligations under the Mayo License or future license agreements, the counterparty to the license may have the right to terminate such license. We do not believe a termination of the Mayo License would have an adverse impact on our ability to commercialize Senza due, in part, to our proprietary patent rights; however, if the Mayo Foundation terminates the license, we may be subject to disputes with them that could be costly and time-consuming. Further, if any future licenses we enter into are terminated, we may need to negotiate new or reinstated licenses with less favorable terms, and we could lose access to critical technology related to our existing or future products.

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

We could in the future be subject to claims that we or our employees have inadvertently or otherwise used or disclosed alleged trade secrets or other proprietary information of former employers or competitors. In addition, six of our nine executive officers and key employees, including our Chief Executive Officer, have worked for our major competitors (or companies acquired by these competitors), which include Boston Scientific

Corporation, Medtronic, Inc. and St. Jude Medical, Inc. Although we have procedures in place that seek to prevent our employees and consultants from using the intellectual property, proprietary information, know-how or trade secrets of others in their work for us, we may in the future be subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement, or that we or these individuals have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of a former employer or competitor. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and could be a distraction to management. If our defense to those claims fails, in addition to paying monetary damages, a court could prohibit us from using technologies or features that are essential to our products, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. An inability to incorporate technologies or features that are important or essential to our products would have a material adverse effect on our business, and may prevent us from selling our products or from practicing our processes. In addition, we may lose valuable intellectual property rights or personnel. Moreover, any such litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our products, which could have an adverse effect on our business, results of operations and financial condition.

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 registered or unregistered trademarks or trade names may be challenged, infringed, circumvented, declared generic or determined to be infringing on other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition with potential partners or customers in our markets of interest. In addition, third parties have registered trademarks similar and identical to our trademarks in foreign jurisdictions, and may in the future file for registration of such trademarks. If they succeed in registering or developing common law rights in such trademarks, and if we were not successful in challenging such third-party rights, we may not be able to use these trademarks to market our products in those countries. In any case, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected.

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

In addition to patent and trademark protection, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect our trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our consultants and vendors, or our former or current employees. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, however, any of these parties may breach the agreements and disclose our trade secrets and other unpatented or unregistered proprietary information, and once disclosed, we are likely to lose trade secret protection. Monitoring unauthorized uses and disclosures of our intellectual property is difficult, and we do not know whether the steps we have taken to protect our intellectual property will be effective. In addition, we may not be able to obtain adequate remedies for any such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to enforce trade secret protection.

Further, our competitors may independently develop knowledge, methods and know-how similar, equivalent, or superior to our proprietary technology. Competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology, or develop their own competitive technologies that fall outside of our intellectual property rights. In addition, our key employees, consultants,

suppliers or other individuals with access to our proprietary technology and know-how may incorporate that technology and know-how into projects and inventions developed independently or with third parties. As a result, disputes may arise regarding the ownership of the proprietary rights to such technology or know-how, and any such dispute may not be resolved in our favor. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us and our competitive position could be adversely affected. If our intellectual property is not adequately protected so as to protect our market against competitors' products and methods, our competitive position could be adversely affected, as could our business.

Risks Related to our Financial and Operating Results

We will be required to obtain additional funds in the future, and these funds may not be available on acceptable terms or at all.

Our operations have consumed substantial amounts of cash since inception, and we anticipate our expenses will increase as we build a commercial sales force in the United States, investigate the use of our HF10 therapy for the treatment of other chronic pain conditions, continue to grow our business and transition to operating as a public company. We believe that our growth will depend, in part, on our ability to fund our commercialization efforts and our efforts to develop Senza and our HF10 therapy for the treatment of chronic pain and technology complementary to our current products. Our existing resources may not allow us to conduct all of the activities that we believe would be beneficial for our future growth. As a result, we may need to seek funds in the future. If we are unable to raise funds on favorable terms, or at all, we may not be able to support our commercialization efforts or increase our research and development activities and the growth of our business may be negatively impacted. As a result, we may be unable to compete effectively. For the year ended December 31, 2014, our net cash used in operating activities was $31.1 million as compared to $21.1 million for the year ended December 31, 2013, and, as of December 31, 2014, our working capital was $190.3 million. Our cash requirements in the future may be significantly different from our current estimates and depend on many factors, including:

- the outcome, timing of, and costs involved in, seeking and obtaining approvals from the FDA and other regulatory authorities, including the potential for the FDA and other regulatory authorities to require that we perform more studies or product tests than we currently expect;
- the scope and timing of our investment in our U.S. commercial infrastructure and sales force;
- the R&D activities we intend to undertake in order to expand the chronic pain indications and product enhancements that we intend to pursue;
- the costs of commercialization activities including product sales, marketing, manufacturing and distribution;
- the degree and rate of market acceptance of Senza;
- changes or fluctuations in our inventory supply needs and forecasts of our supply needs;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the amount and timing of any draws we make under our credit facility;
- our need to implement additional infrastructure and internal systems;
- our ability to hire additional personnel to support our operations as a public company; and
- the emergence of competing technologies or other adverse market developments.

To finance these activities, we may seek funds through borrowings or through additional rounds of financing, including private or public equity or debt offerings and collaborative arrangements with corporate partners. We may be unable to raise funds on favorable terms, or at all.

The sale of additional equity or convertible debt securities could result in additional dilution to our stockholders. If we borrow additional funds or issue debt securities, these securities could have rights superior to holders of our common stock and could contain covenants that will restrict our operations. We might have to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to our technologies, product candidates, or products that we otherwise would not relinquish. If we do not obtain additional resources, our ability to capitalize on business opportunities will be limited, we may be unable to compete effectively and the growth of our business will be harmed.

Our operating results may vary significantly from quarter to quarter, which may negatively impact our stock price in the future.

Our quarterly revenue and results of operations may fluctuate from quarter to quarter due to, among others, the following reasons:

- physician and payor acceptance of Senza and our HF10 therapy;
- the timing, expense and results of research and development activities, clinical trials and regulatory approvals;
- fluctuations in our expenses associated with increasing our inventory, expanding our commercial operations and operating as a public company;
- the introduction of new products and technologies by our competitors;
- the productivity of our sales representatives;
- supplier, manufacturing or quality problems with our products;
- the timing of stocking orders from our distributors;
- changes in our pricing policies or in the pricing policies of our competitors or suppliers; and
- changes in coverage amounts or government and third-party payors' reimbursement policies.

Because of these and other factors, it is likely that in some future period our operating results will not meet investor expectations or those of public market analysts.

Any unanticipated change in revenues or operating results is likely to cause our stock price to fluctuate. New information may cause investors and analysts to revalue our business, which could cause a decline in our stock price.

We are required to maintain high levels of inventory, which could consume a significant amount of our resources, reduce our cash flows and lead to inventory impairment charges.

As a result of the need to maintain substantial levels of inventory, we are subject to the risk of inventory obsolescence and expiration, which may lead to inventory impairment charges. Our products consist of a substantial number of individual components. In order to market and sell Senza effectively, we often must maintain high levels of inventory. In particular, as we prepare for our commercial launch of Senza in the U.S., we intend to substantially increase our levels of inventory in order to meet our estimated demand and, as a result, incur significant expenditures associated with such increases in our inventory. The manufacturing process requires lengthy lead times, during which components of our products may become obsolete, and we may over- or under-estimate the amount needed of a given component, in which case we may expend extra resources or be constrained in the amount of end product that we can produce. As compared to direct manufacturers, our dependence on third-party manufacturers exposes us to greater lead times increasing our risk of inventory obsolesce comparatively. Furthermore, our products have a limited shelf life due to sterilization requirements, and part or all of a given product or component may expire and its value would become impaired and we would be required to record an impairment charge. For example, during the year ended December 31, 2014 and 2013,

we recorded charges of $0.8 million and $1.0 million, respectively, for the write down of excess and obsolete inventory. If our estimates of required inventory are too high, we may be exposed to further inventory obsolesce risk. In the event that a substantial portion of our inventory becomes obsolete or expires, or in the event we experience a supply chain imbalance as described above, it could have a material adverse effect on our earnings and cash flows due to the resulting costs associated with the inventory impairment charges and costs required to replace such inventory.

The seasonality of our business creates variance in our quarterly revenue, which makes it difficult to compare or forecast our financial results.

Our revenue fluctuates on a seasonal basis, which affects the comparability of our results between periods. For example, in certain years we have historically experienced lower sales in the summer months and around the holidays, primarily due to the buying patterns and implant volumes of our distributors, hospitals and clinics. These seasonal variations are difficult to predict accurately, may vary amongst different markets, and at times may be entirely unpredictable, which introduce additional risk into our business as we rely upon forecasts of customer demand to build inventory in advance of anticipated sales. In addition, we believe our limited history commercializing our products has, in part, made our seasonal patterns more difficult to discern, making it more difficult to predict future seasonal patterns.

We are subject to risks associated with currency fluctuations, and changes in foreign currency exchange rates could impact our results of operations.

All of our current business is located outside the United States and, as a result, we generate revenue and incur expenses denominated in currencies other than the U.S. dollar, a majority of which is denominated in Euros and Australian Dollars. In 2014 and 2013, nearly all of our total revenue was denominated in foreign currencies. As a result, changes in the exchange rates between such foreign currencies and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. Fluctuations in foreign currency exchange rates also impact the reporting of our receivables and payables in non-U.S. currencies. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common stock could be adversely affected.

In the future, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations.

Our ability to use our net operating losses and tax credits to offset future taxable income and taxes may be subject to certain limitations.

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating loss, or NOL, carryforwards and other tax attributes, such as research and development tax credits to offset future taxable income and taxes.

We may in the future experience one or more Section 382 “ownership changes.” If so, or if we do not generate sufficient taxable income, we may not be able to utilize a material portion of our NOLs and tax credits, even if we achieve profitability. If we are limited in our ability to use our NOLs and tax credits in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs and tax credits. This could materially and adversely affect our results of operations. As of December 31, 2014, we had federal and state net operating loss carryforwards, or NOLs, of $108.2 million and $31.7 million, respectively, available to offset future taxable income, due to prior period losses, which if not utilized will begin to expire in 2026 and 2016 for federal and state purposes, respectively.

Risks Related to Regulation of our Industry

Senza is subject to extensive governmental regulation, and our failure to comply with applicable requirements could cause our business to suffer.

The medical device industry is regulated extensively by governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies and authorities, such as the EU legislative bodies and the EEA Member State Competent Authorities. The FDA and other U.S., EEA and foreign governmental agencies and authorities regulate and oversee, 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;
- pre-market regulatory clearance and approval;
- conformity assessment procedures;
- record-keeping procedures;
- advertising and promotion;
- recalls and other 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 studies; and
- product import and export.

The laws and regulations to which we are subject are complex and have tended to become more stringent over time. Legislative or 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.

Our failure to comply with U.S. federal and state regulations or EEA or other foreign regulations applicable in the countries where we operate could lead to the issuance of warning letters or untitled letters, the imposition of injunctions, suspensions or loss of regulatory clearance or approvals, product recalls, termination of distribution, product seizures or civil penalties. In the most extreme cases, criminal sanctions or closure of our manufacturing facilities are possible. If any of these risks materialize, our business would be adversely affected.

Senza is also subject to extensive governmental regulation in foreign jurisdictions, such as Europe, and our failure to comply with applicable requirements could cause our business to suffer.

In the EEA, Senza must comply with the Essential Requirements laid down in Annex I to the EU Active Implantable Medical Devices Directive. Compliance with these requirements is a prerequisite to be able to affix the CE mark to Senza, without which they cannot be marketed or sold in the EEA. To demonstrate compliance with the Essential Requirements and obtain the right to affix the CE Mark to Senza, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements, a conformity assessment procedure requires the intervention of a Notified Body, which is an organization designated by a competent authority of an EEA country to conduct conformity assessments. Depending on the relevant conformity assessment procedure, the Notified Body would

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 CE 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 and 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 (e.g., product labeling and instructions for use) are supported by suitable evidence. This assessment must be based on clinical data, which can be obtained from (1) clinical studies conducted on the devices being assessed, (2) scientific literature from similar devices whose equivalence with the assessed device can be demonstrated or (3) both clinical studies and scientific literature. With respect to active implantable medical devices or Class III devices, the manufacturer must conduct clinical studies to obtain the required clinical data, unless reliance on existing clinical data from equivalent devices can be justified. The conduct of clinical studies in the EEA is governed by detailed regulatory obligations. These may include the requirement of prior authorization by the competent authorities of the country in which the study takes place and the requirement to obtain a positive opinion from a competent Ethics Committee. This process can be expensive and time- consuming.

In order to continue to sell Senza in Europe, we must maintain our CE Mark and continue to comply with certain EU Directives. Our failure to continue to comply with applicable foreign regulatory requirements, including those administered by authorities of the EEA countries, could result in enforcement actions against us, including refusal, suspension or withdrawal of our CE Certificates of Conformity by our Notified Body (the British Standards Institution, or BSI), which could impair our ability to market products in the EEA in the future.

Our business is subject to extensive governmental regulation that could make it more expensive and time consuming for us to bring Senza to market in the United States and introduce new or improved products.

Our products must comply with regulatory requirements imposed by the FDA in the United States and similar agencies in foreign jurisdictions. These requirements involve lengthy and detailed laboratory and clinical testing procedures, sampling activities, extensive agency review processes, and other costly and time-consuming procedures. It often takes several years to satisfy these requirements, depending on the complexity and novelty of the product. We also are subject to numerous additional licensing and regulatory requirements relating to safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. Some of the most important requirements we must comply with include:

- the Federal Food, Drug, and Cosmetic Act and the FDA’s implementing regulations (Title 21 CFR);
- European Union CE mark requirements;
- Medical Device Quality Management System Requirements (ISO 13485:2003);
- Occupational Safety and Health Administration requirements; and
- California Department of Health Services requirements.

Government regulation may impede our ability to conduct clinical studies and to manufacture and sell our existing and future products. Government regulation also could delay our marketing of new products for a considerable period of time and impose costly procedures on our activities. The FDA and other regulatory agencies may not approve Senza and any of our future products on a timely basis, if at all. Any delay in obtaining, or failure to obtain, such approvals could negatively impact our marketing of any future products and reduce our product revenues.

Our products remain subject to strict regulatory controls on manufacturing, marketing and use. We may be forced to modify or recall a product after release in response to regulatory action or unanticipated difficulties encountered in general use. Any such action could have a material effect on the reputation of our products and on our business and financial position.

Further, regulations may change, and any additional regulation could limit or restrict our ability to use any of our technologies, which could harm our business. We could also be subject to new international, federal, state or local regulations that could affect our research and development programs and harm our business in unforeseen ways. If this happens, we may have to incur significant costs to comply with such laws and regulations, which will harm our results of operations.

In September 2012, the European Commission published proposals for the revision of the EU regulatory framework for medical devices. The proposal would replace the Medical Devices Directive and the Active Implantable Medical Devices Directive with a new regulation (the Medical Devices Regulation). Unlike the Directives that must be implemented into national laws, the Regulation would be directly applicable in all EEA Member States and so is intended to eliminate current national differences in regulation of medical devices.

In October 2013, the European Parliament approved a package of reforms to the European Commission's proposals. Under the revised proposals, only designated "special notified bodies" would be entitled to conduct conformity assessments of high-risk devices, such as active implantable devices. These special notified bodies will need to notify the European Commission when they receive an application for a conformity assessment for a new high-risk device. The European Commission will then forward the notification and the accompanying documents on the device to the Medical Devices Coordination Group, or MDCG, (a new, yet to be created, body chaired by the European Commission, and representatives of Member States) for an opinion. These new procedures may result in the re-assessment of our existing medical devices, or a longer or more burdensome assessment of our new products.

If adopted, the Medical Devices Regulation is expected to enter into force in 2015 and become applicable three years thereafter. In its current form it would, among other things, also impose additional reporting requirements on manufacturers of high risk medical devices, impose an obligation on manufacturers to appoint a "qualified person" responsible for regulatory compliance, and provide for more strict clinical evidence requirements. While we believe that the Medical Device Regulation, if adopted in its current form, would likely require reassessment of Senza, the actual impact on Senza remains uncertain unless and until the adoption of a final Medical Device Regulation.

The misuse or off-label use of our product may harm our image in the marketplace, result in injuries that lead to product liability suits, which could be costly to our business, or result in costly investigations and sanctions from the FDA and other regulatory bodies if we are deemed to have engaged in off-label promotion.

Senza has been CE Marked in the EEA and approved by the TGA in Australia for specific treatments and anatomies and, if Senza is approved by the FDA, it will be approved for specific treatments and anatomies in the United States. We may only promote or market the Senza SCS system for its specifically approved indications as described on the approved label. We train our marketing and sales force against promoting our products for uses outside of the approved indications for use, known as "off-label uses." We cannot, however, prevent a physician from using our product off-label, when in the physician's independent professional medical judgment he or she deems appropriate. There may be increased risk of injury to patients if physicians attempt to use our product off-label. Furthermore, the use of our product for indications other than those approved by the applicable regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients.

Physicians may also misuse our product or use improper techniques if they are not adequately trained, potentially leading to injury and an increased risk of product liability. If our product is misused or used with improper technique, we may become subject to costly litigation by our customers or their patients. Product liability claims could divert management's attention from our core business, be expensive to defend, and result in

sizable damage awards against us that may not be covered by insurance. In addition, if our products are approved for sale in the United States and the FDA 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 of an untitled letter, a warning letter, injunction, seizure, civil fine or criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, and the curtailment of our operations. Any of these events could significantly harm our business and results of operations and cause our stock price to decline.

Further, the advertising and promotion of our products is subject to EEA Member States laws implementing Directive 93/42/EEC concerning Medical Devices, or the EU Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising, and Directive 2005/29/EC on unfair commercial practices, as well as other EEA Member State legislation governing the advertising and promotion of medical devices. EEA Member State legislation may also restrict or impose limitations on our ability to advertise our products directly to the general public. In addition, voluntary EU and national Codes of Conduct provide guidelines on the advertising and promotion of our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

Senza may in the future be subject to notifications, recalls, or voluntary market withdrawals that could harm our reputation, business and financial results.

The FDA, EEA Competent Authorities and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture that could affect patient safety. In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is a reasonable probability that the device would cause serious adverse health consequences or death. Manufacturers may, under their own initiative, conduct a product notification or recall to inform physicians of changes to instructions for use, or IFU, or if a deficiency in a device is found or suspected. A government-mandated recall or voluntary recall by us or one of our distributors could occur as a result of component failures, manufacturing errors, design or labeling defects or other issues. Recalls, which include certain notifications and corrections as well as removals, of Senza could divert managerial and financial resources and could have an adverse effect on our financial condition, harm our reputation with customers, and reduce our ability to achieve expected revenue.

In addition, the manufacturing of our products is subject to extensive post-market regulation by the FDA and foreign regulatory authorities, and any failure by us or our contract manufacturers or suppliers to comply with regulatory requirements could result in recalls, facility closures, and other penalties. We and our suppliers and contract manufacturers are subject to the FDA's Quality System Regulation, or QSR, and comparable foreign regulations which govern the methods used in, and the facilities and controls used for, the design, manufacture, quality assurance, labeling, packaging, sterilization, storage, shipping, and servicing of medical devices. These regulations are enforced through periodic inspections of manufacturing facilities. Any manufacturing issues at our or our suppliers' or contract manufacturers' facilities, including failure to comply with regulatory requirements, may result in warning or untitled letters, manufacturing restrictions, voluntary or mandatory recalls or corrections, fines, withdrawals of regulatory clearances or approvals, product seizures, injunctions, or the imposition of civil or criminal penalties, which would adversely affect our business results and prospects.

We are required to report certain malfunctions, deaths, and serious injuries associated with our products, which can result in voluntary corrective actions or agency enforcement actions.

Under the FDA medical device reporting, or MDR, regulations, medical device manufacturers are required to submit information to the FDA when they receive a report or become aware that a device has or may have caused or contributed to a death or serious injury or has or may have a malfunction that would likely cause or

contribute to death or serious injury if the malfunction were to recur. All manufacturers placing medical devices on the market in the EEA are legally bound to report incidents involving devices they produce or sell to the regulatory agency, or competent authority, in whose jurisdiction the incident occurred. Under the EU Medical Devices Directive (Directive 93/42/EEC), an incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labeling or the instructions for use which, directly or indirectly, might lead to or might have led to the death of a patient, or user or of other persons or to a serious deterioration in their state of health.

Malfunction of our products could result in future voluntary corrective actions, such as recalls, including corrections, or customer notifications, or agency action, such as inspection or enforcement actions. If malfunctions do occur, we may be unable to correct the malfunctions adequately or prevent further malfunctions, in which case we may need to cease manufacture and distribution of the affected products, initiate voluntary recalls, and redesign the products. Regulatory authorities may also take actions against us, such as ordering recalls, imposing fines, or seizing the affected products. Any corrective action, whether voluntary or involuntary, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

A recall of our products, either voluntarily or at the direction of the FDA, an EEA Competent Authority or another governmental authority, or the discovery of serious safety issues with our products, could have a significant adverse impact on us.

The FDA and similar foreign governmental authorities such as the Competent Authorities of the EEA countries have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found. A government-mandated or voluntary recall by us or one of our distributors could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our reputation, results of operations and financial condition, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We may also be required to bear other costs or take other actions that may have a negative impact on our future sales and our ability to generate profits.

We may be subject to federal, state and foreign healthcare laws and regulations, and a finding of failure to comply with such laws and regulations could have a material adverse effect on our business.

Although we do not provide healthcare services, submit claims for third-party reimbursement, or receive payments directly from Medicare, Medicaid or other third-party payors for our products, we are subject to healthcare fraud and abuse regulation and enforcement by federal, state and foreign governments, which could significantly impact our business. In the United States, the laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering, or paying remuneration, directly or indirectly, in cash or in kind, in exchange for or to induce either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service for which payment may be made, in whole or in part, under federal healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of this statute or specific intent to violate it;
- federal civil and criminal false claims laws and civil monetary penalty laws, including civil whistleblower or qui tam actions, that prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment or approval to the federal government that are false or fraudulent, knowingly making a false statement material to an obligation to pay or transmit money or property to

the federal government or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay or transmit money or property to the federal government;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. A person or entity does not need to have actual knowledge of these statutes or specific intent to violate them;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans and healthcare clearinghouses as well as their business associates that perform services for them that involve individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization, including mandatory contractual terms as well as directly applicable privacy and security standards and requirements;
- the federal physician sunshine requirements under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, which require certain manufacturers of drugs, devices, biologics, and medical supplies to report annually to the U.S. Department of Health and Human 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 ownership and investment interests held by physicians and their immediate family members. The period between August 1, 2013 and December 31, 2013 was the first reporting period, and manufacturers were required to report aggregate payment data by March 31, 2014, and to report detailed payment data and submit legal attestation to the accuracy of such data by June 30, 2014. Thereafter, manufacturers must submit reports by the 90th day of each subsequent calendar year;
- state and foreign law equivalents of each of the above federal laws, such as state anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require device companies to comply with the industry's voluntary compliance guidelines and the relevant 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 state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA.

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. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Additionally, as a result of these investigations, healthcare providers and entities may have to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us now or in the future, we may be subject to penalties, including civil and criminal penalties, damages, fines, disgorgement, exclusion from governmental health care programs, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our financial results.

Healthcare legislative reform measures may have a material adverse effect on us.

In March 2010, the ACA was signed into law, which includes, among other things, a deductible 2.3% excise tax on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, effective January 1, 2013. This excise tax is resulting in a significant increase in the tax burden on our industry, and if any efforts we undertake to offset the excise tax are unsuccessful as we begin to sell the product in the United States, the increased tax burden could have an adverse effect on our results of operations and cash flows. Other elements of the PPACA, including comparative effectiveness research, an independent payment advisory board and payment system reforms, including shared savings pilots and other provisions, may significantly affect the payment for, and the availability of, healthcare services and result in fundamental changes to federal healthcare reimbursement programs, any of which may materially affect numerous aspects of our business.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers up to 2% per fiscal year, which went into effect on April 1, 2013, and will remain in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012, or the ATRA, was signed into law which, among other things, further reduced Medicare payments to certain providers, including hospitals.

We expect 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 our product candidates or additional pricing pressures.

Our future success depends on our ability to develop, receive regulatory clearance or approval for, and introduce new products or product enhancements that will be accepted by the market in a timely manner.

It is important to our business that we build a pipeline of product offerings for treatment of chronic pain. As such, our success will depend in part on our ability to develop and introduce new products. However, we may not be able to successfully develop and obtain regulatory clearance or approval for product enhancements, or new products, or these products may not be accepted by physicians or the payors who financially support many of the procedures performed with our products.

The success of any new product offering or enhancement to an existing product will depend on a number of factors, including our ability to:

- identify and anticipate physician and patient needs properly;
- develop and introduce new products or product enhancements in a timely manner;
- avoid infringing upon the intellectual property rights of third parties;
- demonstrate, if required, the safety and efficacy of new products with data from preclinical and clinical studies;
- obtain the necessary regulatory clearances or approvals for new products or product enhancements;
- comply fully with FDA and foreign regulations on marketing of new devices or modified products;
- provide adequate training to potential users of our products; and
- receive adequate coverage and reimbursement for procedures performed with our products.

If we do not develop new products or product enhancements in time to meet market demand or if there is insufficient demand for these products or enhancements, or if our competitors introduce new products with functionalities that are superior to ours, our results of operations will suffer.

Risks Related to Our Common Stock

We incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC and the New York Stock Exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time consuming and costly.

In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when we are no longer an emerging growth company, as defined by the JOBS Act. We will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and may need to establish an internal audit function. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs. Additional compensation costs and any future equity awards will increase our compensation expense, which would increase our general and administrative expense and could adversely affect our profitability. We also expect that operating as a public company will make it more difficult and expensive for us to obtain director and officer liability insurance on reasonable terms. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers

Our stock price may be volatile and our stockholders may not be able to resell shares of our common stock at or above the price they paid.

The trading price of our common stock could be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this “Risk Factors” section of this document and others such as:

- announcements related to our PMA submission with the FDA for Senza, and related announcements related to regulatory approval to market Senza in the United States;
- results from, or any delays in, clinical trial programs relating to our product candidates, including the ongoing and planned U.S. clinical trials for Senza;
- announcements of new products by us or our competitors;
- adverse actions taken by regulatory agencies with respect to our clinical trials, manufacturing supply chain or sales and marketing activities;
- our operating results;
- changes or developments in laws or regulations applicable to our products;
- any adverse changes in our relationship with any manufacturers or suppliers;
- the success of our efforts to acquire or develop additional products;

- any intellectual property infringement actions in which we may become involved;
- announcements concerning our competitors or the medical device industry in general;
- achievement of expected product sales and profitability;
- manufacture, supply or distribution shortages;
- actual or anticipated fluctuations in our operating results;
- FDA or other U.S. or foreign regulatory actions affecting us or our industry or other healthcare reform measures in the United States;
- changes in financial estimates or recommendations by securities analysts;
- trading volume of our common stock;
- sales of our common stock by us, our executive officers and directors or our stockholders in the future;
- general economic and market conditions and overall fluctuations in the United States equity markets; and
- the loss of any of our key scientific or management personnel.

In addition, the stock markets in general, and the markets for medical device stocks in particular, have experienced volatility that may have been unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the trading price or liquidity of our common stock. In the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the issuer. If any of our stockholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our management would be diverted from the operation of our business, which could seriously harm our financial position. Any adverse determination in litigation could also subject us to significant liabilities.

An active, liquid and orderly market for our common stock may not develop.

Prior to our IPO in November 2014, there had been no public market for shares of our common stock, and an active public market for our shares may not develop or be sustained. An active trading market may not develop following the consummation of our IPO or, if it is developed, may not be sustained. Further, certain of our existing institutional investors, including investors affiliated with certain of our directors, purchased an aggregate of 365,000 shares of our common stock in that offering and consequently fewer shares may be actively traded in the public market because these stockholders are restricted from selling the shares by restrictions under applicable securities laws and the lock-up agreements entered into in connection with our IPO, which would reduce the liquidity of the market for our common stock. The lack of an active market may impair our stockholders' ability to sell their shares at the time they wish to sell them or at a price that they consider reasonable. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses or technologies or in-license new product candidates using our shares as consideration.

If securities or industry analysts issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issues an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our clinical trials and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We are an "emerging growth company" and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, 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. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our IPO in November 2014, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our second annual report following our IPO, which will be for our fiscal year ending December 31, 2015, provide a management report on internal control over financial reporting. The Sarbanes-Oxley Act also requires that our internal control over financial reporting be attested to by our independent registered public accounting firm, to the extent we are no longer an "emerging growth company," as defined by the JOBS Act. We do not expect to have our independent registered public accounting firm attest to our internal control over financial reporting for so long as we are an emerging growth company.

If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of designing and implementing the internal control over financial reporting required to comply with this obligation, which process will be time consuming, costly and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting are effective, or, when required in the future, if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

We may from time to time issue additional shares of common stock at a discount from the current trading price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we
may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred

stock or common stock. If we issue common stock or securities convertible into common stock, our common stockholders would experience additional dilution and, as a result, our stock price may decline.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale in connection with our IPO lapse, the trading price of our common stock could decline. As of December 31, 2014, we had outstanding a total of approximately 24.9 million shares of common stock. Of these shares, 8,050,000 shares of our common stock are freely tradable, without restriction (except as otherwise applicable), in the public market. However, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, the lead underwriters of our IPO, may, in their sole discretion, permit our officers, directors and other stockholders who are subject to lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

The lock-up agreements pertaining to our IPO will expire on May 4, 2015, following which at least approximately 17.2 million shares of common stock will be eligible for sale in the public market, approximately 15.2 million of which shares are held by current directors, executive officers and other affiliates and may be subject to Rule 144 under the Securities Act.

In addition, as of December 31, 2014, approximately 3.0 million shares of common stock that are subject to outstanding options 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. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

The holders of approximately 18.1 million shares of our outstanding common stock as of December 31, 2014, including shares issuable upon exercise of outstanding options, will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to vesting schedules and to the lock-up agreements described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

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

As of December 31, 2014, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately 61.3% of our outstanding voting stock. These stockholders will have the ability to influence us through this ownership position, and may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that our stockholders may feel are in their best interest.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could significantly reduce the value of our shares to a potential acquirer or delay or prevent changes in control or changes in our management without the consent of our board of directors. The provisions in our charter documents include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- 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, which prevents stockholders from being able to fill vacancies on our board of directors;
- the required approval of at least 66 2/3% of the shares entitled to vote to remove a director for cause, and the prohibition on removal of directors without cause;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the required approval of at least 66 2/3% of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, these provisions would apply even if we were to receive an offer that some stockholders may consider beneficial.

We are also subject to the anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law. Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other exceptions, the board of directors has approved the transaction.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law.

In addition, as permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws and our indemnification agreements that we have entered into with our directors and officers provide that:

- we will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful;

- we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- we will not be obligated pursuant to our amended and restated bylaws to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification;
- the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons; and
- we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors, officers, employees and agents.

We do not currently intend to pay dividends on our common stock, and, consequently, our stockholders' ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

We do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Additionally, the terms of our credit facility prohibit us from paying cash dividends on our capital stock. Therefore, our stockholders are not likely to receive any dividends on our common stock for the foreseeable future. Since we do not intend to pay dividends, our stockholders' ability to receive a return on their investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our stockholders have purchased it.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our corporate headquarters and research and development facilities are located in Menlo Park, California, where we lease and occupy approximately 20,900 square feet of office and laboratory space. In March 2015 we extended this lease such that it expires in September 30, 2015. We also lease office space in Switzerland and a small warehouse space in Menlo Park, California.

Subsequent to December 31, 2014, we entered into a lease agreement for approximately 50,000 square feet of office space located in Redwood Shores, California for a period beginning June 2015 through May 2022 with initial annual payments of approximately $2.0 million, increasing to annual payments of $2.4 million in the final year of the lease term.

For additional information, see Note 5. *Commitments and Contingencies* of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

ITEM 3. *LEGAL PROCEEDINGS*

We may from time to time be involved in various legal proceedings of a character normally incident to the ordinary course of our business. We are not currently subject to any material legal proceedings.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES*

Price Range of Common Stock

Our common stock has been publicly traded on the New York Stock Exchange, or the NYSE, under the symbol "NVRO" since the initial public offering, or IPO, of our common stock on November 6, 2014. Prior to that time, there was no public market for our common stock. The following table sets forth on a per share basis, for the periods indicated, the low and high sale prices of our common stock as reported by the NYSE.

Year Ended December 31, 2014	High	Low
Fourth quarter (beginning November 6)	$39.37	$25.00

Holders of Record

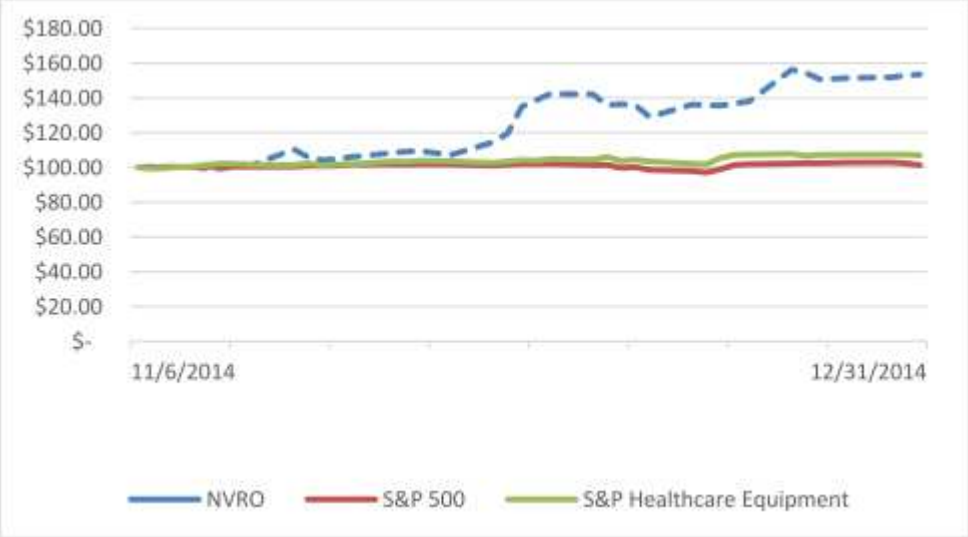
At March 2, 2015, there were approximately 3,507 stockholders of record of our common stock, and the closing price per share of our common stock was $44.19. Since many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

We have never declared or paid cash dividends on our common stock. Additionally, the terms of our credit facility with Capital Royalty Partners prohibit us from paying cash dividends on our capital stock without their prior consent. Because we currently intend to retain all future earnings to finance future growth, we do not anticipate paying any cash dividends in the near future.

Stock Performance Graph

The following graph illustrates a comparison of the total cumulative stockholder return on our common stock since November 6, 2014, which is the date our common stock first began trading on the New York Stock Exchange, to two indices: the S&P 500 Composite Index and the S&P Healthcare Equipment Index. The stockholder return shown in the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns. This graph shall not be deemed "soliciting material" or be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



$100 investment in stock or index	November 6, 2014	December 31, 2014
Nevro Corp. (NVRO)	$ 100.00	$ 153.51
S&P 500 (GSPC)	$ 100.00	$ 101.36
S&P Healthcare Equipment (SPSIHE)	$ 100.00	$ 106.98

Recent Sales of Unregistered Securities

From January 1, 2014 through December 31, 2014, we sold and issued the following unregistered securities:

1. Prior to filing our registration statement on Form S-8 in November 2014, we granted stock options and stock awards to employees, directors and consultants under our 2007 Stock Incentive Plan, as amended, covering an aggregate of 696,603 shares of common stock, at a weighted average exercise price of $11.95 per share. Of these, options covering an aggregate of 4,707 shares were cancelled without being exercised.

2. Prior to filing our registration statement on Form S-8 in November 2014, we sold an aggregate of 450,941 shares of common stock to employees, directors and consultants for cash consideration in the aggregate amount of $1.1 million upon the exercise of stock options and stock awards.

We claimed exemption from registration under the Securities Act for the sales and issuances of securities in the transactions described in paragraphs (1) and (2) above under Section 4(a)(2) of the Securities Act in that such sales and issuances did not involve a public offering or under Rule 701 promulgated under the Securities Act, in that they were offered and sold either pursuant to written compensatory plans or pursuant to a written contract relating to compensation, as provided by Rule 701.

Initial Public Offering

Use of Proceeds

In November 2014, we completed our IPO and issued 8,050,000 shares of our common stock, including the underwriter's exercise of their over-allotment option, at an initial offering price to the public of $18.00. We received net proceeds from the IPO of approximately $131.6 million, after deducting underwriting discounts and commissions of approximately $10.1 million and estimated offering costs of approximately $3.1 million. None of the expenses associated with the IPO were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates, or to our affiliates. The underwriters were J.P. Morgan, Morgan Stanley, Leerink Partners and JMP Securities.

Shares of our common stock began trading on the New York Stock Exchange on November 6, 2014. The shares were registered under the Securities Act on registration statement on Form S-1 (Registration No. 333-199156), which was declared effective by the SEC on November 5, 2014.

We expect to use the proceeds from the IPO to fund our activities related to seeking U.S. regulatory approval and preparing for the commercial launch of Senza in the United States, and for working capital and general corporate purposes. There has been no material change in the planned use of proceeds from our IPO as described in our prospectus dated November 5, 2014, filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. *SELECTED FINANCIAL DATA*

The following selected consolidated financial data is qualified in its entirety by, and should be read in conjunction with the consolidated financial statements and the notes thereto included in Part II, Item 8 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this Report. The selected consolidated statements of income data for each of the three years in the period ended December 31, 2014, and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012 have been derived from our audited consolidated financial statements.

(in thousands, except per share data)	2014	2013	2012
Selected Consolidated Statements of Income Data:			
Revenue:	$ 32,573	$ 23,500	$ 18,150
Cost of revenue:	11,278	9,473	7,527
Gross profit	21,295	14,027	10,623
Operating expenses:			
Research and development	19,824	20,345	15,659
Sales, general and administrative	29,777	18,833	14,094
Total operating expenses	49,601	39,178	29,753
Loss from operations	(28,306)	(25,151)	(19,130)
Interest and other income (expense), net	(1,896)	(501)	325
Loss before income taxes	(30,202)	(25,652)	(18,805)
Income tax provision	478	362	162
Net loss	$ (30,680)	$(26,014)	$ (18,967)
Basic and diluted net loss per common share	$ (6.94)	$ (29.84)	$ (38.59)
Shares used in computing basic and diluted net loss per common share	4,440,663	876,932	494,066

	As of December 31,		
	2014	2013	2012
Selected Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 25,287	$ 12,409	$ 5,618
Short-term investments	$151,521	$ 44,123	$ 24,997
Working capital	$190,327	$ 66,870	$ 43,572
Total assets	$202,496	$ 75,411	$ 49,111
Notes payable	$ 19,511	$ —	$ —
Total stockholders' equity (deficit)	$172,070	$(85,790)	$(61,794)

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the federal securities laws, particularly statements referencing our expectations relating to the productivity of our sales force, revenues, deferred revenues, cost of revenues, operating expenses, stock-based compensation, and provision for income taxes; the growth of our customer base and customer demand for our products; the sufficiency of our cash balances and cash flows for the next 12 months; the impact of recent changes in accounting standards; market risk sensitive instruments, contractual obligations; and assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "intends," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof, or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, these expectations or any of the forward-looking statements could

prove to be incorrect, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to risks and uncertainties, including but not limited to the factors set forth in this Report under Part I, Item 1A. *Risk Factors* . All forward-looking statements and reasons why results may differ included in this Report are made as of the date of the filing of this Report, and we assume no obligation to update any such forward-looking statements or reasons why actual results may differ.

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing in Part II, Item 8 of this Report.

Overview

We are a medical device company that has developed and commercialized an innovative neuromodulation platform for the treatment of chronic pain. Our Senza system is the only spinal cord stimulation, or SCS, system that delivers our proprietary HF10 therapy. Our SENZA-RCT U.S. pivotal study, a non-inferiority study, met its primary and secondary endpoints, and our post-hoc statistical analysis supports the superiority of HF10 therapy over traditional SCS therapies for treating both leg and back pain. While SCS therapy is indicated and reimbursed for treating back and leg pain, it has limited efficacy in back pain and is utilized primarily for treating leg pain, which has limited its market adoption. In our pivotal study, HF10 therapy was demonstrated to provide significant and sustained back pain relief in addition to leg pain relief. Additionally, HF10 therapy was demonstrated to provide pain relief without paresthesia, a constant tingling sensation that is the basis of traditional SCS therapy. By utilizing anatomical lead placement instead of relying on paresthesia, HF10 therapy is designed to reduce variability in the operating procedure, providing meaningful benefits to both patients and physicians. We believe we are positioned to transform and grow the approximately $1.5 billion existing global SCS market under current reimbursement by treating back pain in addition to leg pain and by eliminating paresthesia.

Senza received a CE Mark in 2010, and full commercialization commenced in Europe and Australia in 2011 and is reimbursed under existing SCS codes. We market our products to physicians and sell to hospitals and outpatient surgery centers through both a direct sales organization and distributors in Australia, and Europe. During 2011, we established our international sales organizations to support our product launch outside of the United States. Senza is not currently approved for sale in the United States and we have not generated any sales revenue within the United States. We submitted our PMA to the FDA in June 2014, and, in January 2015, we received a letter from the FDA informing us of the approvability of our PMA, subject to satisfaction of regulatory inspections and audits of manufacturing facilities, methods and controls for Senza, as well as finalization of the products labeling with the FDA. We are working to satisfy the conditions of approval and anticipate initial commercial availability in the U.S. by mid-2015, if approved by the FDA, but there can be no assurance we will receive FDA approval within this timeframe or at all.

Since our inception, we have financed our operations primarily through equity financings and borrowings under our debt facility. Our accumulated deficit as of December 31, 2014 was $122.0 million. A significant amount of our capital resources has been used to support the development of Senza and our HF10 therapy, including, our pivotal clinical trial, SENZA-RCT, which we initiated in May 2012. We intend to make a significant investment building our U.S. commercial infrastructure and sales force and in recruiting and training our sales representatives for U.S. commercialization. We also intend to continue to make significant investments in research and development to develop Senza to treat other chronic pain indications, including conducting clinical trials to support our future regulatory submissions. As a result of these and other factors, we expect to continue to incur net losses for the next several years and we expect to require substantial additional funding, which may include future equity and debt financings.

We rely on third-party suppliers for all of the components of Senza and for the assembly of the system. Many of these suppliers are currently single source suppliers. We are also required to maintain high levels of inventory, and, as a result, we are subject to the risk of inventory obsolescence and expiration, which may lead to

inventory impairment charges. In particular, as we prepare for our commercial launch of Senza in the U.S., we intend to substantially increase our levels of inventory in order to meet our estimated demand and, as a result, incur significant expenditures associated with such increases in our inventory. Additionally, as compared to direct manufacturers, our dependence on third-party manufacturers exposes us to greater lead times increasing our risk of inventory obsolesce comparatively.

On November 5, 2014, our registration statement on Form S-1 relating to our initial public offering (IPO) of common stock became effective. Our IPO closed on November 12, 2014 at which time we issued 8,050,000 shares of our common stock, which included 1,050,000 shares issued pursuant to the exercise in full by the underwriters of their over-allotment option. We received cash proceeds of approximately $131.6 million from the IPO, net of underwriting discounts and commissions and estimated offering costs paid by us.

Important Factors Affecting our Results of Operations

We believe that the following factors have impacted and we expect will continue to impact our results of operations.

We Do Not Expect Our Revenue Growth Rate in International Markets to Continue at Historic Rates

Our revenue increased from $18.2 million to $23.5 million to $32.6 million in the fiscal years 2012, 2013 and 2014, respectively. Revenue increased as a result of our sales of Senza in Europe and Australia; however, we do not expect to continue this rate of revenue growth in these international markets given our existing penetration in these markets. Due to governmental reimbursements constraints in the European SCS market limiting the number of annual SCS implants and our current penetration in these markets, we expect to grow less rapidly in the future than we have in the past in this market.

Significant Investment in U.S. Sales Organization

We have started to make significant investments in building our U.S. commercial infrastructure and sales force and in recruiting and training our sales representatives for U.S. commercialization. This is a lengthy process that requires recruiting appropriate sales representatives, establishing a commercial infrastructure in the United States, and training our sales representatives, and will require significant investment by us in advance of PMA approval. Following initial training for Senza, our sales representatives typically require lead time in the field to grow their network of accounts and produce sales results. Successfully recruiting and training a sufficient number of productive sales representatives is required to achieve growth at the rate we expect.

Importance of Physician Awareness and Acceptance of Senza

We continue to invest in programs to educate international physicians who treat chronic pain about the advantages of Senza. This requires significant commitment by our marketing team and sales organization, and can vary depending upon the physician's practice specialization, personal preferences and geographic location. We are competing with well-established companies in our industry that have strong existing relationships with many of these physicians. Educating physicians about the advantages of Senza, and influencing these physicians to use Senza to treat chronic pain, is required to grow our revenue.

Access to Hospital Facilities

In the United States, in order for physicians to use Senza, the hospital facilities where these physicians treat patients typically will require us to enter into purchasing contracts. This process can be lengthy and time-consuming and require extensive negotiations and management time. In Europe, we may be required to engage in a contract bidding process in order to sell Senza product, which processes are only open at certain periods of time, and we may not be successful in the bidding process.

Inventory Buildup

Our Senza product consists of a substantial number of individual components and, in order to market and sell Senza effectively, we must maintain high levels of inventory. In particular, as we prepare for our commercial launch of Senza in the U.S., we intend to substantially increase our levels of inventory. As a result, we will incur significant expenditures associated with the increases in our inventory, which will include satisfying certain minimum purchase obligations, as demand for Senza in the U.S. is developing. Further, the manufacturing process for Senza requires lengthy lead times, during which components may become obsolete. We may also over- or under-estimate the amount needed of a given component, in which case we may expend extra resources or be constrained in the amount of end product that we can produce. These factors subject us to the risk of inventory obsolescence and expiration, which may lead to inventory impairment charges.

Investment in Research and Clinical Trials

We intend to continue investing in research and development to expand into new indications and chronic pain conditions for Senza, as well as develop product enhancements to improve outcomes and enhance the physician and patient experience. In the future, we expect to initiate clinical trials to support the development of Senza and HF10 therapy for the treatment of other chronic pain conditions. We believe that our continuing clinical research and regulatory efforts will continue to drive adoption of Senza. While research and development and clinical testing are time consuming and costly, we believe that clinical data demonstrating efficacy, safety and cost effectiveness is critical to increasing the adoption of HF10 therapy.

Critical Accounting Policies, Significant Judgments and Use of Estimates

Our management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. We believe that the estimates, judgments, and assumptions involved in the accounting for revenue recognition, inventory, stock-based compensation, income taxes, and allowance for doubtful accounts have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. We discuss below the critical accounting estimates associated with these policies. Historically, our estimates, judgments, and assumptions relative to our critical accounting policies have not differed materially from actual results. Our significant accounting policies are more fully described in Note 2 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Revenue

We recognize revenue when all of the following criteria are met:

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

For a majority of sales, where our sales representative delivers our product at the point of implantation at hospitals or medical facilities, we recognize revenue upon completion of the procedure and authorization, which represents satisfaction of the required revenue recognition criteria. For the remaining sales, which are sent from

our distribution centers directly to hospitals and medical facilities, as well as distributor sales where product is ordered in advance of an implantation procedure and a valid purchase order has been received, we recognize revenue at the time of shipment of the product, which represents the point in time when the customer has taken ownership and assumed the risk of loss and the required revenue recognition criteria are satisfied. Such customers are obligated to pay within specified terms regardless of when or if they ever they sell or use the products. We do not offer rights of return or price protection and we have no post-delivery obligations.

Inventory Valuation

We contract with third parties for the manufacturing and packaging of all of the components of Senza. We plan the manufacture of our systems based on estimates of market demand. The nature of our business requires that we maintain sufficient inventory on hand to meet the requirements of our customers. Inventories are stated at the lower of cost or market value. Cost is determined using actual cost on a first-in, first-out basis. Market value is determined as the lower of replacement cost or net realizable value.

We regularly review inventory quantities in consideration of actual loss experiences, projected future demand, and remaining shelf life to record a provision for excess and obsolete inventory when appropriate. Inventory write downs are recorded for excess and obsolete inventory. We periodically assesses the recoverability of all inventories to determine whether write downs for impairment are required. We evaluate projected future demand as compared to remaining shelf life and other obsolescence and excess criteria in assessing the recoverability of our inventory. In determining the adequacy of reserves, we analyze the following, among other things:

- Current inventory quantities on hand;
- Product acceptance in the marketplace;
- Customer demand;
- Historical sales;
- Forecast sales;
- Product obsolescence;
- Technological innovations; and
- Character of the inventory as a distributed item, finished manufactured item or system components.

Any inventory write-downs are recorded in cost of goods sold within the statements of operations during the period in which such write-downs are determined necessary by management.

Stock-Based Compensation

Stock-based compensation costs related to stock options granted to employees are measured at the date of grant based on the estimated fair value of the award, net of estimated forfeitures. We estimate the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model on a straight-line basis over the requisite service period of the award, which is generally the vesting term of four years.

The Black-Scholes option-pricing model requires the use of highly subjective assumptions which determine the fair value of stock-based awards. The assumptions used in our option-pricing model represent management’s best estimates. These estimates are complex, involve a number of variables, uncertainties and assumptions and the application of management’s judgment, so that they are inherently subjective. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. These assumptions are estimated as follows:

Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes valuation model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the options for each option group.

Expected Term. The expected term represents the period that our stock-based awards are expected to be outstanding. Because of the limitations on the sale or transfer or our common stock as a privately held company, we do not believe our historical exercise pattern is indicative of the pattern we will experience as a publicly traded company. We have consequently used the Staff Accounting Bulletin, or SAB, 110, simplified method to calculate the expected term, which is the average of the contractual term and vesting period. We plan to continue to use the SAB 110 simplified method until we have sufficient trading history as a publicly traded company.

Volatility. We determine the price volatility factor based on the historical volatilities of our peer group as we did not have a sufficient trading history for our common stock. Industry peers consist of several public companies in the medical device technology industry with comparable characteristics including enterprise value, risk profiles and position within the industry. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

Dividend Yield. The expected dividend assumption is based on our current expectations about our anticipated dividend policy. We currently do not expect to issue any dividends.

In addition to assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation for our awards. We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

Income Tax

We recognize deferred income taxes for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. We periodically evaluate the positive and negative evidence bearing upon realizability of our deferred tax assets. Based upon the weight of available evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we maintained a full valuation allowance on the net deferred tax assets as of December 31, 2014 and 2013. We intend to maintain a full valuation allowance on the federal, state and foreign deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance.

As of December 31, 2014, we had federal and state net operating loss carryforwards, or NOLs, of $108.2 million and $31.7 million, respectively, available to offset future taxable income, due to prior period losses, which if not utilized will begin to expire in 2026 and 2016 for federal and state purposes, respectively. We also have federal research tax credit carryforwards that will begin to expire in 2026. Realization of these NOL and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to reduce future income tax liabilities, which could materially and adversely affect our results of operations.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, our ability to utilize NOL carryforwards or other tax attributes such as research tax credits, in any taxable year may be limited if we experience, or have experienced, an “ownership change.” A Section 382 “ownership change” generally occurs if one or more stockholders or groups of stockholders, who own at least 5% of our stock, increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws.

No deferred tax assets have been recognized on our balance sheet related to our NOLs and tax credits, as they are fully reserved by a valuation allowance. We may in the future experience a Section 382 "ownership change." If so, or if we do not generate sufficient taxable income, we may not be able to utilize a material portion of our NOLs and tax credits even if we achieve profitability. If we are limited in our ability to use our NOLs and tax credits in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs and tax credits. This could materially and adversely affect our results of operations.

We record unrecognized tax benefits as liabilities and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available. Our policy is to recognize interest and penalties related to income taxes as a component of income tax expense. No interest and penalties related to income taxes have been recognized in the statements of operations and comprehensive loss in 2014 and 2013.

Allowance for Doubtful Accounts

We must make estimates of the collectability of accounts receivable. In doing so, we analyze historical bad debt trends, customer credit worthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts. Our accounts receivable balance was $6.6 million, net of allowance of $10,000 as of December 31, 2014, and $6.6 million, net of allowance for doubtful accounts of $0.2 million, as of December 31, 2013.

Components of Results of Operations

Revenue

Our revenue is generated from sales to two types of customers: hospitals and outpatient medical facilities served through a direct sales force, and third-party distributors. Sales to hospitals and medical facilities represent the majority of our revenue. Product sales to hospitals and medical facilities are billed to and paid by the hospitals as part of their normal payment processes, with payment received by us in the form of an electronic transfer, check or credit card payment. Product sales to distributors are billed to and paid by the distributors as part of their normal payment processes, with payment received by us in the form of an electronic transfer.

Revenue from sales of Senza fluctuates based on the selling price of the system, as the sales price of a system varies among jurisdictions, and the mix of sales by jurisdiction. In addition, our revenue may fluctuate based on the ratio of trials to permanent implants. Our revenue from international sales can also be significantly impacted by fluctuations in foreign currency exchange rates, as our sales are denominated in the local currency in the countries that we sell our products in. We recognized net foreign currency transaction losses of $1.7 million, $0.6 million, and $0.2 million, during the year ended December 31, 2014, 2013 and 2012, respectively which are recorded within other income (expense), net in the consolidated statement of operations.

We expect our revenue to fluctuate from quarter to quarter due to a variety of factors, including seasonality, as we have historically experienced lower sales in the summer months and around the holidays, and the impact of the buying patterns and implant volumes of our hospitals and medical facilities, and third party distributors.

Cost of Revenue

We utilize contract manufactures for production of Senza. Cost of revenue consists primarily of acquisition costs of the components of Senza, allocated manufacturing overhead, royalty payments, scrap and inventory obsolescence, as well as distribution-related expenses such as logistics and shipping costs, net of costs charged to customers.

We calculate gross margin as revenue less cost of revenue divided by revenue. Our gross margin has been and will continue to be affected by a variety of factors, primarily by our costs to have our products manufactured for us, the ratio of trials to permanent implants, the period of time between a trial and the related permanent implant, and, to a lesser extent, the percentage of products we sell to distributors as compared to those sold directly to hospitals and medical facilities as our gross margin is typically higher on products we sell directly as compared to products we sell through distributors. We expect our gross margin to be positively affected over time to the extent we are successful in reducing manufacturing costs as our sales volume increases. However, our gross margin may fluctuate from period to period.

Operating Expenses

Our operating expenses consist of research and development, sales, general and administrative expense. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, stock-based compensation, and sales commissions. We expect operating expenses to increase in absolute dollars as we continue to invest to grow our business.

Research and Development. Research and development, or R&D, costs are expensed as incurred. R&D expense consists primarily of personnel costs, including salary, employee benefits and stock-based compensation expenses for our R&D employees. R&D expense also includes costs associated with product design efforts, development prototypes, testing, clinical trial programs and regulatory activities, contractors and consultants, equipment and software to support our development, facilities and information technology. We expect research and development expenses to increase in absolute dollars as we continue to develop product enhancements to Senza and develop our HF10 therapy to treat other chronic pain indications, including conducting additional clinical studies. Our R&D expenses may fluctuate from period to period due to the timing and extent of our R&D and clinical trial expenses.

Sales, General and Administrative. Sales, general and administrative, or SG&A, expenses consist primarily of personnel costs, including salary, employee benefits and stock-based compensation expenses for our sales and marketing personnel, including sales commissions, and for administrative personnel that support our general operations such as information technology, executive management, financial accounting, customer services and human resources personnel. We expense commissions at the time of the sale. SG&A expense also includes costs attributable to marketing, as well as travel, intellectual property and other legal fees, financial audit fees, insurance, fees for other consulting services, depreciation and facilities.

In the last 24 months, we significantly increased the size of our sales presence internationally and increased marketing spending to generate sales opportunities. We expect SG&A expenses to significantly increase as we build up our sales and marketing personnel in anticipation of approval and launch of Senza in the United States, continue to increase the size of our sales and marketing organizations and increase our international presence and develop and assist our channel partners.

During fiscal 2014, our administrative expenses increased as we prepared to become a public company. We expect our administrative expenses will continue to increase as we increase our headcount and expand our facility and information technology to support our operations as a public company. Additionally, we anticipate increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, director and officer insurance premiums and investor relations costs associated with being a public company. Our SG&A expenses may fluctuate from period to period due to the seasonality of our revenue and the timing and extent of our SG&A expenses.

Interest Income (Expense), Net

Interest income (expense) consists primarily of interest income earned on our investments and interest paid on our outstanding debt.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency transaction gains and losses and the gains and losses from the remeasurement of foreign-denominated balances to the U.S. dollar.

Income Tax Expense

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

Allowance for Doubtful Accounts

We make estimates as to the overall collectability of accounts receivable and provide an allowance for accounts receivable considered uncollectible. We specifically analyze accounts receivable based on historical bad debt experience, customer concentrations, customer credit-worthiness, the age of the receivable, current economic trends, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. We record the adjustment in general and administrative expense.

Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 2. *Summary of Significant Accounting Policies* of Notes to Consolidated Financial Statements in Part II, Item 8 of this Report.

Comparison of the Years Ended December 31, 2014 and 2013

Revenue, Cost of Revenue, Gross Profit and Gross Margin

	Year Ended December 31,		
(in thousands)	**2014**	**2013**	**Change**
Revenue	$32,573	$23,500	$9,073
Cost of revenue	11,278	9,473	1,805
Gross profit	21,295	14,027	7,268
Gross margin	65%	60%	5%

Revenue. In 2014, revenue increased to $32.6 million from $23.5 million in 2013, an increase of $9.1 million, or 39%, due to increased acceptance of Senza in Europe and Australia. We established our international sales operations in 2011, and materially expanded our sales forces in those countries during 2012 and 2013 to support our revenue growth.

Cost of Revenue, Gross Profit and Gross Margin. Cost of revenue increased $1.8 million, or 19%, in 2014 as compared to 2013 due to higher personnel costs of $1.0 million, an increase in the costs for manufactured goods of $0.6 million related to the increased production of units due to the increase in sales volume, as well as an increase in our shipping costs of $0.2 million. Gross profit increased $7.3 million, or 52%, to $21.3 million, in the year ended 2014 as compared to 2013 due to higher sales volume, while our gross profit as a percentage of sales increased by 5%.

Operating Expenses

(in thousands)	Year Ended December 31, 2014 Amount	2014 % of Total Revenue	2013 Amount	2013 % of Total Revenue	Change Amount
Operating expenses:					
Research and development	$19,824	61%	$20,345	87%	$ (521)
Sales, general and administrative	29,777	91	18,833	80	10,944
Total operating expenses	$49,601	152%	$39,178	167%	$10,423

Research and Development Expenses. R&D expenses decreased $0.5 million, or 3%, in 2014 as compared to 2013. Our clinical trial expenses declined by $2.8 million in 2014 to $1.1 million as compared to $3.9 million during 2013 due to the completion of the enrollment in our clinical trial in February 2013. Our development costs were $4.5 million in both 2013 and 2014 due to our continued investment in preclinical activities for our products and our preparation of the PMA submission for Senza. We submitted our completed PMA in June 2014 to the FDA. The overall decline in our R&D expenses was offset by an increase in personnel costs of $1.8 million as we increased our headcount to support continued investment in our products, as well as increased facilities related expenses of $0.6 million.

Sales, General and Administrative Expenses. SG&A expenses increased $10.9 million, or 58%, in 2014 as compared to 2013, primarily due to an increase in personnel costs of $5.5 million as we increased sales and administrative headcount to support growth, as well as increased facilities related expenses of $0.9 million. Our professional consulting expenses increased by $3.0 million during 2014 as compared to 2013 as a result of our expenses related to preparing to become a public company. In addition our travel-related expense increased $0.7 million as a result of our larger sales team and support for the expansion in foreign markets.

Interest Income, Other Income (Expense), Net and Income Tax Expense

(in thousands)	Year Ended December 31, 2014	2013	Change
Interest income (expense), net	$ (16)	$ 153	$ (169)
Other income (expense), net	(1,880)	(654)	(1,226)
Income tax	(478)	(362)	(116)

Interest Income (Expense, net). Interest income (expense), net decreased to an expense of $16,000 during 2014 from interest income in 2013 of $0.2 million, primarily due to an increase in our average outstanding debt balances during the year 2014. We entered into a credit line during 2014 under which we drew down $20.0 million in December 2014, whereas during the year ended December 31, 2013 we did not have any debt outstanding.

Other Income (Expense), Net. Other income (expense), net was primarily comprised of foreign currency transaction gains and losses and the gains and losses from the remeasurement of foreign-denominated balances to the U.S. dollar. We recorded such expense of $1.7 million during the year ended December 31, 2014, and expense of $0.7 million during the same period in 2013. Our remeasurement gains and losses are affected by changes in the foreign currency translation rates of the different countries that we do business in.

Income Tax Expense. Income tax expense was $0.5 million in 2014, compared to an income tax expense of $0.4 million in 2013. We incur income tax expense primarily due to foreign taxes. We continue to generate tax losses for U.S. federal and state tax purposes and have net operating loss carryforwards creating a deferred tax asset. We have a full valuation allowance for our deferred tax assets. The change in income tax expense was due to changes in foreign income taxes on profits realized by our foreign subsidiaries as we expanded internationally.

Comparison of the Years Ended December 31, 2013 and 2012

Revenue, Cost of Revenue, Gross Profit and Gross Margin

(in thousands)	Year Ended December 31, 2013	2012	Change
Revenue	$23,500	$18,150	$5,350
Cost of revenue	9,473	7,527	1,946
Gross profit	14,027	10,623	3,404
Gross margin	60%	59%	1%

Revenue. In the year ended December 31, 2013, revenue increased to $23.5 million from $18.2 million in the prior year, an increase of $5.4 million, or 29%, due to increased acceptance of Senza in Europe and Australia. We established our international sales operations in 2011, and materially expanded our sales forces in those countries during 2012 and 2013 to support our revenue growth.

Cost of Revenue, Gross Profit and Gross Margin. Cost of revenue increased $2.0 million, or 26%, in 2013 as compared to 2012 due to higher costs for manufactured goods of $1.3 million related to the increased production of units due to the increase in sales volume, as well as an increase in our write-off of obsolete inventory of $0.9 million. Gross profit increased $3.4 million, or 32%, to $14.0 million, in the year ended December 31, 2013 as compared to the prior year due to higher sales volume, while our gross profit as a percentage of sales remained essentially the same in each year.

Operating Expenses

	Year Ended December 31,				
	2013		2012		
(in thousands)	Amount	% of Total Revenue	Amount	% of Total Revenue	Change Amount
Operating expenses:					
Research and development	$20,345	87%	$15,659	86%	$4,686
Sales, general and administrative	18,833	80	14,094	78	4,739
Total operating expenses	$39,178	167%	$29,753	164%	$9,425

Research and Development Expenses. R&D expense increased $4.7 million, or 30%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in personnel costs of $2.2 million as we increased our headcount to support continued investment in our products, as well as increased external consulting costs of $1.2 million, and an increase in facilities related expenses of $0.6 million. Our clinical trial expenses declined to $3.9 million during 2013 as compared to $6.7 million during 2012 due to the completion of the enrollment in our clinical trial in February 2013. Our development costs increased from $1.7 million during 2012 to $4.5 million during 2013 due to our continued investment in preclinical activities for our products and our preparation of the PMA submission for Senza throughout 2013. We submitted our completed PMA in June 2014 to the FDA.

Sales, General and Administrative Expenses. SG&A expense increased $4.7 million, or 34%, in 2013 compared to 2012, primarily due to an increase in personnel costs of $2.8 million as we increased sales and administrative headcount to support growth. Travel-related expense increased $0.9 million and our marketing and promotional expenses increased by $0.4 million as a result of our larger sales team and support for the expansion in foreign markets. In addition our professional consulting expenses increased by $0.6 million during the year ended December 31, 2013 over the comparable period in 2012.

Interest Income, Other Income (Expense), Net and Income Tax Expense

(in thousands)	Year Ended December 31, 2013	2012	Change
Interest income	$ 153	$ 139	$ 14
Other income (expense), net	(654)	186	(840)
Income tax	(362)	(162)	(200)

Interest Income. Interest income increased to $0.2 million during 2013 from $0.1 million during the prior year, primarily due to an increase in our average investment balances during the year.

Other Income (Expense), Net. Other income (expense), net was primarily comprised of foreign currency transaction gains and losses and the gains and losses from the remeasurement of foreign-denominated balances to the U.S. dollar. We recorded income of $0.2 million during the year ended December 31, 2012, and a loss of $0.7 million during the same period in 2013.

Income Tax Expense. Income tax expense was $0.4 million in 2013, compared to an income tax expense of $0.2 million in 2012. We incur income tax expense primarily due to foreign taxes. We continue to generate tax losses for U.S. federal and state tax purposes and have net operating loss carryforwards creating a deferred tax asset. We have a full valuation allowance for our deferred tax assets. The change in income tax expense was due to changes in foreign income taxes on profits realized by our foreign subsidiaries as we expanded internationally.

Liquidity, Capital Resources and Plan of Operations

Since our inception through December 31, 2014, we have financed our operations through private placements of preferred stock and issuance of common stock in our IPO. At December 31, 2014, we had cash and cash equivalents and investments of $176.8 million. Based on our current operating plan, we expect that our cash on hand, together with the anticipated funds from our operations and the remaining funds available under our credit facility will be sufficient to fund our operations through at least the next twelve months.

In October 2014, we entered into a credit facility with Capital Royalty Partners and certain of its affiliates, which we refer to as our credit facility, whereby we have access to borrow up to $50.0 million principal amount of senior secured term loan financing in up to three draws on or before September 30, 2015. We borrowed $20.0 million on December 12, 2014. We are eligible to draw a second tranche in a principal amount of $10.0 million on or prior to June 29, 2015 and a third tranche in a principal amount of $20.0 million on or prior to September 30, 2015, in each case, upon meeting certain conditions and continued compliance with the covenants in the credit facility.

We expect to incur substantial expenditures in the foreseeable future in connection with the expansion of our U.S. commercial infrastructure and sales force in anticipation of our commercial launch of Senza in the United States, if approved. In addition, we intend to make investment in the development of Senza and HF10 therapy for the treatment of other chronic pain conditions, including ongoing research and development programs and clinical trials. If Senza is approved for commercialization in the United States, we expect that additional funding will be required in order to build the associated sales, marketing and distribution infrastructure.

We may continue to seek funds through equity or debt financings, or through other sources of financing. Adequate additional funding may not be available to us on acceptable terms or at all. Our failure to raise capital in the future could have a negative impact on our financial condition and our ability to pursue our business strategies. We anticipate that we will need to raise substantial additional capital, the requirements of which will depend on many factors, including:

- the outcome, timing of, and costs involved in, seeking and obtaining approvals from the FDA and other regulatory authorities, including the potential for the FDA and other regulatory authorities to require that we perform more studies or product tests than we currently expect;

- the scope and timing of our investment in our U.S. commercial infrastructure and sales force;
- the R&D activities we intend to undertake in order to expand the chronic pain indications and product enhancements that we intend to pursue;
- the costs of commercialization activities including product sales, marketing, manufacturing and distribution;
- the amount and timing of any draws we make under our credit facility;
- the degree and rate of market acceptance of Senza;
- changes or fluctuations in our inventory supply needs and forecasts of our supply needs;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- our need to implement additional infrastructure and internal systems;
- our ability to hire additional personnel to support our operations as a public company; and
- the emergence of competing technologies or other adverse market developments.

Our success depends, in part, upon our ability to establish a competitive position in the neuromodulation market by securing broad market acceptance of our HF10 therapy and Senza for the treatment of chronic pain conditions. Any product we develop that achieves regulatory clearance or approval will have to compete for market acceptance and market share. We face significant competition in the United States and internationally, which we believe will intensify if we enter the U.S. market. For example, our major competitors, Medtronic, Inc., Boston Scientific Corporation and St. Jude Medical, Inc., have each approved neuromodulation systems in at least the United States, Europe, and Australia and have been established for several years. In addition to these major competitors, we may also face competition from other emerging competitors and smaller companies with active neuromodulation system development programs that may emerge in the future.

If we are unable to raise additional funds when needed, we may be required to delay, reduce, or terminate some or all of our commercial development plans.

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

	Year Ended December 31,		
	2014	2013	2012
Net cash (used in) provided by:			
Operating activities	$ (31,148)	$(21,095)	$(22,467)
Investing activities	(108,055)	(19,899)	15,276
Financing activities	152,081	47,785	1,532
Net increase (decrease) in cash	$ 12,878	$ 6,791	$ (5,659)

Cash Used in Operating Activities. Net cash used in operating activities was $31.1 million and $21.1 million for the years ended December 31, 2014 and 2013, respectively, primarily due to the net losses during the periods of $30.7 million and $26.0 million, respectively. The cash used in operating activities in the year ended December 31, 2014 was affected by changes in operating assets and liabilities, including an increase of $3.0 million in accounts payable and accrued liabilities and non-cash stock based compensation expense of $2.0 million, offset by an increase in our prepaid expenses and other current assets of $1.3 million, and an increase in our inventory balances by $5.5 million. The increase in cash used in operations during the year ended December 31, 2013 was primarily due to changes in our operating assets and liabilities, including a decrease in our outstanding prepaid and other assets of $1.2 million, an increase of $3.1 million in accounts payable and

accrued liabilities, and non-cash stock based compensation expense of $1.6 million, which were offset in part by an increase in our accounts receivable balances of $0.7 million and an increase in our inventory balance by $1.6 million.

Net cash used in operating activities was for the year ended December 31, 2012 was $22.5 million, primarily due to the net loss of $19.0 million. The cash used in operating activities in the year ended December 31, 2012 was affected by changes in operating assets and liabilities, including an increase of $1.7 million in accounts payable and accrued liabilities and non-cash stock based compensation expense of $1.1 million, offset by an increase in our prepaid expenses and other current assets of $1.0 million, an increase in accounts receivable of $2.2 million, and an increase in our inventory balances by $3.6 million.

Cash Used in Investing Activities. Investing activities consisted primarily of changes in investment balances, including purchases and maturities of short-term investments. During the year ended December 31, 2014 and 2013 we made net purchases of $107.4 million and $19.6 million of investments, respectively. During the year ended December 31, 2012 a total of $15.4 million of investments matured.

Cash Provided by Financing Activities. Cash provided by financing activities in the year ended December 31, 2014 was $152.1 million, primarily from the $131.6 million in net proceeds received in the IPO, as well as borrowing under our note payable of $19.5 million, which consisted of borrowings of $20.0 million, and closing fees of $0.5 million. Cash provided by financing activities for 2013 consisted of $47.7 million in net proceeds from the issuance of Series C convertible preferred stock in March 2013 and $0.1 million received upon exercise of common stock options. Cash provided by financing activities was $1.5 million for 2012, primarily from the proceeds received upon the exercise of common stock options.

Credit Facility

On October 24, 2014, we entered into a credit facility with Capital Royalty Partners and certain of its affiliates, which we refer to as our credit facility, whereby, subject to certain conditions, we have access to borrow up to $50.0 million principal amount of senior secured term loan financing in up to three draws on or before September 30, 2015. The credit facility provides for quarterly interest only payments at a fixed rate of 11.5% per annum on outstanding loans until the quarterly payment date three years after the first borrowing, followed by three years of quarterly interest payments at a fixed rate of 11.5% per annum and quarterly principal payments in equal installments. The final principal payment will also include a cash payment of 5% of the principal amount drawn. We made the first draw in a principal amount of $20.0 million on December 12, 2014, net of closing fees of $0.5 million. In March 2015, we entered into a First Amendment under the credit facility extending the draw-down deadline for the second tranche of $10.0 million from March 31, 2015 to June 29, 2015, upon meeting certain conditions. We may also draw a third tranche in a principal amount of $20.0 million, at our election, on or prior to September 30, 2015, upon, among other conditions, raising $30.0 million in net proceeds from a private equity financing or receiving FDA approval of our PMA for Senza. At our election, 3.5% per annum of interest payments that are owed during the three year period following the first draw under the credit facility is payable in-kind, which, if so selected, would be added to the outstanding principal amount of the loans; the remaining 8.0% per annum must be paid in cash. Upon the satisfaction of certain conditions precedent on or prior to September 30, 2016, including the receipt of FDA approval of our PMA for Senza, the interest only period will be extended so that the outstanding principal amount of the terms loans will be payable in a single installment at maturity (the 24th quarterly payment date after the first borrowing). The credit facility contains customary events of default, including in the event of bankruptcy or upon the occurrence of a material adverse change. Our obligations under the credit facility are collateralized by substantially all of our assets, including our intellectual property.

The credit facility includes affirmative and negative covenants, including certain minimum financial covenants for pre-specified liquidity and revenue requirements. In particular, we are required to maintain a minimum of $5.0 million of cash and certain cash equivalents, and we must achieve minimum revenue of

$25.0 million in 2015, $30.0 million in 2016, $40.0 million in 2017, $50.0 million in 2018 and $70.0 million in 2019. In addition, the credit facility prohibits the payment of cash dividends on our capital stock and also places restrictions on mergers, sales of assets, investments, incurrence of liens, incurrence of indebtedness and transactions with affiliates. As of December 31, 2014, we were in compliance with all applicable covenants.

Contractual Obligations and Commitments

We have lease obligations consisting of operating leases for our principal offices that expire in 2015. The following table summarizes our contractual obligations as of December 31, 2014 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
			(in thousands)		
Lease obligations	$359	$359	$—	$—	$—
Total	$359	$359	$—	$—	$—

Subsequent to December 31, 2014, we entered into a lease agreement for approximately 50,000 square feet of office space located in Redwood Shores, California for a period beginning in June 2015 through May 2022 with initial annual payments of approximately $2.0 million, increasing to $2.4 million annually in the final year of the lease term. In March 2015, we entered into supply agreements with certain of our suppliers that require an aggregate upfront payment of $1.8 million, along with certain minimum annual purchase commitments that total an aggregate of $80.2 million, with $35.2 million due in 2015, and the remainder due within 1 to 3 years.

Off-Balance Sheet Arrangements

Through December 31, 2014, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. For information regarding indemnification obligations, refer to Note 5 to the consolidated financial statements within Part II, Item 8 of this Report.

Segment Information

We have one primary business activity and operate as one reportable segment.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Interest Rate Risk

We are exposed to limited market risk related to fluctuations in interest rates and market prices. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. The primary objective of our investment activities is to preserve our capital to fund our operations.

We also seek to maximize income from our investments without assuming significant risk. To achieve our objectives, we maintain a portfolio of cash equivalents and investments in a variety of securities of high credit quality. As of December 31, 2014, we had cash and cash equivalents of $25.3 million consisting of cash and money market funds and investments of $151.5 million consisting of commercial paper and corporate notes. We maintained investments in money market funds that were not federally insured during the year ended December 31, 2014 and held cash in foreign banks of approximately $5.7 million and $4.3 million at December 31, 2013 and 2014 that was not federally insured. A portion of our investments may be subject to interest rate risk and could fall in value if market interest rates increase. However, because our investments are

primarily short-term in duration, we believe that our exposure to interest rate risk is not significant. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. A hypothetical 1% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

Foreign Currency Exchange Risk

To date, all of our revenue and a portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Australian dollar, the Euro and the United Kingdom pound sterling. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. We recognized net foreign currency transaction losses of $1.7 million, $0.6 million, and $0.2 million, during the year ended December 31, 2014, 2013 and 2012, respectively. A hypothetical 10% favorable or unfavorable change in the weighted-average foreign exchange rates for the year ended December 31, 2014 would have affected the annualized consolidated foreign-currency-denominated operating loss by approximately 5% for the year. To date, we have not engaged in any foreign currency hedging transactions. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates.

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

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

The following consolidated financial statements, and the related notes thereto, of Nevro Corp. and the Report of the Company's Independent Registered Public Accounting Firm are filed as a part of this Report.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Nevro Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of convertible preferred stock, redeemable convertible preferred stock and stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Nevro Corp. and its subsidiaries (the "Company") at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these consolidated statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 18, 2015

Nevro Corp.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 25,287	$ 12,409
Short-term investments	151,521	44,123
Accounts receivable, net of doubtful accounts of $10 and $182 at December 31, 2014 and 2013, respectively	6,610	6,605
Inventories, net	14,856	10,123
Prepaid expenses and other current assets	2,851	1,514
Total current assets	201,125	74,774
Property and equipment, net	647	117
Other assets	424	220
Restricted cash	300	300
Total assets	$ 202,496	$ 75,411
Liabilities, convertible preferred stock, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities		
Accounts payable	$ 4,460	$ 3,177
Accrued liabilities	6,268	4,536
Other current liabilities	70	191
Total current liabilities	10,798	7,904
Notes payable	19,511	—
Other long-term liabilities	117	62
Total liabilities	30,426	7,966
Commitments and contingencies (Note 5)		
Series A convertible preferred stock, par value $0.001— zero shares and 130,508,081 shares authorized at December 31, 2014 and 2013, respectively; zero shares and 5,437,826 shares issued and outstanding at December 31, 2014 and 2013, respectively;	—	47,217
Series B and C redeemable convertible preferred stock, par value $0.001—zero shares and 234,485,750 shares authorized at December 31, 2014 and 2013, respectively; zero shares and 9,770,222 shares issued and outstanding at December 31, 2014 and 2013, respectively	—	106,018
Stockholders' equity (deficit)		
Preferred stock, $0.001 par value, 10,000,000 shares and zero shares authorized at December 31, 2014 and 2013, respectively; zero shares issued and outstanding at December 31, 2014 and 2013, respectively	—	—
Common stock, $0.001 par value, 290,000,000 and 472,000,000 shares authorized at December 31, 2014 and 2013, respectively; 24,865,491 and 1,120,416 shares issued and outstanding at December 31, 2014 and 2013, respectively	25	1
Additional paid-in capital	293,945	5,331
Accumulated other comprehensive income	77	28
Accumulated deficit	(121,977)	(91,150)
Total stockholders' equity (deficit)	172,070	(85,790)
Total liabilities, convertible preferred stock, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 202,496	$ 75,411

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

Nevro Corp.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)

	Year Ended December 31,		
	2014	2013	2012
Revenue	$ 32,573	$ 23,500	18,150
Cost of revenue	11,278	9,473	7,527
Gross profit	21,295	14,027	10,623
Operating expenses			
Research and development	19,824	20,345	15,659
Sales, general and administrative	29,777	18,833	14,094
Total operating expenses	49,601	39,178	29,753
Loss from operations	(28,306)	(25,151)	(19,130)
Interest income (expense), net	(16)	153	139
Other income (expense), net	(1,880)	(654)	186
Loss before income taxes	(30,202)	(25,652)	(18,805)
Provision for income taxes	478	362	162
Net loss	(30,680)	(26,014)	(18,967)
Accretion of redeemable convertible preferred stock to redemption value	(147)	(153)	(98)
Net loss attributable to common stockholders	(30,827)	(26,167)	(19,065)
Other comprehensive income (loss):			
Changes in foreign currency translation adjustment	(147)	—	—
Changes in gains (losses) on short-term investments, net	196	23	(15)
Net change in other comprehensive income (loss)	49	23	(15)
Comprehensive loss	$ (30,778)	$ (26,144)	$ (19,080)
Net loss per share attributable to common stockholders, basic and diluted	$ (6.94)	$ (29.84)	(38.59)
Weighted-average number of common shares used to compute basic and diluted net loss per share	4,440,663	876,932	494,066

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

Nevro Corp.
Consolidated Statements of Convertible Preferred Stock, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands, except share data)

	Series A Convertible Preferred Stock		Series B and C Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at January 1, 2012	5,437,826	$ 47,217	5,450,578	$ 58,093	641,324	$ 1	$ 1,192	$ (45,918)	$ 20	$ (44,705)
Accretion of redeemable convertible preferred stock issuance costs	—	—	—	98	—	—	—	(98)	—	(98)
Exercise of common stock options	—	—	—	—	435,661	—	601	—	—	601
Vesting of early exercised stock options	—	—	—	—	—	—	265	—	—	265
Stock based compensation expense	—	—	—	—	—	—	1,125	—	—	1,125
Net loss	—	—	—	—	—	—	—	(18,967)	—	(18,967)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(15)	(15)
Balances at December 31, 2012	5,437,826	47,217	5,450,578	58,191	1,076,985	1	3,183	(64,983)	5	(61,794)
Issuance of Series C redeemable convertible preferred stock in February and March 2013 at $11.11 per share for cash, net of issuance costs of $326,623	—	—	4,319,644	47,674	—	—	—	—	—	—
Accretion of redeemable convertible preferred stock issuance costs	—	—	—	153	—	—	—	(153)	—	(153)
Exercise of common stock options	—	—	—	—	43,431	—	111	—	—	111
Vesting of early exercised stock options	—	—	—	—	—	—	460	—	—	460
Stock based compensation expense	—	—	—	—	—	—	1,577	—	—	1,577
Net loss	—	—	—	—	—	—	—	(26,014)	—	(26,014)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	23	23
Balances at December 31, 2013	5,437,826	47,217	9,770,222	106,018	1,120,416	1	5,331	(91,150)	28	(85,790)
Accretion of redeemable convertible preferred stock issuance costs	—	—	—	147	—	—	—	(147)	—	(147)
Conversion of preferred stock to common stock	(5,437,826)	(47,217)	(9,770,222)	(106,165)	15,208,048	15	153,367	—	—	153,382
Issuance of common stock upon initial public offering, net of issuance costs	—	—	—	—	8,050,000	8	131,609	—	—	131,617
Issuance of common stock in connection with license agreement	—	—	—	—	20,833	—	523	—	—	523
Exercise of common stock options	—	—	—	—	466,194	1	963	—	—	964
Vesting of early exercised stock options	—	—	—	—	—	—	154	—	—	154
Stock based compensation expense	—	—	—	—	—	—	1,998	—	—	1,998
Net loss	—	—	—	—	—	—	—	(30,680)	—	(30,680)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	49	49
Balances at December 31, 2014	—	$ —	—	$ —	24,865,491	$ 25	$ 293,945	$ (121,977)	$ 77	$172,070

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

Nevro Corp.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net loss	$ (30,680)	$(26,014)	$(18,967)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	96	47	39
Provision for doubtful accounts	(172)	2	180
Stock-based compensation expense	1,998	1,577	1,125
Noncash research and development expense	523	—	—
Amortization (accretion) of premium (discount) on short term investments	82	540	538
Non-cash interest expense	11	—	—
Write down of inventory	754	1,066	—
Changes in operating assets and liabilities			
Accounts receivable	167	(750)	(2,427)
Inventories	(5,487)	(1,600)	(3,597)
Prepaid expenses and other current assets	(1,337)	1,246	(994)
Other assets	(204)	(138)	(35)
Accounts payable	1,283	1,227	624
Accrued liabilities	1,763	1,888	1,082
Other long term liabilities	55	(186)	(35)
Net cash used in operating activities	(31,148)	(21,095)	(22,467)
Cash flows from investing activities			
Purchases of short-term investments	(159,265)	(70,404)	(40,350)
Proceeds from maturity of short-term investments	51,835	50,760	55,706
Restricted cash	—	(200)	(50)
Purchase of property and equipment	(625)	(55)	(30)
Net cash provided by (used) in investing activities	(108,055)	(19,899)	15,276
Cash flows from financing activities			
Proceeds from issuance of notes payable	19,500	—	—
Proceeds from issuance of convertible preferred stock, net	—	47,674	—
Proceeds from issuance of common stock in initial public offering, net	131,617	—	—
Proceeds from issuance of common stock from stock option exercises	964	111	1,532
Net cash provided by financing activities	152,081	47,785	1,532
Net increase (decrease) in cash and cash equivalents	12,878	6,791	(5,659)
Cash and cash equivalents			
Cash and cash equivalents at beginning of period	12,409	5,618	11,277
Cash and cash equivalents at end of period	$ 25,287	$ 12,409	$ 5,618
Supplemental disclosures of cash flow information—Cash paid for income taxes	$ 243	$ 179	$ 32
Significant non-cash transactions			
Vesting of early exercised stock options	$ 154	$ 460	$ 265

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

Nevro Corp.
Notes to Consolidated Financial Statements

1. Formation and Business of the Company

We were incorporated in Minnesota on March 10, 2006 to manufacture and market innovative active implantable medical devices for the treatment of neurological disorders initially focusing on the treatment of chronic pain. Subsequently, we were reincorporated in Delaware on October 4, 2006 and relocated to California.

Since inception, the Company has incurred net losses and negative cash flows from operations. During the year ended December 31, 2014, the Company incurred a net loss of $30.7 million and used $31.1 million of cash in operations. At December 31, 2014, the Company had an accumulated deficit of $122.0 million and does not expect to experience positive cash flows in the near future. The Company has financed operations to date primarily through private placements of equity securities, the issuance of common stock in the initial public offering completed in November 2014, and borrowings under a debt agreement. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, amongst other things, obtaining U.S. Food and Drug Administration (FDA) approval and commercializing in the United States, generating sufficient revenues and its ability to continue to control expenses, if necessary, to meet its obligations as they become due for the foreseeable future. Failure to increase sales of its products, obtain U.S. FDA approval, manage discretionary expenditures or raise additional financing, as required, may adversely impact the Company's ability to achieve its intended business objectives.

Initial Public Offering

In November 2014, the Company completed its initial public offering (IPO) of shares of its common stock and as a result, the following transactions were recorded in the Company's consolidated financial statements during the fourth quarter of 2014:

- the sale of 8,050,000 shares of common stock, including 1,050,000 from the exercise by the underwriters of their overallotment option, at an offering price of $18.00 per share, for net proceeds of $131.6 million, after deducting the underwriters' discounts, commissions, and estimated offering costs; and
- immediately prior to the completion of the IPO, all the outstanding shares of the Company's redeemable convertible preferred stock and convertible preferred stock were converted into 15,208,048 shares of common stock.

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP). The consolidated financial statements include the Company's accounts and those of its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Segments

The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by geographic region, for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, the Company has determined that it has a single reportable and operating segment structure. The Company and its Chief Executive Officer evaluate performance based primarily on revenue in the geographic locations in which the Company operates.

The Company derives all of its revenues from sales to customers in Australia and Europe, and has not yet received approval to sell its products in the Unites States. Revenue by geography is based on the billing address of the customer. The following table sets forth revenue by geographic area for countries with revenue accounting for more than 10% of the total revenue during the periods presented:

	Years ended December 31,		
	2014	2013	2012
Australia	35%	30%	28%
United Kingdom	18%	19%	15%
Germany	17%	18%	14%
Netherlands	7%	9%	11%
Ireland	4%	7%	12%

Long-lived assets and operating income outside the U.S. are not material; therefore disclosures have been limited to revenue.

Foreign Currency Translation

The Company's consolidated financial statements are prepared in U.S. dollars (USD). Its foreign subsidiaries use their local currency as their functional currency and maintain their records in the local currency. Accordingly, the assets and liabilities of these subsidiaries are translated into United States Dollars using the current exchange rates in effect at the balance sheet date and equity accounts are translated into United States dollars using historical rates. Revenues and expenses are translated using the monthly average exchange rates during the period when the transaction occurs. The resulting foreign currency translation adjustments from this process are recorded in accumulated other comprehensive income (loss) in the consolidated balance sheets. Unrealized foreign exchange gains and losses from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of the reporting entity are recorded in other income (expense), net. The Company recorded net unrealized foreign currency transaction gain or loss of $1.1 million, $0.3 million and $0.2 million during the years ended December 31, 2014, 2013 and 2012, respectively. Additionally, realized gains and losses resulting from transactions denominated in currencies other than the local currency are recorded in other income (expense), net in the consolidated statements of operations. The Company recorded realized foreign currency transaction losses of $0.6 million, $0.2 million, and $34,000, during the year ended December 31, 2014, 2013 and 2012, respectively.

As the Company's international operations grow, its risks associated with fluctuation in currency rates will become greater, and the Company will continue to reassess its approach to managing this risk. In addition, currency fluctuations or a weakening U.S. dollar can increase the costs of the Company's international expansion. To date, the Company has not entered into any foreign currency hedging contracts. Based on its current international structure, the Company does not plan on engaging in hedging activities in the near future.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant accounting estimates and management judgments reflected in the consolidated financial statements include items such as allowances for doubtful accounts; clinical accruals; stock-based compensation; depreciation and amortization lives; inventory valuation; valuation of investments and deferred tax assets, including valuation allowances. Estimates are based on historical experience, where applicable, and other assumptions believed to be reasonable by the management. Actual results may differ from those estimates under different assumptions or conditions.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents and investments. The majority of the Company's cash is held by one financial institution in the United States of America in excess of federally insured limits. The Company maintained investments in money market funds that were not federally insured during the year ended December 31, 2014 and 2013 and held cash in foreign banks of approximately $4.3 million and $5.7 million at December 31, 2014 and 2013, respectively, that was not federally insured. The Company has not experienced any losses on its deposits of cash and cash equivalents.

All of the Company's revenue has been derived from sales of its products in international markets, principally Australia and Europe. In the international markets in which the Company participates, the Company uses both a direct sales force and distributors to sell its products. The Company performs ongoing credit evaluation of its direct customers and distributors, does not require collateral, and maintains allowances for potential credit losses on customer accounts when deemed necessary.

During the year ended December 31, 2014, no customers accounted for more than 10% of our revenues or the Company's accounts receivable balance as of December 31, 2014. During the year ended December 31, 2013, no customers accounted for more than 10% of the Company's revenue. As of December 31, 2013, one customer accounted for 11% of our accounts receivable balance. During the year ended December 31, 2012, two customers accounted for 11% and 11%, respectively, of the Company's revenue.

The Company is subject to risks common to early-stage medical device companies including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, product liability, uncertainty of market acceptance of products, and the need to obtain additional financing. The Company is dependent on third party manufacturers and suppliers, in some cases sole- or single-source suppliers.

There can be no assurance that the Company's products or services will continue to be accepted in the marketplace, nor can there be any assurance that any future products or services can be developed or manufactured at an acceptable cost and with appropriate performance characteristics, or that such products or services will be successfully marketed, if at all.

The Company's products require approval from the U.S. Food and Drug Administration prior to commencing commercial sales in the U.S. There can be no assurance that the Company's products will receive all of the required approvals. If the Company is denied such approvals or such approvals are delayed, it may have a material adverse impact on the Company's results of operations, financial position and liquidity.

The Company expects to incur substantial operating losses for the next several years and will need to obtain additional financing. There can be no assurance that such financing will be available or will be at terms acceptable by the Company.

Fair Value of Financial Instruments

Carrying amounts of certain of the Company's financial instruments, including cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities and debt approximate fair value due to their relatively short maturities.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include money market funds in

the amount of $10.6 million and $2.4 million as of December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the Company's cash equivalents were held in institutions in the U.S. and include deposits in a money market fund which was unrestricted as to withdrawal or use.

Restricted Cash

Restricted cash of $0.3 million and $0.3 million as of December 31, 2014 and 2013, respectively, represents certificates of deposit collateralizing payment of charges related to the Company's corporate credit cards.

Investment Securities

The Company classifies its investment securities as available-for-sale. Those investments with maturities less than 12 months at the date of purchase are considered short-term investments. Those investments with maturities greater than 12 months at the date of purchase are considered long-term investments. The Company's investment securities classified as available-for-sale are recorded at fair value based upon quoted market prices at period end. Unrealized gains and losses, deemed temporary in nature, are reported as a separate component of comprehensive income or loss.

A decline in the fair value of any security below cost that is deemed other than temporary results in a charge to earnings and the corresponding establishment of a new cost basis for the security. Premiums (discounts) are amortized (accreted) over the life of the related security as an adjustment to yield using the straight-line interest method. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Inventories

Inventories are stated at the lower of cost to purchase or manufacture the inventory or the market value of such inventory. Cost is determined using the standard cost method which approximates the first-in, first-out basis. Market value is determined as the lower of replacement cost or net realizable value. The Company regularly reviews inventory quantities in consideration of actual loss experiences, projected future demand, and remaining shelf life to record a provision for excess and obsolete inventory when appropriate.

The Company's policy is to write down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value and inventory in excess of expected requirements. The estimate of excess quantities is subjective and primarily dependent on the Company's estimates of future demand for a particular product. If the estimate of future demand is inaccurate based on actual sales, the Company may increase the write down for excess inventory for that component and record a charge to inventory impairment in the accompanying consolidated statements of operations and comprehensive loss. The Company periodically evaluates the carrying value of inventory on hand for potential excess amount over demand using the same lower of cost or market approach as that has been used to value the inventory. The Company also periodically evaluates inventory quantities in consideration of actual loss experience. As a result of these evaluations, for the year ended December 31, 2014 and 2013, the Company recognized a total write down of $0.8 million and $1.1 million for Senza inventories. The Company's estimation of the future demand for a particular component of the Senza product may vary and may result in changes in estimates in any particular period.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and are included in cost of revenue.

Revenue Recognition

The Company recognizes revenue when all of the following criteria are met:

- persuasive evidence of an arrangement exists;
- the sales price is fixed or determinable;

- collection of the relevant receivable is probable at the time of sale; and
- delivery has occurred or services have been rendered.

For a majority of sales, where the Company's sales representative delivers its product at the point of implantation at hospitals or medical facilities, the Company recognizes revenue upon completion of the procedure and authorization, which represents satisfaction of the required revenue recognition criteria. For the remaining sales, which are sent from the Company's distribution centers directly to hospitals and medical facilities, as well as distributor sales where product is ordered in advance of an implantation procedure and a valid purchase order has been received, the Company recognizes revenue at the time of shipment of the product, which represents the point in time when the customer has taken ownership and assumed the risk of loss and the required revenue recognition criteria are satisfied. The Company's customers are obligated to pay within specified terms regardless of when or if they ever sell or use the products. The Company does not offer rights of return or price protection and it has no post-delivery obligations.

The Company has a limited one-year warranty to most customers. Estimated warranty obligations are recorded at the time of sale and to date, warranty costs have been insignificant.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over the assets' estimated useful lives of three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the life of the lease. Upon retirement or sale, the cost and related accumulated depreciation are removed from the consolidated balance sheet and the resulting gain or loss is reflected in operations. Maintenance and repairs are charged to operations as incurred.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. When such an event occurs, management determines whether there has been impairment by comparing the anticipated undiscounted future net cash flows to the related asset group's carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset. There were no impairment charges, or changes in estimated useful lives recorded through December 31, 2014.

Income Taxes

The Company records income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or income tax returns. In estimating future tax consequences, expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities. To date, all of the Company's revenues have been derived outside of the United States, and the taxes paid have been predominantly due to income taxes in foreign jurisdictions in which we conduct business. The Company provides for tax contingencies whenever it is deemed probable that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Tax contingencies are based upon their technical merits, relative tax law, and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax contingencies.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) a determination is made as to whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority.

Comprehensive Income (Loss)

Comprehensive income (loss) represents all changes in the stockholders' equity (deficit) except those resulting from distributions to stockholders. The Company's unrealized gains on short-term available-for-sale investment securities and foreign currency translation adjustments represent the components of other comprehensive income (loss) that are excluded from the reported net loss and are presented in the consolidated statements of operations and comprehensive loss.

Research and Development

Research and development, or R&D, costs, including new product development, regulatory compliance and clinical research, are charged to operations as incurred in the consolidated statements of operations and comprehensive loss. Such costs include personnel-related costs, including stock-based compensation, supplies, services, depreciation, allocated facilities and information services, clinical trial and related clinical manufacturing expenses, fees paid to investigative sites and other indirect costs.

Stock-Based Compensation

The Company accounts for stock-based compensation arrangements with employees in accordance with ASC 718, C *ompensation—Stock Compensation* . ASC 718 requires the recognition of compensation expense, using a fair value-based method, for costs related to all share-based payments including stock options.

The Company's determination of the fair value of stock options on the date of grant utilizes the Black-Scholes option-pricing model, and is impacted by its common stock price as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected term that options will remain outstanding, expected common stock price volatility over the term of the option awards, risk-free interest rates and expected dividends.

The fair value is recognized over the period during which an optionee is required to provide services in exchange for the option award, known as the requisite service period (usually the vesting period) on a straight-line basis. Stock-based compensation expense recognized at fair value includes the impact of estimated forfeitures. The Company estimates future forfeitures at the date of grant and revises the estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Equity instruments issued to non-employees are recorded at their fair value on the measurement date and are subject to periodic adjustments as the underlying equity instruments vest. The fair value of options granted to consultants is expensed when vested. The non-employee stock-based compensation expense was not material for all periods presented.

Estimating the fair value of equity-settled awards as of the grant date using valuation models, such as the Black-Scholes option pricing model, is affected by assumptions regarding a number of complex variables. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. For all stock options granted to date, we estimated the volatility data based on a study of publicly traded industry peer companies. For purposes of identifying these peer companies, we considered the industry, stage of development, size and financial leverage of potential comparable companies. The risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues similar in duration to the expected term of the equity-settled award.

The Company recognizes a benefit from stock-based compensation as additional paid-in capital if an incremental tax benefit is realized by following the with-and-without approach. In addition, the company has also elected to ignore the indirect tax effects of stock-based compensation deductions for financial and accounting reporting purposes.

Net Loss per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, redeemable convertible preferred stock and common stock options are considered to be potentially dilutive securities. Because the Company has reported a net loss in all periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition* . This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU's effective date will be the first quarter of fiscal year 2017 using one of two retrospective application methods. The Company is in the process of determining the potential effects of this ASU on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* . ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for the Company in its first quarter of 2016 with early adoption permitted. The Company does not expect its pending adoption of ASU 2014-12 to have a material impact on its consolidated financial statements and disclosures.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern,* to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the Company in the first quarter of 2017 with early adoption permitted. The Company does not expect its pending adoption of ASU 2014-15 to have an impact on its consolidated financial statements and disclosures.

3. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

- Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

- Level 2— Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash Equivalents and Short Term Investments

The Company's cash equivalents are comprised of investments in money market funds that are classified as Level 1 of the fair value hierarchy. To value its money market funds, the Company values the funds at $1 stable net asset value, which is the market pricing convention for identical assets that the Company has the ability to access. The Company's short-term investments are comprised of commercial paper, corporate notes and U.S. government agency obligations. All short-term investments have been classified within Level 2 of the fair value hierarchy because of the sufficient observable inputs for revaluation. The Company's Level 2 investments are valued using third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar investments, issuer credit spreads, benchmark investments, prepayment/default projections based on historical data and other observable inputs. The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

Balance as of December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [(i)]	$10,590	$ —	$ —	$ 10,590
Commercial paper [(ii)]	—	140,484	—	140,484
Corporate notes [(ii)]	—	19,037	—	19,037
Total	$10,590	$159,521	$ —	$170,111

Balance as of December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds [(i)]	$ 2,372	$ —	$ —	$ 2,372
Commercial paper [(ii)]	—	15,246	—	15,246
Corporate notes [(ii)]	—	30,377	—	30,377
Total	$ 2,372	$ 45,623	$ —	$ 47,995

(i) Included in cash and cash equivalents on the consolidated balance sheets.
(ii) Included in either cash and cash equivalents or short-term investments on the consolidated balance sheets.

4. Balance Sheet Components

Investments

The fair value of the Company's cash equivalents and short-term investments, approximates their respective carrying amounts due to their short-term maturity. The following is a summary of the gross unrealized gains and unrealized losses on the Company's investment securities (in thousands):

	December 31, 2014			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Investment Securities				
Commercial paper [(i)]	$140,273	$ 211	$ —	$140,484
Corporate notes	19,040	—	(3)	19,037
Total securities	$159,313	$ 211	$ (3)	$159,521

(i) Includes $8.0 million of commercial paper that is classified as cash and cash equivalents on the consolidated balance sheet.

	December 31, 2013			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Investment Securities				
Commercial paper [(i)]	$ 15,231	$ 15	$ —	$ 15,246
Corporate notes	30,379	2	(4)	30,377
Total securities	$ 45,610	$ 17	$ (4)	$ 45,623

(i) Includes $1.5 million of commercial paper that is classified as cash and cash equivalents on the consolidated balance sheet.

Realized gains or losses from the sale of investments and other-than-temporary impairments, if any, on available-for-sale securities are reported in other income (expense), net as incurred. The cost of securities sold was determined based on the specific identification method. The Company has not recorded any realized gains, realized losses or impairment on its investments during the periods presented.

The contractual maturities of the Company's investment securities were all within one year as of December 31, 2014 and 2013.

Inventories, Net (in thousands)

	December 31	
	2014	2013
Raw materials	$ 7,960	$ 4,595
Finished goods	6,896	5,528
	$14,856	$10,123

Property and Equipment, Net (in thousands)

	December 31	
	2014	2013
Laboratory equipment	$ 390	$ 105
Computer equipment and software	125	79
Furniture and fixtures	112	95
Leasehold improvements	22	22
Construction in process	333	55
Total	982	356
Less: Accumulated depreciation and amortization	(335)	(239)
Property and equipment, net	$ 647	$ 117

Depreciation and amortization expense for the years ended December 31, 2014, 2013 and 2012 was $96,000, $47,000 and $39,000, respectively. During the year ended December 31, 2013, the Company retired equipment having an original cost of $0.1 million, and removed the cost and the related accumulated depreciation from the consolidated balance sheet.

Accrued Liabilities (in thousands)

	December 31	
	2014	2013
Accrued payroll and related expenses	$4,268	$2,545
Accrued professional fees	184	186
Accrued taxes	998	929
Accrued clinical and research expenses	613	454
Accrued other	205	422
Total accrued liabilities	$6,268	$4,536

5. Commitments and Contingencies

Operating Leases

The Company entered into a non-cancellable operating lease effective May 1, 2010 for facilities in Menlo Park, as amended in 2012 to extend the period of the lease until May 31, 2015. In March 2015, the Company extended the lease through September 30, 2015 and is obligated to pay approximately $275,000 in additional rent payments. In August 2014, the Company entered into a new facility lease for warehouse space beginning on August 21, 2014 through May 31, 2015, under which it is obligated to pay approximately $100,000 in lease payments over the term of the lease.

In February 2015, the Company entered into a lease agreement for approximately 50,000 square feet of office space located in Redwood Shores, California for a period beginning in June 2015 through May 2022 with initial annual payments of approximately $2.0 million, increasing to $2.4 million annually during the final year of the lease term.

Rent expense for the years ended December 31, 2014, 2013 and 2012 was $0.7 million, $0.5 million and $0.3 million, respectively.

Future minimum lease payments under the operating leases as of December 31, 2014 are as follows (in thousands):

	Operating Leases
Year ending December 31,	
2015	359
	$ 359

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. There have been no contingent liabilities requiring accrual or disclosure at December 31, 2014 and 2013.

Indemnification

The Company enters into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third-party with respect to the Company's technology. The term of these indemnification agreements is generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future, but have not yet been made.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that reduces the Company's exposure and enables the Company to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

The Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements. No liability associated with such indemnifications has been recorded to date.

License Agreement

In March 2006, the Company entered into an amended and restated license agreement with the Mayo Foundation for Medical Education and Research, or the Mayo Foundation, and Venturi Group LLC, or VGL, which provides the Company access to the certain know how and licensed patents owned by Mayo and VGL for treatment of central, autonomic and peripheral nervous system disorders, including pain, using devices to modulate nerve signaling. The licenses granted are exclusive and the Company has the right to sub-license. The agreement will terminate upon the last to expire patent application, unless terminated earlier. The agreement can be terminated anytime after three years from March 2006 by Mayo or VGL.

Per terms of the license, the Company is required to pay royalties based on the greater of earned royalty or minimum royalty. The earned royalty will be based on a percentage of net sales of licensed products either by the Company or the sub-licensee. The minimum royalty payment will be based on royalty periods as defined in the agreement.

In March 2011, the Company entered into a Phase II License Agreement with Mayo which provides the Company access to the certain know how and licensed patents owned by Mayo. The licenses granted are exclusive and the Company has the right to sub-license. The agreement will terminate upon the last to expire patent application, unless terminated earlier.

Per terms of the license, the Company is required to:

- Pay a retainer fee of $40,000 per annum starting March 2011 and ending February 2013;
- Pay royalties based on the greater of earned royalty or minimum royalty. The earned royalty will be based on a percentage of net sales of licensed products either by the Company or the sub-licensee. The minimum annual royalty payment is $200,000.

Retainer fees paid and recognized as research and development expenses during the years ended December 31, 2013 and 2012 was $18,000 and $40,000, respectively. Royalties paid during the years ended December 31, 2014, 2013 and 2012 were $0.3 million, $0.2 million and $0.2 million, respectively.

In November 2014, the Company issued Mayo 20,833 shares of common stock owed in connection with the IPO pursuant to the terms of the license, and recorded noncash research and development expense of $0.5 million for the fair value of the shares on the date of issuance.

6. Notes Payable

Capital Royalty Term Loan

On October 24, 2014, the Company entered into a credit facility (the “credit facility”) with Capital Royalty Partners and certain of its affiliates (the “lenders”) under which, subject to certain conditions, the Company may enter into three term loan agreements totaling $50.0 million with the lenders on or before September 30, 2015. Under the credit facility, each term loan is to be paid over 24 quarterly payment periods, with the first payment due on the last day of the calendar quarter during the period for which the term loan is made. The first twelve quarterly payments will be interest only payments, and the last twelve quarterly payments will be equal installments in which interest and principal amounts are paid. Interest is calculated at a fixed rate of 11.5% per annum. During the interest only period for the first twelve quarterly payments under each term loan, the Company may elect to make the 11.5% interest payment by making a cash payment for the 8.0% per annum of interest and making a payment in kind for the remaining amount, for which the 3.5% per annum of interest would be added to the outstanding principal amount of the loans. The Company has initially chosen not to elect the payment in kind option. The final payment will also include an additional amount for closing and repayment fees equivalent to 5% of the term loan agreement. The Company entered into the first term loan for $20.0 million on December 12, 2014, and incurred closing fees of $0.5 million. The Company is eligible to enter into a second term loan for a principal amount of $10.0 million on or prior to March 31, 2015, upon meeting certain conditions. In March 2015, the Company entered into a First Amendment under its credit facility with Capital Royalty Partners to extend the draw-down deadline of the second draw from March 31, 2015 to June 29, 2015. The Company may also enter into a third term loan for a principal amount of $20.0 million on or prior to September 30, 2015, upon, among other conditions, raising $30.0 million in net proceeds from a private equity financing or receiving FDA approval of the Company’s PMA for Senza. Upon the satisfaction of certain conditions precedent on or prior to September 30, 2016, including the receipt of FDA approval of the Company’s PMA for Senza, the interest only period will be extended so that the outstanding principal amount of the terms loans will be payable in a single installment at maturity (the 24th quarterly payment date after the first borrowing). The credit facility contains customary events of default, including in the event of bankruptcy or upon the occurrence of a material adverse change. The Company’s obligations under the credit facility are collateralized by substantially all of its assets, including its intellectual property.

The credit facility includes affirmative and negative covenants, including certain minimum financial covenants for pre-specified liquidity and revenue requirements. In particular, the Company is required to maintain a minimum of $5.0 million of cash and certain cash equivalents, and the Company must achieve

minimum revenue of $25.0 million in 2015, $30.0 million in 2016, $40.0 million in 2017, $50.0 million in 2018 and $70.0 million in 2019. In addition, the credit facility prohibits the payment of cash dividends on the Company's capital stock and also places restrictions on mergers, sales of assets, investments, incurrence of liens, incurrence of indebtedness and transactions with affiliates. As of December 31, 2014, the Company was in compliance with all applicable covenants.

As of December 31, 2014, future minimum payments for the notes are as follows (in thousands):

	Term Loans
2015	$ 2,332
2016	2,338
2017	3,739
2018	7,977
2019 and beyond	14,960
Total minimum payments	31,346
Less: Amount representing interest	(10,346)
Less: Amount representing closing and repayment fees	(1,000)
Present value of minimum payments	20,000
Less: Unamortized debt discount	(495)
Plus: Accretion of closing and repayment fees	6
Notes payable, net	19,511
Less: Notes payable, current portion	—
Non-current portion of notes payable	$ 19,511

7. Convertible Preferred Stock

Prior to the initial public offering, the Company had outstanding 15,208,048 shares of convertible preferred stock. Each share of preferred stock was convertible to one share of common stock. Upon the closing of the Company's initial public offering on November 11, 2014, all shares of outstanding redeemable convertible preferred stock were automatically converted to 15,208,048 million shares of the Company's common stock.

The Company recorded the Series B and C redeemable convertible preferred stock at fair value on the dates of issuance. The Company classifies the Series B and C redeemable convertible preferred stock outside of stockholders' deficit because the shares contain liquidation features that are not solely within the Company's control. The Series B and C redeemable convertible preferred shares were originally issued with a contingent redemption feature, which allowed the holders to redeem their shares five years following the issuance date of the Series B and C redeemable preferred shares. Accordingly, the Company is accreting the Series B and C redeemable convertible preferred stock for change in redemption value with a change to accumulated deficit at the end of each reporting period. Accordingly, the Company has accreted $0.1 million and $0.2 million during the years ended December 31, 2014 and 2013, respectively.

8. Stock-Based Compensation

Summary of Plans

The Company's Board of Directors, or Board, and stockholders previously approved the 2007 Stock Option Plan (the "2007 Plan"). In October 2014, the Board adopted the 2014 Equity Incentive Award Plan (the "2014 Plan" and, together with the 2007 Plan, the "Stock Plans") and the 2014 Employee Stock Purchase Plan. Under the 2014 Plan, 1,854,166 shares of common stock were initially reserved for issuance, plus the number of shares remaining available for future awards under the Company's 2007 Stock Incentive Plan, as amended (the "2007

Plan"), as of the pricing of the IPO. The number of shares initially reserved for issuance under the 2014 Plan is subject to increase by (i) the number of shares represented by awards outstanding under the 2007 Plan that are forfeited or lapse unexercised and which following the pricing date are not issued under the 2007 Plan, and (ii) an annual increase on January 1 of each year. A total of 196,666 shares of common stock were initially available for future issuance under the 2014 Employee Stock Purchase Plan, subject to an annual increase on January 1 of each year. As of December 31, 2014, no stock had been issued under the 2014 Employee Stock Purchase Plan.

As of the effective date of the 2014 Plan, the Company suspended the 2007 Plan and no additional awards may be granted under the 2007 Plan. Any shares of common stock covered by awards granted under the 2007 Plan that terminate after the effective date of the 2014 Plan by expiration, forfeiture, cancellation or other means without the issuance of such shares, will be added to the 2014 Plan reserve.

Options granted under the 2014 Plan may be either incentive stock options, nonstatutory stock options, restricted stock awards and stock appreciation rights. Incentive stock options ("ISO") may be granted only to Company employees (including directors who are also employees). Nonqualified stock options ("NSO") may be granted to Company employees, directors and consultants. Upon the exercise of options, the Company issues new common stock from its authorized shares. Options under the 2014 Plan may be granted for periods of up to ten years and at prices no less than 100% of the estimated fair value of the shares on the date of grant as determined by the Board, provided, however, that the exercise price of an ISO or an NSO granted to a 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. The vesting provisions of individual options may vary but provide for vesting of at least 20% per year.

Early Exercises

Stock options previously granted under the 2007 Plan allowed the board of directors to grant awards to provide employee option holders the right to elect to exercise unvested options in exchange for restricted common stock. Unvested shares, which amounted to 29,613 at December 31, 2014, and 57,202 and 184,960 at December 31, 2013 and 2012, respectively, were subject to a repurchase right held by the Company at the original issue price in the event the optionees' employment was terminated either voluntarily or involuntarily. For exercises of employee options, this right lapses according to the vesting schedule designated on the associated option grant. The repurchase terms are considered to be a forfeiture provision. The shares purchased by the employees pursuant to the early exercise of stock options are not deemed to be issued or outstanding for accounting purposes until those shares vest, though they are legally issued and outstanding. In addition, cash received from employees for exercise of unvested options is treated as a refundable deposit shown as a liability on the consolidated balance sheets. As of December 31, 2014 and 2013 cash received related to unvested shares totaled $0.1 million and $0.2 million, respectively. Amounts recorded are transferred into common stock and additional paid-in-capital as the shares vest.

Restricted Stock

In March 2011, the Company issued 416,983 common shares under a restricted stock agreement to one of the officers of the Company at a purchase price of $1.44 per share. Under the terms of the agreement, the holder was entitled to purchase the shares in exchange for a promissory note. All the shares were purchased in March 2011 in exchange for a promissory note aggregating to $0.6 million. The restricted stock agreement granted the Company repurchase rights which lapsed upon attainment of full vesting by the stockholder. The restricted common shares vested 33% one year from the vesting start date and monthly thereafter over the next two years. The note bore interest at 0.54% per annum compounded annually. The principal amount of the note along with accrued interest was discharged on a quarterly basis in arrears on a pro rata basis over a period of three years conditioned upon the holder continuing to provide services to the Company. The Company accounted for the grant of the restricted common stock as stock-based compensation based on the fair value of the shares on the

original grant date, and recognized expense over the three-year vesting period. The Company recorded stock-based compensation expenses of $48,000 and $0.3 million for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, zero and 34,749 shares of common stock were subject to repurchase by the Company, respectively.

Activity under the Stock Plans was as follows:

		Options Outstanding			
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balances at January 1, 2012	278,314	1,962,900	$ 2.64		
Additional shares reserved	537,136	—			
Options granted	(584,550)	584,550	$ 3.60		
Options exercised	—	(435,661)	$ 3.60		
Options cancelled	133,920	(133,920)	$ 3.60		
Balances at December 31, 2012	364,820	1,977,869	$ 2.65	8.4	$ 1,741
Additional shares reserved	1,014,289	—			
Options granted	(915,458)	915,458	$ 3.60		
Options exercised	—	(43,431)	$ 2.64		
Options cancelled	117,934	(117,934)	$ 3.60		
Balances at December 31, 2013	581,585	2,731,962	$ 2.88	8.0	$ 1,655
Additional shares reserved	1,854,166	—			
Options granted	(753,102)	753,102	$ 13.50		
Options exercised	—	(498,565)	$ 2.26		
Options cancelled	12,767	(12,767)	$ 3.60		
Balances at December 31, 2014	1,695,416	2,973,732	$ 5.77	7.9	$ 97,832
Options exercisable as of December 31, 2014		1,449,417	$ 3.00	6.8	$ 51,707
Options vested, exercisable, or expected to vest December 31, 2014		2,919,086	$ 5.35	7.8	$ 97,252

The options outstanding and vested under the Stock Plans by exercise price, at December 31, 2014, are as follows:

Options Outstanding				Options Vested		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value (in thousands)	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
$0.96	64,242	3.48	$ 2,423	66,064	$ 0.96	$ 2,491
$1.44	328,926	5.42	12,246	342,453	$ 1.44	12,750
$1.92	69,052	6.37	2,538	62,715	$ 1.92	2,305
$3.60	2,030,147	7.99	71,196	968,092	$ 3.60	33,951
$10.08	37,745	9.70	1,079	208	$ 10.08	6
$18.00	387,121	9.85	8,002	9,885	$ 18.00	204
$32.51	56,499	9.95	348	—	$ 32.51	—
	2,973,732		$ 97,832	1,449,417		$ 51,707

The aggregate pretax intrinsic value of options exercised during the years ended December 31, 2014 and 2013, was $68,000 and $45,000, respectively. The intrinsic value is the difference between the estimated fair value of the Company's common stock at the date of exercise and the exercise price for in-the-money options. The aggregate fair value of shares vested during the years ended December 31, 2014 and 2013 was $0.1 million, and $1.1 million, respectively. The weighted-average grant-date fair value of options granted during the years ended December 31, 2014 and 2013 was $11.33, and $1.92 per share, respectively.

Employee Stock-Based Compensation

Stock-based compensation expense recognized during the years ended December 31, 2014, 2013 and 2012 for stock-based awards granted to employees based on the grant date fair value estimated in accordance with the provisions of ASC 718 was $2.0 million, $1.6 million and $1.1 million, respectively. As of December 31, 2014, there were total unrecognized compensation expenses of $5.7 million, net of estimated forfeitures, related to these stock options that is expected to be recognized over a weighted-average amortization period of 3.6 years.

The Company estimated the fair value of stock options using the Black-Scholes option valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of employee stock options was estimated using the following weighted average assumption:

	Years Ended December 31,		
	2014	2013	2012
Expected term (in years)	5.3 - 6.1	5.9 - 6.1	5.8 - 6.1
Expected volatility	57% - 63%	62% - 63%	63% - 66%
Risk-free interest rate	1.7% - 2.0%	1.1% - 1.8%	0.8% - 1.3%
Dividend yield	0%	0%	0%

Expected Term. The expected term of stock options represents the weighted-average period that the stock options are expected to remain outstanding. The Company has opted to use the "simplified method" for estimating the expected term of the options, whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the option.

Expected Volatility. The Company determined the share price volatility for options granted based on an analysis of the volatility used by a peer group of publicly traded medical device companies. In evaluating similarity, the Company considered factors such as industry, stage of life cycle and size. In future periods, the Company expects to utilize its own stock trading volatility to determine stock based compensation expense.

Risk-Free Interest Rate. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of the grant for zero-coupon U.S. Treasury notes with remaining terms similar to the expected term of the options.

Dividend Rate. The expected dividend was assumed to be zero as the Company has never paid dividends and has no current plans to do so.

Expected Forfeiture Rate. The Company is required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period that the estimates are revised.

The following table sets forth the stock-based compensation expense recorded under ASC 718:

	Years Ended December 31,		
	2014	2013	2012
		(in thousands)	
Cost of revenue	$ 131	$ 10	$ 8
Research and development	677	349	277
Sales, general and administrative	1,190	1,218	840
	$1,998	$1,577	$1,125

9. Income Taxes

The components of the Company's income (loss) before income taxes were as follows:

	Years Ended December 31,		
	2014	2013	2012
		(in thousands)	
Domestic	$(31,807)	$(26,574)	$(19,450)
Foreign	1,605	922	645
Total income (loss) before income taxes	$(30,202)	$(25,652)	$(18,805)

The components of income tax expense are as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Current:			
Federal	$ —	$ —	$ —
State	2	(6)	(5)
Foreign	476	368	167
Total current	478	362	162
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	—	—	—
Total deferred	—	—	—
Total income tax expense	$ 478	$ 362	$ 162

Income tax expense differs from the amount computed by applying the statutory federal income tax rate as follows:

	Years Ended December 31,		
	2014	2013	2012
Tax at statutory federal rate	34.0%	34.0%	34.0%
State tax, net of federal benefit	0.0%	0.0%	0.0%
Others	(5.3)%	(3.4)%	(5.4)%
Foreign rate differential	0.2%	(0.2)%	0.3%
Tax credits	2.0%	4.2%	0.2%
Change in valuation allowance	(32.5)%	(36.0)%	(30.0)%
Total	(1.6)%	(1.4)%	(0.9)%

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets are as follows:

	Years Ended December 31,		
	2014	2013	2012
		(in thousands)	
Net operating loss carryforwards	$ 37,977	$ 29,491	$ 22,122
Tax credits	3,713	2,937	1,681
Depreciation	29	8	6
Stock-based compensation	471	371	224
Accruals and reserves	1,215	1,363	279
Others	262	98	—
	43,667	34,268	24,312
Valuation allowance	(43,667)	(34,268)	(24,312)
Net deferred tax assets	$ —	$ —	$ —

The Company has established a full valuation allowance against its deferred tax assets due to the uncertainty surrounding realization of these assets.

Our deferred tax assets do not include the excess tax benefit related to stock-based compensation that are a component of our federal and state net operating loss carryforwards in the amount of $1.9 million as of December 31, 2014. The excess tax benefit reflected in our net operating loss carryforwards will be accounted for as a credit to shareholders' equity, if and when realized. In determining if and when excess tax benefits have been realized, we have elected to utilize the with-and-without approach with respect to such excess tax benefits. We have also elected to ignore the indirect tax effects of stock-based compensation deductions for financial and accounting reporting purposes, and specifically to recognize the full effect of the research tax credit in income from operations.

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $9.4 million and $10.0 million for the years ending December 31, 2014 and 2013, respectively.

As of December 31, 2014, the Company had net operating loss carryforwards, or NOLs, for federal and California state income tax purposes of approximately $108.2 million and $31.7 million, respectively. The federal NOLs begin expiring in 2026, and the state NOLs begin expiring in 2016.

As of December 31, 2014, the Company had research and development credit carryforwards of approximately $2.3 million and $1.6 million for federal and California state income tax purposes, respectively. The federal credit carryforward begins expiring in 2026, and the state credits carry forward indefinitely.

Under Section 382 of the Internal Revenue Code of 1986, as amended, the Company's ability to utilize NOLs or other tax attributes such as research tax credits, in any taxable year may be limited if the Company experiences, or has experienced, an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders, who own at least 5% of the Company's stock, increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. The Company may in the future experience, one or more Section 382 "ownership changes." If so, the Company may not be able to utilize a material portion of its NOLs and tax credits, even if the Company achieves profitability.

The Company has not provided residual U.S. tax on a portion of its foreign subsidiary unremitted earnings as of December 31, 2014 because it is anticipated that the majority of the deferred tax liability on the earnings, if remitted, would be offset by a foreign tax credit deferred tax asset. The impact, if any, to the net deferred taxes stated in the above table would be insignificant due to the small difference between the U.S. and foreign tax rate on the remitted earnings. The timing of any potential remittance of these earning is uncertain at December 31, 2014.

The Company had unrecognized tax benefits ("UTBs") of approximately $2.0 million as of December 31, 2014. All of the deferred tax assets associated with these UTBs are fully offset by a valuation allowance. The following table summarizes the activity related to UTBs (in thousands):

Balance at January 1, 2012	$ 565
Increases related to current year tax provisions	89
Balance at December 31, 2012	654
Increases related to current year tax provisions	228
Increases related to prior year tax provisions	183
Balance at December 31, 2013	1,065
Increases related to current year tax provisions	220
Increases related to prior year tax provisions	677
Balance at December 31, 2014	$1,962

All of these UTBs, if recognized, would affect the effective tax rate before consideration of the valuation allowance.

In accordance with ASC 740-10-50, the Company is classifying interest and penalties as a component of tax expense. There was no interest or penalties accrued at December 31, 2014, December 31, 2013, and December 31, 2012.

The Company files U.S. federal and state income tax and foreign income tax returns with varying statues of limitations. The Company's tax years from inception in 2006 will remain open to examination due to the carryover of the unused NOLs and tax credits. The Company does not have any tax audits or other proceedings pending.

The Company does not expect any material changes to the estimated amount of liability associated with its uncertain tax positions within the next twelve months.

10. Net Loss Per Share Attributable to Common Stockholders

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company (in thousands, except share and per share data):

	Years ended December 31,		
	2014	2013	2012
Net loss	$ (30,680)	$ (26,014)	$ (18,967)
Accretion of convertible preferred stock to redemption value	(147)	(153)	(98)
Net loss attributable to common stockholders-basic and diluted	$ (30,827)	$ (26,167)	$ (19,065)
Weighted-average shares outstanding	4,486,569	1,090,731	902,742
Less: weighted average shares subject to repurchase	(45,906)	(213,799)	(408,676)
Weighted average shares used to compute basic and diluted net loss per share	4,440,663	876,932	494,066
Net loss per share attributable to common stockholders, basic and diluted	$ (6.94)	$ (29.84)	$ (38.59)

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and dilutive common stock equivalents outstanding for the period, determined using the treasury-stock method and the as-if converted method, for convertible securities, if inclusion of these is dilutive. Because the Company has reported a net loss for all periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

The following potentially dilutive securities outstanding at the end of the periods presented have been excluded from the computation of diluted shares outstanding:

	December 31,		
	2014	2013	2012
Preferred stock	—	15,208,048	10,888,404
Options to purchase common stock	2,973,732	2,748,367	1,994,274
Total	2,973,732	17,956,415	12,882,678

11. Employee Benefit Plan.

In 2007, the Company adopted a 401(K) plan for its employees whereby eligible employees may contribute up to the maximum amount permitted by the Internal Revenue Code. Under the Plan, the Company does not provide matching contributions to employees.

12. Selected Quarterly Financial Information (Unaudited)

	Three Months Ended			
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	(In thousands, except per share data)			
Total revenue	$ 9,715	$ 8,668	$ 7,526	$ 6,664
Gross profit	$ 6,695	$ 5,931	$ 5,004	$ 3,665
Loss from operations	$ (7,106)	$ (6,498)	$ (7,461)	$ (7,241)
Net loss	$ (8,310)	$ (7,885)	$ (7,429)	$ (7,056)
Accretion of redeemable convertible preferred stock to redemption value	$ (16)	$ (44)	$ (44)	$ (43)
Net loss attributable to common stockholders	$ (8,326)	$ (7,929)	$ (7,473)	$ (7,099)
Net loss per common share, basic and diluted	$ (0.59)	$ (5.96)	$ (6.58)	$ (6.60)
Shares used in computing net income per common share, basic and diluted	14,229,775	1,329,610	1,136,259	1,075,932

	Three Months Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
	(In thousands, except per share data)			
Total revenue	$ 6,196	$ 6,198	$ 5,699	$ 5,407
Gross profit	$ 3,644	$ 3,728	$ 3,382	$ 3,273
Loss from operations	$ (6,535)	$ (5,362)	$ (6,191)	$ (7,063)
Net loss	$ (6,740)	$ (5,016)	$ (6,889)	$ (7,369)
Accretion of redeemable convertible preferred stock to redemption value	$ (41)	$ (41)	$ (40)	$ (31)
Net loss attributable to common stockholders	$ (6,782)	$ (5,057)	$ (6,929)	$ (7,399)
Net loss per common share, basic and diluted	$ (7.27)	$ (5.54)	$ (8.29)	$ (9.68)
Shares used in computing net income per common share, basic and diluted	933,008	912,838	835,734	764,493

13. Subsequent Events

In March 2015, the Company entered into a lease agreement for approximately 50,000 square feet of office space located in Redwood Shores, California for a period beginning in June 2015 through May 2022 with annual payments of approximately $2.0 million in the first year of the lease, increasing on a yearly basis up to approximately $2.4 million for the final year of the lease term. The lease also provides for certain limited rent abatements in the second year of the lease term, and a tenant improvement allowance of $2.3 million.

In March 2015, the Company extended its current headquarters lease agreement to extend the termination date of the lease agreement to September 30, 2015.

In March 2015, the Company entered into a First Amendment under its credit facility with Capital Royalty Partners to extend the draw-down deadline of the second draw from March 31, 2015 to June 29, 2015.

In March 2015, the ***Company*** entered into a First Amendment to the Product Supply and Development Agreement (the " ***Amendment*** ") to amend the Company's Product Supply and Development Agreement, dated as of April 5, 2009 (the " ***Agreement*** "), with its battery manufacturer used in its implantable pulse generator. The Amendment commits the Company to specified minimum purchase amounts over the course of the term of the Agreement and adjusts the battery manufacturer's production capacity and facilities commitments under the Agreement as well as certain pricing, purchasing, delivery and cancellation terms. The Amendment also extends the term of the Agreement to December 31, 2019, with an additional two-year automatic renewal period unless

the Company or the battery manufacturer provides notice of its intent not to renew prior to the commencement of such renewal term. The Amendment further provides the Company with the right to place a final order of batteries following termination of the Agreement, as amended and modifies certain warranty and assignment terms and the parties' limitations of liability.

The Company relies upon a single-source manufacturer of implantable pulse generators ("IPGs"). In April 2012, the Company entered into its original supply agreement, which was later amended in March 2013 and June 2014. In connection with entry into the new supply agreement, the existing supply agreement, which was to expire by its terms on March 31, 2015, was terminated.

In March 2015, the Company entered into a new multi-year supply agreement, pursuant to which its current single-source IPG manufacturer has agreed to manufacture and supply IPGs, chargers, trial simulators and programmer wands (collectively, the "Products"). The Company is obligated to purchase specified minimum purchase quantities of IPGs during the first two-years of the supply agreement and thereafter specified increasing percentages of IPGs, unless such IPGs are not able to be manufactured at similar quantities to those contemplated in the agreement. In addition, if the Company seeks to have a third-party manufacture any products, components and materials not currently produced as of the effective date of this supply agreement, the Company is obligated to provide its IPG manufacturer the opportunity to bid for the supply of such products, components and materials.

The supply agreement continues for ten years unless terminated earlier. The term of the supply agreement automatically renews for additional two-year terms unless one party provides the other party with written notice of termination at least one year prior to the end of the applicable renewal period. In the event of a change in control, the supply agreement may be terminated by the Company or the applicable acquirer, subject to payment of a termination fee of between $50.0 million and $75.0 million and other conditions, upon no earlier than six years after the effective date of the supply agreement. The supply agreement may also be terminated by the Company, subject to payment of a termination fee of $50.0 million, upon six months' prior written notice if the Company determines that it will discontinue the sale of the IPG; provided that the effective date of any such termination may not occur prior to the date that is 5 years after the effective date of the supply agreement. In addition, the supply agreement may be terminated by mutual agreement of the parties, or by either party, with written notice, upon the other party's cessation of business or other termination of its business operations, uncured material breach or insolvency of the other party.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014, the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Management's Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the most recent fiscal quarter covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

On March 13, 2015, we entered into a multi-year supply agreement with Centro de Construccion de Cardioestimuladores del Uruguay S.A. ("CCC"), a subsidiary of Greatbatch Ltd., as our single-source manufacturer of our implantable pulse generator ("IPG"). Under the supply agreement, CCC has agreed to manufacture and supply IPGs, chargers, trial simulators and programmer wands (collectively, the "Products"). We have agreed to pay an upfront payment to CCC in connection with the agreement.

We are obligated to purchase from CCC specified minimum purchase quantities of IPGs during the first two years of the Supply Term and thereafter specified increasing percentages of IPGs, unless CCC is unable to manufacture such IPGs, at similar quantities to those contemplated in the agreement. Beginning on the fifth calendar year of the Supply Term, we may, upon written notice and payment of a preset fee, reduce the minimum purchase quantities within certain thresholds. In addition, if we seek to have a third-party manufacture any

products, components and materials not currently produced by CCC as of the effective date of this supply agreement, we are obligated to provide CCC with the opportunity to bid for the supply of such products, components and materials.

At our option, and subject to certain conditions and increases in the specified minimum purchase quantities, CCC has agreed to provide us with qualified exclusivity. Subject to certain exceptions and limitations, neither CCC nor any affiliate of CCC may develop, manufacture, market, distribute, or sell any complete device in a certain field of use that requires regulatory approval to any entity other than us.

The supply agreement is effective immediately and continues for ten years unless terminated earlier (the "Supply Term"). The Supply Term automatically renews for additional two-year terms unless one party provides the other party with written notice of termination at least one year prior to the end of the applicable renewal period. In the event of a change in control, the supply agreement may be terminated by us or the applicable acquirer, subject to payment of a termination fee of between $50.0 million and $75.0 million and other conditions, upon no earlier than six years after the effective date of the supply agreement. The supply agreement may also be terminated by us, subject to payment of a termination fee of $50.0 million, upon six months' prior written notice if we determine that we will discontinue the sale of the IPG; provided that the effective date of any such termination may not occur prior to the date that is 5 years after the effective date of the supply agreement. In addition, the supply agreement may be terminated by mutual agreement of the parties, or by either party, with written notice, upon the other party's cessation of business or other termination of its business operations, uncured material breach or insolvency of the other party.

The agreement contains, among other provisions, customary representations and warranties by the parties, ordering and payment and shipping terms, customary provisions with respect to the ownership of any intellectual property created during the Supply Term, certain indemnification rights in favor of both parties, limitations of liability and customary confidentiality provisions.

The foregoing description of the material terms of the Agreement is subject to, and is qualified in its entirety by, reference to the supply agreement, which is filed as an exhibit to this Annual Report on Form 10-K. We are seeking confidential treatment for certain portions of the agreement pursuant to a Confidential Treatment Request submitted to the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

In connection with the entry into the new supply agreement, our existing supply agreement with CCC, which was to expire by its terms on March 31, 2015, was terminated.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE*

Executive Officers of the Registrant

The following table sets forth information regarding our executive officers, significant employees and directors, as of March 1, 2015:

Name	Age	Position (s)
Executive Officers		
Michael DeMane	58	Chairman of the Board and Chief Executive Officer
Rami Elghandour	36	President
Andrew H. Galligan	58	Vice President of Finance, Chief Financial Officer
Michael Enxing	48	Vice President of Sales and Marketing
Balakrishnan Shankar	49	Vice President, Operations
Andre Walker	51	Senior Vice President, Research & Development
Significant Employees		
David Caraway, M.D., Ph.D.	58	Chief Medical Officer
Bradford E. Gliner	49	Vice President, Clinical & Regulatory
Tamara F. Rook	43	Vice President, Health Economics & Reimbursement
Michael W. Hall	67	General Counsel
Non-Employee Directors		
Ali Behbahani, M.D. (2)(3)	38	Director
Frank Fischer (3)	73	Director
Wilfred E. Jaeger, M.D. (1)(2)	59	Director
Shawn T McCormick (1)	50	Director
Nathan B. Pliam, M.D. (1)(3)	63	Director
Brad Vale, Ph.D., D.V.M. (2)	62	Director

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

Executive Officers

Michael DeMane joined us in March 2011 and serves as our Chairman of the Board and Chief Executive Officer. Mr. DeMane has served on the board of directors of several private companies since 2009, as well as on the board of directors of eReserach Technology, Inc., a public company specializing in clinical services and customizable medical devices, from July 2008 to April 2012. From March 2009 to June 2010, Mr. DeMane served as a Senior Advisor to Thomas, McNerney & Partners, a healthcare venture firm. Mr. DeMane served as the Chief Operating Officer of Medtronic, Inc. from August 2007 to April 2008. Prior to his COO role, Mr. DeMane served at Medtronic Inc. as Senior Vice President from May 2007 to August 2007, Senior Vice President and President: Europe, Canada, Latin America and Emerging Markets from August 2005 to May 2007, Senior Vice President and President: Spinal, ENT and Navigation from February 2002 to August 2005, and President, Spinal from January 2000 to February 2002. Prior to that, he was President at Interbody Technologies, a division of Medtronic Sofamor Danek, Inc., from June 1998 to December 1999. From April 1996 to June 1998, Mr. DeMane served at Smith & Nephew Pty. Ltd. as Managing Director, Australia and New Zealand, after a series of research and development and general management positions with Smith & Nephew Inc. Mr. DeMane earned a B.S. in Chemistry from St. Lawrence University and an M.S. in bioengineering from Clemson University. We believe that Mr. DeMane is qualified to serve on our board of directors due to his investment experience, strategic leadership track record, service on other boards of directors of companies in the healthcare industry and his service as our chief executive officer.

Rami Elghandour joined us in October 2012, has served as our Chief Business Officer and currently serves as our President. From September 2008 to October 2012, Mr. Elghandour managed investments for Johnson & Johnson Development Corporation, or JJDC, where he led several investments and served on the board of directors of a number of private companies, including our board of directors. Additionally, he led strategic initiatives in the development and management of JJDC's portfolio. From 2001 to 2006, Mr. Elghandour worked for Advanced Neuromodulation Systems, Inc. (acquired by St. Jude Medical, Inc.), a medical device company, where he led firmware design and development on several implantable neurostimulators. Mr. Elghandour received an M.B.A. from the Wharton School of the University of Pennsylvania and a B.S. in Electrical and Computer Engineering from Rutgers University School of Engineering.

Andrew H. Galligan has served as our Vice President of Finance and Chief Financial Officer since May 2010. From February 2009 to July 2010, Mr. Galligan served as Vice President of Finance and Chief Financial Officer at Ooma, a consumer electronics manufacturer and VOIP service provider. From 2007 to 2008, Mr. Galligan served as Vice President of Finance and CFO of Reliant Technologies, Inc. (later acquired by Solta Medical, Inc.), a medical device company. Mr. Galligan has also held the top financial executive position at several other medical device companies and began his career in various financial positions at KPMG and Raychem Corp. Mr. Galligan served on the board of directors of DiaDexus, Inc., a public medical diagnostics company, until January 2015. Mr. Galligan received a degree in Business Studies from Trinity College in Dublin, Ireland and is also a Fellow of the Institute of Chartered Accountants in Ireland.

Michael Enxing has served as our Vice President of Sales and Marketing since December 2012. From 2009 to December 2012, Mr. Enxing served as Vice President of Vertos Medical Inc., a medical device company. From 1990 to 2009, Mr. Enxing held various executive positions at Cardiovascular Systems, Inc. (f/k/a Cardio Vascular Solutions (CSI)), a medical device company, Advanced Neuromodulation Systems, Inc. (acquired by St. Jude Medical, Inc.), a medical device company, Stryker Corporation, a medical technology company, and Tecnol Medical Products, Inc. (acquired by Kimberly Clark), a medical device company. Mr. Enxing is a graduate of Iowa State University with a B.S. in Communications and focus in business administration.

Balakrishnan Shankar has served as our Vice President of Operations since March 2014. From 2008 to 2014, Mr. Shankar held a variety of leadership positions at St. Jude Medical, Inc. with responsibility for the development and manufacturing of its implantable pacemakers and defibrillators, including Vice President, Neurotechnology Development from October 2013 to March 2014, Vice President of Software Development from April 2012 to September 2013, Vice President of Operations from January 2010 to March 2012 and Division Director, Operations from October 2008 to December 2009. Mr. Shankar received a B.S. in Electrical Engineering from the Indian Institute of Technology and an M.S. in Biomedical Engineering from Johns Hopkins University.

Andre Walker has served as our Senior Vice President, Research & Development since February 2007. From 1999 to 2007, Mr. Walker was Vice President of R&D at St. Jude Medical, Inc., responsible for the development of its implantable Defibrillators and Pacemaker products. Mr. Walker has also held leadership positions at Siemens Pacesetter, Inc., a medical device company, and Zilog, Inc., a consumer semiconductor manufacturer. Mr. Walker holds a M.S. in Electrical Engineering from the University of Hasselt in Hasselt, Belgium.

Significant Employees

David Caraway, M.D., Ph.D. has served as our Chief Medical Officer since April 2014. Before joining Nevro, from 2001 to May 2014, Dr. Caraway was the CEO of The Center for Pain Relief, Tri-State, L.L.C., in partnership with St. Mary's Regional Medical Center in Huntington, West Virginia. Dr. Caraway has maintained an active medical practice for over 20 years and has held leadership positions in the North American Neuromodulation and the American Society of Interventional Pain Physicians. As a nationally recognized expert in the treatment of chronic pain, he has lectured regionally, nationally and internationally in the field of Interventional Pain Medicine and authored numerous publications in this field. Dr. Caraway received a B.S. in

chemical engineering from the University of Virginia School of Engineering, an M.D. from the University of Virginia School of Medicine and a Ph.D. in biophysics from the University of Virginia Graduate School of Arts and Sciences. He also received post-graduate training in anesthesiology and pain management from the University of Virginia. Dr. Caraway is board certified by the American Board of Anesthesiology.

Bradford E. Gliner has served as our Vice President of Clinical and Regulatory Affairs since May 2011. From 2008 to May 2011, Mr. Gliner was President and CEO at MitoGuard Neuroscience, Inc., a photobiomodulation medical device company. From 1999 to 2008, Mr. Gliner was Vice President of Research at Northstar Neuroscience, Inc., a medical device company, where he led research on numerous neuromodulation applications. From 1992 to 1999, Mr. Gliner was also a co-founder of Heartstream, Inc. (acquired by Koninklijke Philips Electronics NV), a medical device company that manufactures and markets automatic external defibrillators. Mr. Gliner received a B.S. in Electrical Engineering from the University of Illinois and a M.S. in Biomedical Engineering from Johns Hopkins University in Maryland.

Tamara F. Rook has served as our Vice President, Health Economics & Reimbursement since September 2013. From June 2012 to August 2013, Ms. Rook was the Vice President of Reimbursement at Vertos Medical Inc., a medical device company, where she focused on gaining market access for an emerging therapy. From 2006 to June 2012, Ms. Rook worked in the neuromodulation space with Medtronic, Inc. and from 2004 to 2006 she worked at Cyberonics, Inc. where she was focused on managing patient access and initiating coverage for new indications. Ms. Rook received an M.B.A. from the University of Houston and a B.A. in Public Administration from Texas State University.

Michael Hall has served as our General Counsel since January 2015. He was a partner at Latham & Watkins from February 1999 to December 2014. Mr. Hall practiced for a number of years at Wilson, Sonsini, Goodrich & Rosati and was a co-founder of Venture Law Group prior to joining Latham & Watkins. His practice was focused on representation of life science companies primarily in the medical device industry. He also represented underwriters and venture capital firms in both public and private financing transactions. He is a member of the board of San Francisco RBI, a non-profit focused on sports and literacy for underprivileged children in San Francisco. Mr. Hall received a B.A. from California University, Sonoma and a J.D. from the University of California at Berkley, School of Law (Boalt Hall).

Non-Employee Directors

Ali Behbahani, M.D. has served on our board of directors since September 2014. Dr. Behbahani joined New Enterprise Associates, Inc., or NEA, in 2007 and is a Partner on the healthcare team. Prior to joining NEA, Dr. Behbahani worked as a consultant in business development at The Medicines Company, a specialty pharmaceutical company developing acute care cardiovascular products. Dr. Behbahani previously held positions as a venture associate at Morgan Stanley Venture Partners and as a healthcare investment banking analyst at Lehman Brothers. He conducted basic science research in the fields of viral fusion inhibition and structural proteomics at the National Institutes of Health and at Duke University. Dr. Behbahani currently serves on the board of directors of several private companies. Dr. Behbahani holds an M.D. from The University of Pennsylvania School of Medicine, an M.B.A. from The University of Pennsylvania Wharton School and a B.A. in Biomedical Engineering, Electrical Engineering and Chemistry from Duke University. We believe that Dr. Behbahani is qualified to serve on our board of directors due to his experience in the life science industry and his investment experience.

Frank Fischer has served on our board of directors since October 2012. Mr. Fischer joined NeuroPace, Inc., a privately held developer of treatment devices for neurological disorders, in 2000 and currently serves as its President and Chief Executive Officer. From May 1998 to September 1999, Mr. Fischer was President, Chief Executive Officer and a director of Heartport, Inc., a formerly publicly traded cardiac surgery company (later acquired by Johnson & Johnson in 2001). From 1987 to 1997, Mr. Fischer served as President and Chief Executive Officer of Ventritex, Inc., a publicly traded designer, developer, manufacturer and marketer

of implantable defibrillators and related products for the treatment of ventricular tachycardia and ventricular fibrillation, which was acquired by St. Jude Medical in 1997. Mr. Fischer currently serves on the board of directors of several privately held companies. Mr. Fischer received a B.S. in Mechanical Engineering and a M.S. in Management from Rensselaer Polytechnic Institute. We believe that Mr. Fischer is qualified to serve on our board of directors due to his operational experience in the life science industry.

Wilfred E. Jaeger, M.D. has served on our board of directors since January 2012. Dr. Jaeger cofounded Three Arch Partners in 1993 and has served as a Partner and Managing Member since that time. Prior to co-founding Three Arch Partners, Dr. Jaeger was a general partner at Schroder Ventures. Dr. Jaeger currently serves on the board of directors of Concert Pharmaceuticals, Inc., a public clinical stage biopharmaceutical company, Threshold Pharmaceuticals, Inc., a public pharmaceutical company, as well as numerous private companies. Dr. Jaeger received a B.S. in Biology from the University of British Columbia, an M.D. from the University of British Columbia School of Medicine and an M.B.A from the Stanford Graduate School of Business. We believe that Dr. Jaeger is qualified to serve on our board of directors due to his investment experience, strategic leadership track record and service on other boards of directors of life sciences companies.

Shawn T McCormick has served on our board of directors since September 2014. Mr. McCormick currently serves as Chief Financial Officer of Tornier N.V., a public medical device company, a position that he has held since September 2012. From April 2011 to February 2012, Mr. McCormick was Chief Operating Officer of Lutonix, Inc., a medical device company acquired by C. R. Bard, Inc. in December 2011. From January 2009 to July 2010, Mr. McCormick served as Senior Vice President and Chief Financial Officer of ev3 Inc., a public endovascular device company acquired by Covidien plc in July 2010. From May 2008 to January 2009, Mr. McCormick served as Vice President, Corporate Development at Medtronic, Inc., a public medical device company, where he was responsible for leading Medtronic's worldwide business development activities. From 2007 to 2008, Mr. McCormick served as Vice President, Corporate Technology and New Ventures of Medtronic. From 2002 to 2007, Mr. McCormick was Vice President, Finance for Medtronic's Spinal, Biologics and Navigation business. Prior to that, Mr. McCormick held various other positions with Medtronic, including Corporate Development Director, Principal Corporate Development Associate, Manager, Financial Analysis, Senior Financial Analyst and Senior Auditor. Prior to joining Medtronic, he spent four years with the public accounting firm KPMG Peat Marwick. He has been a director of Entellus Medical, Inc., a public medical device company, since November 2014, and serves as the chairman of the audit committee and as a member of the nominating and corporate governance committee. Mr. McCormick earned his M.B.A. from the University of Minnesota's Carlson School of Management and his B.S. in Accounting from Arizona State University. He is a Certified Public Accountant. We believe that Mr. McCormick is qualified to serve on our board of directors due to his financial expertise and operational experience in the medical device industry.

Nathan B. Pliam, M.D. has served on our board of directors since October 2009. Dr. Pliam joined Bay City Capital LLC in January 2007 and has served as a Venture Partner since that time. Since December 2011, Dr. Pliam has also been a Venture Partner at Decheng Capital, a Bay City Capital co-sponsored, Shanghai-based venture fund focused on life sciences investments relevant to the Chinese market. He is a co-founder of Ketai Medical Device Ltd, a China-based orthopedic implant company. Dr. Pliam currently serves on the board of directors of numerous private companies. Dr. Pliam received a B.A. in German literature at the University of California, Berkeley, and the Georg August Universite in Gattingen, Germany, an M.D. from Dartmouth Medical School and a Ph.D. from the University of California, San Francisco. We believe that Dr. Pliam is qualified to serve on our board of directors due to his investment experience, strategic leadership track record and service on other boards of directors of companies in the healthcare industry.

Brad Vale, Ph.D., D.V.M. , has served on our board of directors since March 2015. Dr. Vale was Head of Johnson & Johnson Development Company, or JJDC, from January 2012 to March 2015. Dr. Vale joined JJDC in March 1992, and in April 2008, was appointed to the position of Vice President, Head of Venture Investments. From September 1989 to March 1992, Dr. Vale supported Johnson & Johnson's medical device businesses at the Corporate Office of Science and Technology as an Executive Director. From 1982 to 1989, he was at Ethicon, Inc.,

a Johnson & Johnson subsidiary, working on preclinical studies, new business development, and a coronary artery bypass graft internal venture. Dr. Vale currently serves or has served on the board of directors of several private companies. Dr. Vale holds a Ph.D. from Iowa State University, a D.V.M. from Washington State University and a B.S. in Chemistry and Biology from Beloit College. We believe that Dr. Vale is qualified to serve on our board of directors due to his investment experience and strategic leadership in the life sciences industry.

The remaining information required by this Item 10 is hereby incorporated by reference from the information under the captions "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" that will be contained in the Proxy Statement for our 2015 Annual Meeting of Stockholders (the "Proxy Statement").

We have adopted a written code of conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons serving similar functions. The text of our code of business conduct and ethics has been posted on our website at http://www.nevro.com.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by this Item 11 is incorporated by reference from the information under the captions "Director Compensation," "Executive Compensation" and "Corporate Governance" that will be contained in the Proxy Statement.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by this Item 12 is incorporated by reference from the information under the captions "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" that will be contained in the Proxy Statement.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by this Item 13 is incorporated by reference from the information under the captions "Certain Relationships and Related Transactions" and "Corporate Governance" that will be contained in the Proxy Statement.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required by this Item 14 is incorporated by reference from the information under the caption "Ratification of Appointment of Independent Registered Public Accounting Firm" that will be contained in the Proxy Statement.

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PART IV

ITEM 15. ***EXHIBITS and FINANCIAL STATEMENT SCHEDULES***

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. **Consolidated Financial Statements:**

Reference is made to the Index to consolidated financial statements of Nevro Corp. under Item 8 of Part II hereof.

2. Financial Statement Schedule:

All schedules are omitted because they are not applicable or the amounts are immaterial or the required information is presented in the consolidated financial statements and notes thereto in Part II, Item 8 above.

3. Exhibits

See Exhibit Index immediately following the signature page of this Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 18, 2015:

NEVRO CORP.

By: /s/ MICHAEL DEMANE
Michael DeMane
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Michael DeMane and Andrew H. Galligan his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated opposite his/her name.

Pursuant to the requirements of the Securities Act, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ MICHAEL DEMANE Michael DeMane	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 18, 2015
/s/ ANDREW H. GALLIGAN Andrew H. Galligan	Vice President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 18, 2015
/s/ ALI BEHBAHANI Ali Behbahani, M.D.	Director	March 18, 2015
/s/ BRAD H. VALE Brad H. Vale, Ph.D., DVM	Director	March 18, 2015
/s/ FRANK FISCHER Frank Fischer	Director	March 18, 2015
/s/ WILFRED E. JAEGER Wilfred E. Jaeger, M.D.	Director	March 18, 2015
/s/ SHAWN T MCCORMICK Shawn T McCormick	Director	March 18, 2015
/s/ NATHAN B. PLIAM Nathan B. Pliam, M.D.	Director	March 18, 2015

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Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Nevro Corp.	8-K	11/12/2014	3.1	
3.2	Amended and Restated Bylaws of Nevro Corp.	8-K	11/12/2014	3.1	
4.1	Reference is made to exhibits 3.1 and 3.2.				
4.2	Form of Common Stock Certificate.	S-1/A	10/27/2014	4.2	
10.1†	Amended and Restated License Agreement, dated October 2, 2006, by and among the Company and Mayo Foundation for Medical Education and Research, Venturi Group, LLC.	S-1/A	10/15/2014	10.1	
10.2(a)†	Stellar Manufacturing Agreement, dated as of July 1, 2009, by and between the Company and Stellar Technologies, Inc.	S-1/A	10/15/2014	10.2(a)	
10.2(b)†	First Amendment to Stellar Manufacturing Agreement, dated as of July 1, 2014, by and between the Company and Stellar Technologies, Inc.	S-1/A	10/15/2014	10.2(b)	
10.3†	Supply Agreement, dated as of July 23, 2014 by and between the Company and Pro-Tech Design and Manufacturing, Inc.	S-1/A	10/15/2014	10.3	
10.4(a)†	Supply Agreement, dated April 1, 2012, by and between the Company and CCC del Uruguay S.A.	S-1/A	10/15/2014	10.4(a)	
10.4(b)†	Amendment to Supply Agreement, dated as of March 20, 2013, by and between the Company and CCC del Uruguay S.A.	S-1/A	10/15/2014	10.4(b)	
10.5(a)†	Product Supply and Development Agreement, dated as of April 15, 2009, by and between the Company and EaglePicher Medical Power LLC.	S-1/A	10/15/2014	10.5	
10.5(b)*	First Amendment to the Product Supply and Development Agreement, dated as of March 4, 2015, by and between the Company and EaglePicher Medical Power LLC.				X
10.6(a)	Amended and Restated Registration Rights Agreement, dated February 8, 2013, by and among the Company and the investors listed therein.	S-1	10/03/2014	10.6(a)	
10.6(b)	Amendment to Amended and Restated Registration Rights Agreement, dated March 5, 2013, by and among the Company and the investors listed therein.	S-1	10/03/2014	10.6(b)	
10.6(c)	Second Amendment to Amended and Restated Registration Rights Agreement, dated October 24, 2014, by and among the Company and the investors listed therein.	S-1/A	11/04/14	10.6(c)	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.7(a)	Multi-Tenant Space Lease, dated as of March 15, 2010, by and between Deerfield Campbell LLC and the Company.	S-1	10/03/2014	10.7(a)	
10.7(b)	First Amendment to Lease, dated as of October 18, 2012, by and between Deerfield Campbell LLC and the Company.	S-1	10/03/2014	10.7(b)	
10.7(c)	Second Amendment to Lease, dated as of February 18, 2015, by and between Deerfield Campbell LLC and the Company.				X
10.8(a)#	Nevro Corp. 2007 Stock Incentive Plan, as amended as of March 5, 2013.	S-1	10/03/2014	10.8(a)	
10.8(b)#	Form of Incentive Stock Option Agreement (ISO) under the 2007 Stock Incentive Plan, as amended.	S-1	10/03/2014	10.8(b)	
10.8(c)#	Form of Non-Incentive Stock Option Agreement (NSO) under the 2007 Stock Incentive Plan, as amended.	S-1	10/03/2014	10.8(c)	
10.8(d)#	Form of Stock Purchase Right Grant Notice and Restricted Stock Purchase Agreement under the 2007 Stock Incentive Plan, as amended.	S-1	10/03/2014	10.8(d)	
10.9(a)#	Nevro Corp. 2014 Equity Incentive Award Plan.	S-8	11/12/2014	99.2(a)	
10.9(b)#	Form of Stock Option Grant Notice and Stock Option Agreement under the 2014 Equity Incentive Award Plan.	S-1/A	10/10/2014	10.9(b)	
10.9(c)#	Form of Restricted Stock Award Agreement and Restricted Stock Award Grant Notice under the 2014 Equity Incentive Award Plan.	S-1/A	10/10/2014	10.9(c)	
10.9(d)#	Form of Restricted Stock Unit Award Agreement and Restricted Stock Unit Award Grant Notice under the 2014 Equity Incentive Award Plan.	S-1/A	10/10/2014	10.9(d)	
10.10#	Nevro Corp. 2014 Employee Stock Purchase Plan.	S-8	11/12/2014	99.3	
10.11#	Form of Indemnification Agreement for directors and officers.	S-1/A	10/10/2014	10.11	
10.12(a)#	Offer Letter, dated as of March 8, 2011, by and between Michael DeMane and the Company.	S-1/A	10/10/2014	10.12(a)	
10.12(b)#	Form of Employment Agreement by and between Michael DeMane and the Company.	S-1/A	10/10/2014	10.12(b)	
10.13#	Offer Letter, dated as of October 9, 2012, by and between Rami Elghandour and the Company.	S-1	10/03/2014	10.13	
10.14#	Offer Letter, dated as of May 12, 2010, by and between Andrew H. Galligan and the Company.	S-1	10/03/2014	10.14	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.15#	Offer Letter, dated as of November 1, 2012, by and between Michael Enxing and the Company.	S-1/A	10/10/2014	10.15	
10.16#	Offer Letter, dated as of February 27, 2014, by and between Balakrishnan Shankar and the Company.	S-1/A	10/10/2014	10.16	
10.17#	Offer Letter, dated as of January 16, 2007, by and between Andre Walker and the Company.	S-1/A	10/10/2014	10.17	
10.18(a)	Amended and Restated Stockholders' Agreement, dated February 8, 2013, by and among the Company and the stockholders listed therein.	S-1	10/03/2014	10.15(a)	
10.18(b)	Amendment to Amended and Restated Stockholders' Agreement, dated March 5, 2013, by and among the Company and the stockholders listed therein.	S-1	10/03/2014	10.15(b)	
10.18(c)	Second Amendment to Amended and Restated Stockholders' Agreement, dated October 24, 2014, by and among the Company and the investors listed therein.	S-1/A	11/04/14	10.18(c)	
10.19#	Nevro Corp. Non-Employee Director Compensation Program.	S-1/A	10/10/2014	10.19	
10.20#	Form of Change in Control Severance Agreement.	S-1/A	10/10/2014	10.20	
10.21(a)	Term Loan Agreement, dated October 24, 2014, by and between the Company and Capital Royalty Partners II L.P.	S-1/A	10/27/2014	10.21	
10.21(b)	First Amendment to Term Loan Agreement, dated as of March 9, 2015, by and between the Company and Capital Royalty Partners II L.P.				X
10.22*	Supply Agreement, dated March 13, 2015, by and between the Company and Centro de Construccion de Cardioestimuladores del Uruguay S.A.				X
10.23	Lease Agreement, dated as of March 5, 2015, by and between the Company and Westport Office Park, LLC.				X
21.1	List of Subsidiaries.	S-1	10/03/2014	21.1	
23.1	Consent of Independent Registered Public Accounting Firm.				X
24.1	Power of Attorney (included on signature page to this Annual Report on Form 10-K).				X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance.				X
101.SCH	XBRL Taxonomy Extension Schema.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				X

† Confidential treatment has been granted for certain information contained in this exhibit. Such information has been omitted and filed separately with the Securities and Exchange Commission.

# Indicates management contract or compensatory plan.

* Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been filed separately with the Securities and Exchange Commission.

** The certification attached as Exhibit 32.1 that accompanies this Form 10-K is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Nevro Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.5(b)

FIRST AMENDMENT TO THE
PRODUCT SUPPLY AND DEVELOPMENT AGREEMENT

This FIRST AMENDMENT TO THE PRODUCT SUPPLY AND DEVELOPMENT AGREEMENT ("Amendment"), effective as of March 1, 2015 (the "Effective Date"), is by and between EaglePicher Medical Power LLC ("EPMP LLC"), a Delaware Corporation having an address of "C" and Porter Streets, Joplin, MO 64801 and Nevro Corp. ("Buyer"), a Delaware Corporation, having its principal place of business at 4040 Campbell Avenue, Suite 210, Menlo Park, CA 94025.

WHEREAS, EPMP and Buyer entered into a Product Supply and Development Agreement dated April 5, 2009 ("Agreement") by which Buyer contracted EPMP to develop and manufacture batteries for proprietary medical implantable devices;

WHEREAS, EPMP and Buyer wish to continue their relationship and modify portions of the Agreement;

NOW, THEREFORE, EPMP LLC and Buyer hereby amend the Agreement as follows:

Sections 4.1, 4.2, 4.3 and 4.5 shall be deleted in their entirety and replaced with the following sections:

4.0 ORDER AND DELIVERY .

4.1 The Buyer's purchase commitment shall consist of the quantity of Products for **[***]** (i.e., **[***]**) as identified in the table below (the "Buyer MPR") with an invoicing and delivery schedule to be agreed upon by both EPMP and Buyer. For purposes of this Agreement, estimated Buyer purchases are included for **[***]** .

Year	**[***]**
Products	**[***]**

The following additional provisions shall apply:

- January 1, 2015 – December 31, 2015 - A purchase order for at least the annual total quantity shown above for 2015 shall be issued by Buyer no later than five business days after the Effective Date.
- A purchase order shall be issued by Buyer on or before **[***]** reflecting at least the minimum quantities for such years shown in the table above (subject to the last bullet below). Although Buyer shall maintain responsibility for the Buyer MPR, Buyer may satisfy all or part of the Buyer MPR through units purchased by Buyer's subcontractor/vendor (e.g., **[***]**) ("Subcontractors") as long as **[***]** .
- On December 31st of each year, EPMP shall provide Buyer with an accounting of all of the quantities of Products purchased on behalf of Buyer by its Subcontractors

- during such year ("Third Party Quantities"). To the extent that the Third Party Quantities and any direct purchases by Buyer (collectively, "Total Purchases") have not together met the Buyer MPRs for the applicable calendar year, Buyer will be responsible for purchasing the difference between the Total Purchases for such year and the Buyer MPRs for such year.
- Notwithstanding anything else in this Section 4.1 or this Agreement, the Buyer MPR shall be satisfied when Buyer and its Subcontractors have collectively purchased a total of **[***]** Products. After such number of Products has been purchased, there shall be no further minimum purchase requirements. For example, if Buyer purchases **[***]** Products in **[***]** and **[***]** Products in **[***]** , the minimum purchase requirements under the Buyer MPR in **[***]** shall be reduced to **[***]** .
- During any period after the Buyer MPR has been satisfied (including during **[***]**), Buyer and its Subcontractors may place Purchase Orders for Products in accordance with Section 4.3.
- EPMP LLC shall maintain production capacity that can meet an additional **[***]** percent of the total units required by Buyer for each of the years during the term of this Agreement. For all the years shown above, if the requirements exceed the above quantities by **[***]** percent, Buyer shall give at least **[***]** advance notice.

4.2 EPMP LLC Commitment

So long as Buyer has complied with the Buyer MPR, EPMP LLC agrees to the following:

4.2.1 EPMP LLC shall maintain qualified facilities to meet Buyer product needs and insure the specified products can be delivered as scheduled and without interruption. It is planned for EPMP LLC to replicate this product line at its Joplin, MO facilities to be used as secondary source. For years **[***]** , order quantities will be built in the Vancouver, Canada Facilities.

4.2.2 If the current facility used by EPMP LLC in Vancouver, Canada (the "Facility") will be closed, EPMP LLC must provide Buyer with appropriate notice of its intent to close the Facility. Along with the required notice period for closure of the Facility, EPMP LLC commits to work with the Buyer to develop and execute a plan, to meet the continued supply of the Products to Buyer.

4.2.3 Continued Supply of the Products will be defined as: EPMP's facility in Joplin, Missouri will be fully qualified and operational, qualified by Buyer, able to produce for Buyer the ongoing supply commitments with respect to Products per this Agreement, and Buyer will obtain regulatory approval as appropriate.

4.3 Purchase Orders for Products, Forecasts, and Releases.

a. All Purchase Orders shall at a minimum: (i) identify Products ordered, (ii) state Product price, (iii) state Product quantity ordered, (iv) state the location to which the Product is to be shipped, (v) state the shipping schedule for the period of the Purchase Order ("Delivery Schedule"), and (vi) state that this Agreement shall govern and control all purchase orders.

b. Delivery Schedule: EPMP LLC shall accept all Purchase Orders issued by Buyer in accordance with this agreement and shall deliver all Products subject to a Purchase Order in accordance with the Delivery Schedule applicable to such Purchase Order. From time to time it may be necessary for EPMP LLC to "ship in place". In this case the cells will be stored appropriately and in such a manner the cells will continue to meet the Buyer performance requirements. Prior to final shipment to Buyer, EPMP LLC will provide data as necessary that demonstrates compliance to Buyer standards.

c. Changes to delivery schedule and Cancellations : Purchase Orders or the delivery schedule may be modified by Buyer by giving **[***]** prior written notice. Modifications must be approved in writing by EPMP. In the event of a cancellation, Buyer will be responsible for purchasing finished product and work-in-progress according to quantities in the firm three (3) month period of the Initial Twelve (12) Calendar Month Forecast or the Twelve Month Forecast, as applicable, and for the cost of raw material purchased by EPMP LLC based on the most recent six months of either the Initial Twelve (12) Calendar Month Forecast or a Twelve Month Forecast, as applicable. EPMP will notify Buyer in writing of any Purchase Order modifications or cancellations requested by any Subcontractor prior to implementing any such modifications or cancellations.

d. Subcontractors : For clarity, Subcontractors may place Purchase Orders and otherwise interact directly with EPMP in connection with Products purchased under this Agreement. EPMP shall fulfill Purchase Orders submitted hereunder by Subcontractors and otherwise interact with such Subcontractors in accordance with the terms of this Agreement. Unless otherwise specified by Buyer, the Subcontractor placing the Purchase Order shall be solely responsible for any payment to EPMP for the Products purchased under such Purchase Order and any other charges related to such Purchase Order.

Section 6.3 shall be deleted in its entirety and replaced with the following:

6.3 Price Adjustments . If EPMP LLC incurs increases or decreases in its direct cost of materials for use in manufacturing the Product of **[***]** percent (**[***]** %) or more per Product unit during the term of this Agreement, EPMP LLC shall send a notice to Buyer detailing such change. The parties agree to negotiate in good faith after delivery of such notice with respect to an adjustment to Product pricing in view of such increase or decreases, but no modification of such pricing or relief of a party's obligations under this Agreement shall occur unless and until the parties have both signed an amendment hereto.

Section 10.1 shall be deleted in its entirety and replaced with the following:

10.1 Warranty . EPMP LLC represents and warrants to Buyer that: (i) the Product shall be free and clear from all liens and encumbrances, (ii) the manufacture, sale, lease, transfer or use of the Product will not infringe any intellectual property rights of a third party, and no

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

action, suit or claim has been, or will have been, initiated or threatened against EPMP LLC with respect to the Products or EPMP LLC's right to enter into and perform its obligations under this Agreement, (iii) the Products will meet the Specifications (for Modified Products, after such time as the Specifications are established for such Products), (iv) the manufacturing process and all materials used to manufacture the Products shall comply with all applicable Restriction of Hazardous Substance ("RoHS") provisions, (v) EPMP LLC is not now nor has in the past been using in any capacity the services of any individual, corporation, partnership or association which has been debarred under 21 U.S.C. § 335a; (vi) the manufacturing process and all materials used in the manufacture of the Products will comply with all use restrictions, labeling requirements, inventory registration requirements and all other health and safety requirements imposed under Applicable Laws, and (vii) the Products will be free from defects in material and workmanship for a period of twelve (12) months after the date of delivery to Buyer (the "Warranty Period"); provided, however, that Buyer gives notice to EPMP within forty-five (45) days after Buyer discovers, or Buyer receives notice from a Subcontractor who discovers, any defect within the respective Warranty Period. The return procedure outlined in Section 5.2 will be used with the exception that, in some cases, it may be impractical to return suspect Product to EPMP LLC for evaluation. In this case, following issuance of an RA by EPMP LLC, Buyer and EPMP LLC will work together to determine the appropriate means to make the suspect Product available for evaluation to determine the validity of the warranty claim, provided in this Section 10.1. EPMP LLC covenants that it will not use in any capacity the services of any individual, corporation, partnership or association which is debarred or becomes debarred during the term of this Agreement, under 21 U.S.C. § 335a.

Section 10.6 (a) and (b) shall be deleted in their entirety and replaced with the following:

a. The total liability of EPMP LLC for any and all claims by Buyer arising under this Agreement, including but not limited to claims based on tort, breach of contract, warranty, or any other theory of recovery, shall not exceed the cumulative value of the purchase orders in the continuous prior twelve (12) calendar month period preceding the claim consistent with Section 10.1.

b. The total liability of Buyer for any and all claims by EPMP LLC arising under this Agreement, including but not limited to claims based on tort, breach of contract, warranty, or any other theory of recovery, shall not exceed twice the purchase price of the Product which gives rise to the claim consistent with Section 10.1.

Section 13.6 is deleted in its entirety, and the clauses specified below in Section 13 shall be deleted and replaced as follows:

13. TERM AND TERMINATION

13.1 Term . This Agreement shall commence on the Effective Date and have an initial term ending on December 31, 2019 (the "Term"). After the Term, this Agreement will automatically renew for period of two years unless a Party notifies the other Party in writing of its intent to terminate the Agreement at least two years prior to the end of the renewal term.

13.6 Rights and Obligations on Termination or Expiration. Termination or expiration of this Agreement shall not release the parties from their obligations under this Agreement that have accrued prior to termination or expiration. Any Purchase Orders submitted pursuant to Section 4 prior to termination or expiration shall be fulfilled by EPMP LLC unless otherwise agreed by the parties.

13.8 Last Time Buy . If the Agreement is terminated for any reason other than default or breach by the Buyer, Buyer shall have the right to place one Last Time Buy order of a quantity no greater than the previous **[***]** of orders upon termination of the Agreement.

The clauses specified below in Section 15 shall now read as follows:

15. MISCELLANEOUS .

15.2 Assignment . Neither party shall, without the prior written consent of the other party, which shall not be unreasonably withheld, assign this Agreement or any part hereof, or sell, offer for sale, transfer, divest, or otherwise dispose of its rights hereunder, to a third party, except that either party may assign this Agreement to its affiliate or to a third party which succeeds to substantially all of its assets to which this Agreement relates or equity, unless such successor is a Direct Competitor of the other party. For the purpose of this clause, a "Direct Competitor" of EPMP LLC is a company that derives a substantial portion of its revenues from manufacturing electro-chemical cells or batteries for non-affiliated third parties, some of which are medical device companies and a "Direct Competitor" of Buyer is a company that develops and/or sells medical devices for the treatment of pain. In the event of a permitted assignment of this Agreement, the assignment shall be subject to the assigning party requiring that: (a) its successors, heirs or assigns assume all of its obligations and responsibilities under this Agreement, and (b) this Agreement and all of its terms and conditions shall inure to benefit of and be binding on any such successor, heir or assign. The respective rights of the parties under this Agreement shall survive transfer of title and possession of any assets of the transferring or assigning party, except to the extent that the non-transferring party may otherwise specifically waive in writing.

15.9 Notices . Any notice or other communication hereunder must be given in writing and either (a) delivered in person, (b) transmitted by telex, facsimile or telecopy mechanism, provided that any notice so given is also mailed as provided in clause (c), or (c) mailed, postage prepaid, receipt requested as follows:

If to EPMP LLC:
EaglePicher Medical Power LLC
13136-82A Avenue,
Surrey, B.C., Canada V3W 9Y6.
Facsimile: 604 597-0814
Attention: Dave Lucero

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

If to Buyer:
Nevro Corp.
Attn: Legal Department
4040 Campbell Ave, Suite 210
Menlo Park, CA 94025

or to such other address or to such other person as either party shall have last designated by such notice to the other party. Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to applicable number so specified in (or pursuant to) this Section 15.2 and an appropriate receipt is received, (ii) if given by mail, three (3) days after such communication is deposited in the mail with first class or priority postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually received at such address.

All other clauses of the Agreement remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed by their authorized representatives.

EAGLEPICHER MEDICAL POWER LLC

By: /s/ Dave Lucero

Name: Dave Lucero

Title: Vice President & General Manager

Date: March 4, 2015

NEVRO CORP.

By: /s/ Andrew Galligan

Name: Andrew Galligan

Title: CFO, V.P. Finance

Date: 3/4/2015

Exhibit A

Specifications

[Not Amended]

Exhibit B

Non-Disclosure Agreement

[Not Amended]

Exhibit C
(AMENDED)
Pricing Terms

Product Description	Quantity	Unit Price*
325mAh	[***]	$[***]
325mAh	[***]	$[***]
325mAh	[***]	$[***]

***** The Unit Price is tiered (i.e., if Buyer purchases in a calendar year an amount equal to or greater than a quantity specified above, the unit price for all units purchased during such year shall be unit price for the last unit purchased in such year). For example, if Buyer purchases **[***]** units in a year, the unit price for all units purchased during such year will be $ **[***]** . For years when the Buyer MPR is in effect, the highest unit price for any unit purchased during such year shall be the unit price applicable to the minimum required Purchase Order quantity or such year (i.e., if the Buyer MPR requires **[***]** units to be purchased in a year, the unit price of all units ordered that year, including under the initial Purchase Orders, shall be $ **[***]**). For years when the Buyer MPR is not in effect, the parties will do a true up calculation at the end of the year, and if applicable EPMP shall refund to Buyer or its designee the amount necessary to ensure that the average unit price for all units purchased during that year is equal to the lowest unit price applicable to any unit purchased during that year.

Exhibit D

Development Plan(s)

[Not Amended]

Exhibit 10.7C

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease ("Second Amendment") is entered into as of February 18, 2015 ("Reference Date"), by and between Deerfield Campbell LLC, a California limited liability company (hereinafter called "Landlord"), and Nevro Corp., a Delaware corporation (hereinafter called "Tenant"), with reference to the following facts:

RECITALS

A. Whereas, Landlord and Tenant entered into a written lease dated March 15, 2010 (the "Original Lease"), pursuant to which Landlord leased to Tenant premises consisting of approximately 10,089 square feet of gross leasable area (the "Original Premises"), and more particularly described in the Original Lease, consisting of Suite 210 on the second floor of that two-story building containing approximately 41,482 square feet of gross leasable area and having a common address of 4040 Campbell Avenue, Menlo Park, California (the "Building").

B. Whereas, on or about October 18, 2012, Landlord and Tenant entered into that certain First Amendment to Lease ("First Amendment") on terms and conditions contained therein in which the Original Premises was expanded by approximately 6,697 gross leasable square feet ("Expansion Premises") to a Leased Premises consisting of approximately 16,786 gross leasable square feet. The Expansion Premises is commonly known as Suite 100.

C. Whereas, on or about August 20, 2014 in a document entitled Assignment, Assumption, and Consent to Assignment Amendment, dated August 20, 2014 ("Assignment"), former tenant Splice Communications, Inc. assigned its interest in its lease agreement dated January 5, 2011, to Tenant whereby Tenant leased an additional approximately 4,126 square feet of space under the terms and conditions of such lease and the Assignment. Such additional space is commonly known as Suite 120.

D. Whereas, the Original Lease as amended by the First Amendment and the Assignment, constitute the "Existing Lease."

E. Whereas, the Existing Lease as amended by this Second Amendment, is hereinafter referred to as the "Lease."

F. Whereas, the Existing Lease Term is scheduled to expire on May 31, 2015.

G. Whereas, Landlord and Tenant mutually desire to modify and amend the Existing Lease as set forth hereinafter.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree, as follows:

1. Recitals . The Recitals set forth above are incorporated herein by reference into this Second Amendment as though set forth at length.

2. Premises . The Original Premises, as amended by the First Amendment and the Assignment constitute the Leased Premises also known as Suites 100, 120 and 210, consisting of approximately 20, 912 square feet of gross leasable area.

3. Extended Term . The Lease Term is hereby extended for a period of four (4) months ("Extended Term") commencing on June 1, 2015 and ending at midnight on September 30, 2015 ("Lease Expiration Date").

4. Base Monthly Rent . The Base Monthly Rent due Landlord during the four (4) month Extended Term shall be as follows:

4.1 Base Monthly Rent for the months of June 1, 2015 through September 30, 2015 shall be the sum of Seventy-Three Thousand One Hundred Ninety-Two Dollars ($73,192.00) per month.

5. Security Deposit . The Security Deposit of $81,912.20 being held by Landlord as to Suite 210 and Suite 100, and the Security Deposit held by Landlord as to Suite 120 in the amount of Twenty-Seven Thousand Six Hundred Forty-Four Dollars and Twenty Cents ($27,644.20) shall remain the same during the Extended Term.

6. Landlord's Work . None.

7. AS-IS . Tenant is currently occupying the Leased Premises and shall continue to do so during the Extended Term in its existing "AS-IS" condition.

8. Advice of Counsel . Landlord and Tenant each warrants and represents that it has had ample opportunity to perform independent investigation and to seek and obtain legal representation, including, but not limited to, express legal advice with regard to the negotiations which have led to the preparation and signing this Second Amendment. Each party further warrants and represents that it has completed as much independent investigation and obtained as much legal counsel as it determines, in its sole discretion, to be sufficient under the particular circumstances of this Second Amendment or, in the alternative, that it has elected not to do so, notwithstanding the fact that it could have done so. Further, each party warrants and represents that its execution of this Second Amendment is done knowingly and willfully, and without any mistake, fraud, duress or undue influence.

9. Authority of Parties . Each party warrants and represents that in executing this Second Amendment, it (1) has the full and unrestricted right, power, capacity and authority to enter into, deliver, execute and perform its obligations under this Second Amendment; and (ii) no further consent or approval is required to permit such party to enter into, execute, deliver and perform in its obligations hereunder; and (iii) that this Second Amendment is a valid and binding obligation upon each party, and is enforceable against each party in accordance with the terms hereof; and (iv) the execution, delivery

and/or performance of the terms of this Second Amendment will not result in any violation of, be in conflict with, nor constitute a default under any provision of any judgment, decree, order, law or contract to which either party is bound or otherwise accountable.

10. Further Acts/Cooperation of Parties . Without further consideration, each party shall execute and deliver such other documents, and perform such further acts, as are reasonably requested by any other party or which may be necessary or convenient to effect the terms/purposes of this Second Amendment.

11. Binding Upon Successors and Assigns . This Second Amendment and each provision hereof, shall be binding upon and inure to the benefit of each party and each party's respective successors, heirs, executors, representatives, beneficiaries and permitted assigns.

12. Litigation and Attorney's Fees . Cumulative and in addition to any other relief sought and/or obtained, the prevailing party (or its authorized successors or assigns) in any litigation arising out of, or in relation to, the formation, enforcement or interpretation of this Second Amendment shall be entitled to recover from and against the non-prevailing party, all of the prevailing party's reasonably incurred costs and attorney's fees.

13. Full Force and Effect . Except as supplemented and/or modified by this Second Amendment, to the best of Landlord's and Tenant's knowledge, the Existing Lease is in full force and effect and neither party is in default of its obligations under the Existing Lease and neither party has claims, offsets, or defenses to the enforcement of the Existing Lease. All other terms and conditions of the Lease, as amended hereby, shall remain in full force and effect, as so amended.

14. Entirety . Except as provided in this Second Amendment, the Existing Lease is the entire agreement between the parties and there are no agreements or representations between the parties except as expressed herein. Moreover, no subsequent change or modification of the Lease, as amended, shall be binding unless in writing and fully executed by Landlord and Tenant. In the event of a conflict between the terms, conditions, and provisions of the Existing Lease and this Second Amendment the terms, conditions, and provisions of this Second Amendment shall control.

15. Miscellaneous . Any breach of default under any provision of this Second Amendment shall be a breach of default under the Lease and any breach or default under the Lease shall be a breach of default under this Second Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Original Lease.

16. Counterparts . This Second Amendment maybe executed in one or more counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument. Furthermore, this Second Amendment may be executed and delivered by the exchange of electronic facsimile copies of counterparts of the signed documents, which facsimile copies or counterparts shall be binding on the parties and such execution and delivery shall have the same force and effect as any other delivery of a manually signed original of this Second Amendment.

17. Effective Date . This Second Amendment shall be effective only when it has been executed in writing by all of the parties hereto, when such Second Amendment has been delivered by Landlord and Tenant to each other and on such date when the last signatory necessary to execute this Second Amendment shall have executed it.

18. Waiver . No delay or omission by either party in exercising any right or power under the Lease or this Second Amendment shall impair any such right or constitute a waiver thereof, unless such waiver is set forth in a written instrument duly executed by that party. A waiver of any covenant, condition or term set forth in the Lease or this Second Amendment shall not be construed as a waiver of any succeeding breach of the same or other covenant, condition or term.

19. Time of Essence . Time is of the essence with regard to the time periods set forth in this Second Amendment.

20. Broker Commissions. No commission shall be earned or paid by to Brokers in connection with the execution of this Second Amendment.

Signatures on Next Page

IN WITNESS THEREOF, Landlord and Tenant have executed this Second Amendment to Lease as of the Effective Date.

LANDLORD

Deerfield Campbell LLC, a limited liability company

By: /s/ Tito J. Bianchi
Name: Tito J. Bianchi, President of Deerfield Realty Corporation
Its: Manager

Address: 3715 Haven Ave. #210
Menlo Park, CA 94025

Dated: March 2, 2015

TENANT

Nevro Corp.,
a Delaware corporation

By: /s/ Andrew Galligan
Name: Andrew Galligan
Its: CFO

Address:

Dated: March 2, 2015

Exhibit 10.21B

FIRST AMENDMENT TO TERM LOAN AGREEMENT

THIS FIRST AMENDMENT TO TERM LOAN AGREEMENT (this "Amendment"), dated as of March 9, 2015 (the "First Amendment Effective Date"), is made among NEVRO CORP., a Delaware corporation (the "Borrower"), and the financial institutions listed on the signature pages hereof under the heading "LENDERS" (each a "Lender" and, collectively, the "Lenders").

RECITALS

WHEREAS, the Borrower and the Lenders are parties to a Term Loan Agreement dated as of October 24, 2014 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

WHEREAS, the parties hereto desire to amend the Loan Agreement on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Loan Agreement . All capitalized terms used in this Amendment (including in the recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

(b) Interpretation . The rules of interpretation set forth in Section 1.03 of the Loan Agreement shall be applicable to this Amendment and are incorporated herein by this reference.

SECTION 2 Amendment.

Effective as of the First Amendment Effective Date (as defined herein), and in reliance upon the representations and warranties of the Borrower set forth in this Amendment, the Loan Agreement is hereby amended as follows:

(a) **Section 6.02(a)(i)** of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(i) Borrowing Date. The Borrowing in respect of the Second Term Loan shall occur on or prior to June 29, 2015."

SECTION 3 Conditions of Effectiveness.

The effectiveness of this Amendment shall be subject to the following conditions precedent:

(a) Borrower shall have paid or reimbursed Lenders for Lenders' reasonable out of pocket costs and expenses incurred in connection with this Amendment, including Lenders' reasonable out of pocket legal fees and costs, pursuant to **Section 12.03(a)** of the Loan Agreement.

(b) Borrower and all of the Lenders shall have duly executed and delivered this Amendment pursuant to **Section 12.04** of the Loan Agreement; provided, however, that this Amendment shall have no binding force or effect unless all conditions set forth in this Section 3 have been satisfied.

(c) No Default or Event of Default has occurred or is continuing or will result after giving effect to this Amendment.

(d) There has been no Material Adverse Effect since December 31, 2013.

SECTION 4 Representations and Warranties; Reaffirmation

The Borrower hereby represents and warrants to each Lender on the date hereof as follows:

(a) This Amendment is within the Borrower's corporate powers and has been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Amendment has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) No Default or Event of Default exists on the date hereof or will exist immediately after giving effect to this Amendment.

(c) Borrower hereby ratifies, confirms, reaffirms, and acknowledges its obligations under the Loan Documents to which it is a party and agrees that the Loan Documents to which it is a party remain in full force and effect, undiminished by this Amendment, except as expressly provided herein. By executing this Amendment, Borrower acknowledges that it has read, consulted with its attorneys regarding, and understands the Amendment.

SECTION 5 Miscellaneous.

(a) No Waiver . Nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Loan Agreement or any of the other Loan Documents or constitute a course of conduct or dealing among the parties. Except as expressly stated herein, the Lenders reserve all rights, privileges and remedies under the Loan Documents. Except as amended hereby, the Loan Agreement and other Loan Documents remain unmodified and in full force and effect. All references in the Loan Documents to the Loan Agreement shall be deemed to be references to the Loan Agreement as amended hereby.

(b) Severability. In case any provision of or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(c) Headings. Headings and captions used in this Amendment (including the Exhibits, Schedules and Annexes hereto, if any) are included for convenience of reference only and shall not be given any substantive effect.

(d) Integration . This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

(e) Counterparts . This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart.

(f) Controlling Provisions . In the event of any inconsistencies between the provisions of this Amendment and the provisions of any other Loan Document, the provisions of this Amendment shall govern and prevail. Except as expressly modified by this Amendment, the Loan Documents shall not be modified and shall remain in full force and effect. This Amendment shall be deemed a Loan Document.

SECTION 6 GOVERNING LAW; SUBMISSION TO JURISDICTION . This Amendment and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, including Section 5-1401 of the New York General Obligations Law, and without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction. The Borrower agrees that any suit, action or proceeding with respect to this Amendment or any other Loan Document to which it is a party or any judgment entered by any court in respect thereof may be brought initially in the federal or state courts in Houston, Texas or in the courts of its own corporate domicile and irrevocably submits to the non-exclusive jurisdiction of each such court for the purpose of any such suit, action, proceeding or judgment. This Section 6 is for the benefit of the Lenders only and, as a result, no Lender shall be prevented from taking proceedings in any other courts with jurisdiction. To the extent allowed by applicable Laws, the Lenders may take concurrent proceedings in any number of jurisdictions.

SECTION 7 WAIVER OF JURY TRIAL . THE BORROWER AND EACH LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment, as of the date first above written.

THE BORROWER

NEVRO CORP.

By /s/ Andrew Galligan
Name: Andrew Galligan
Title: Chief Financial Officer

THE LENDERS

CAPITAL ROYALTY PARTNERS II L.P.
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By /s/ Nathan Hukill
Name: Nathan Hukill
Title: Authorized Signatory

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P.
By CAPITAL ROYALTY PARTNERS II - PARALLEL FUND "A" GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP LLC, its General Partner

By /s/ Nathan Hukill
Name: Nathan Hukill
Title: Authorized Signatory

PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P.
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP L.P., its General Partner
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP LLC, its General Partner

By /s/ Nathan Hukill
Name: Nathan Hukill
Title: Authorized Signatory

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.22

SUPPLY AGREEMENT

BETWEEN

CENTRO DE CONSTRUCCION DE CARDIOESTIMULADORES DEL URUGUAY S.A.

AND

NEVRO CORP.

March 13, 2015

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SUPPLY AGREEMENT

This supply agreement (" **Agreement** ") is entered into on March 13, 2015 (the " **Effective Date** ") by and between Centro de Construccion de Cardioestimuladores del Uruguay S.A. (" **CCC** "), an Uruguay corporation with its principal place of business at General Paz 1371, Montevideo, Uruguay, CP 11400 and Nevro Corp. (" **Nevro** "), a Delaware corporation with its principal place of business at 4040 Campbell Avenue, Suite 210, Menlo Park, CA 94025 **.** CCC and Nevro are referred to collectively as the "Parties", individually as a "Party."

Whereas, Nevro desires to purchase certain Products from CCC; and

Whereas, CCC is in the business of supplying Products; and

Whereas, the Parties desire to establish the terms and conditions that shall apply to Nevro's purchase of the Products from CCC.

In consideration of the foregoing and the agreements contained herein, CCC and Nevro hereby agree as follows:

1. Definitions

1.1 **"Approved Manufacturer List"** shall mean the approved list of vendors in the Specifications for the supply of Components.

1.2 **"Bill of Materials"** shall mean the listing or reference for the Components included in or required for the manufacture/assembly of Products in accordance with the Specifications, which Bill of Materials is set forth on **EXHIBIT K** (as such exhibit is updated in accordance with Section 11.1).

1.3 **"Change of Control"** with respect to a Party means a transaction pursuant to which an entity acquires all or substantially all of the assets of such Party related to this Agreement or acquires "control" of such Party, where "control" means: (i) ownership, directly or indirectly, of more than (a) fifty percent (50%) of the outstanding voting shares of such Party, or (b) fifty percent (50%) of the of the total combined voting power entitled to elect or appoint directors or persons performing similar functions for such Party, or (ii) the power to direct or cause the direction of the management and policies of such Party by contract or otherwise.

1.4 **"Change Order"** shall mean a formal written request to increase, decrease, or reschedule deliveries in a Purchase Order.

1.5 **"Components"** shall mean the parts, materials and supplies included in or required for each Product as stipulated in the Bill of Materials.

1.6 **"Consigned Components"** has the meaning specified in **EXHIBIT E** .

1.7 **"Confidential Information"** shall mean all intellectual property, including, but not limited to, software and other technical data, products and product designs, and information, materials and documents relating to products, product designs, product testing, markets, business plans, business opportunities and trade secrets, disclosed, orally or in any written form, by one Party to another under this Agreement or the Engineering Agreement, but which is non-public, private or proprietary in nature. Confidential Information shall also include all summaries, analyses, documents, memoranda, notes and other writings, including, but not limited to, this Agreement, prepared by either Party containing or based on other Confidential Information.

1.8 **"Contract Year"** means each calendar year during the Term, except that Contract Year 1 commences on the Effective Date and ends on December 31, 2015 and Contract Year 11 commences on January 1, 2025 and ends on the date that is ten (10) years after the Effective Date.

1.9 **"Days"** shall mean calendar days, unless otherwise specified, including Saturdays, Sundays and United States Government recognized holidays. "Business Days" shall not include Saturdays, Sundays or United States and Uruguay Government recognized holidays.

1.10 "Defect" or "Defective" shall mean a defect caused by a breach of the warranty in Section 14.1.

1.11 "Device Master Record" shall mean the compilation of records containing the procedures and Specifications for the Product.

1.12 "Disclosing Party" shall mean the Party disclosing its Confidential Information.

1.13 "Engineering Agreement" shall mean the Engineering Agreement entered into between Nevro and C.C.C. Del Uruguay S.A. on December 30, 2008, as amended.

1.14 "Engineering Change Order" (ECO) shall mean the document that details a change in the Specifications and/or design of a Product.

1.15 "Facility" shall mean the manufacturing facility located at General Paz 1371, 11400 Montevideo, Uruguay, and any other facility approved by Nevro in accordance with Section 3.1.

1.16 "Field of Use" means parasthesia-free stimulation of the spinal cord for chronic intractable pain of the trunk and limbs at a frequency greater than 1,500 Hz.

1.17 "Free on Board" shall be as defined in Incoterms 2010 of the International Chamber of Commerce.

1.18 "Good Manufacturing Practice" (GMP) shall mean compliance with ISO13485:2003 and Quality System Regulations 21 CFR Part 820.

1.19 "High Frequency Neurostimulator" shall mean a neurostimulator designed to deliver stimulation pulses in the Field of Use.

1.20 "Intellectual Property" shall mean all rights held by a Party in its technology, products and business information, all or some of which may constitute Confidential Information, and including but not limited to: patent rights, copyrights, trademark rights, goodwill, inventions, improvements, discoveries, designs, modifications, data, business information, financial information, clinical information and data, regulatory information, trade secret rights, mask work, know how rights and other intellectual property and proprietary rights.

1.21 "Inventory" shall mean WIP (i.e., Components contained in partly finished Products that are in various stages of the manufacturing process), finished Products (including, but not limited to, Safety Stock), Product-specific, non-returnable purchased Components and non-cancelable purchase orders for Components outstanding with CCC's suppliers, consistent with Section 6.3.

1.22 "Last Time Buy" shall mean Nevro's option to order any quantities of Products totaling up to the quantities ordered by Nevro over the preceding [***] period, subject to the requirements set forth in this Agreement.

1.23 "Minimum Order Quantities" shall mean minimum order quantities required by Component vendors.

1.24 " **Nevro Property** " shall mean (a) any tooling, equipment or software provided by Nevro, and (b) tooling or equipment developed or procured by CCC at Nevro' expense but, with respect to tooling or equipment developed or procured by CCC at Nevro's expense after the Effective Date, only if it has been invoiced separately from the purchase price of the Products, and (c) Safety Stock upon Nevro's payment of the applicable purchase price.

1.25 "Nevro System" shall mean an implantable system intended to be completely introduced to a living body by surgical intervention to apply electrical stimulation for treatment of chronic pain.

1.26 "Product" shall mean the products set forth in **EXHIBIT A** , which shall be amended by the Parties from time-to-time to incorporate additional Products, identified by the Nevro part number or assembly identification specified in each Purchase Order issued under this Agreement and as described in the Device Master Record. There can be multiple versions of a Product, based on differences provided for in the Bills of Material.

1.27 **"Purchase Order"** shall mean the Nevro purchase order submitted to CCC detailing the Product(s), revision level, quantity, pricing, and Shipment Date(s).

1.28 **"Receiving Party"** shall mean the Party receiving Confidential Information from the Disclosing Party.

1.29 **"Safety Stock"** shall mean the level of finished Products to be maintained by CCC, in excess of the amount required to meet Nevro's Purchase Orders, Minimum Order Quantities or Component lead times, which level is specified in Section 10.2 below.

1.30 **"Shipment Date"** shall mean the shipment date from the Facility as specified in a Purchase Order, or as otherwise mutually agreed by the Parties in writing.

1.31 **"Specifications"** shall mean Nevro's written specifications for the manufacture and testing of the Product including, but not limited to, the current revision number, Approved Manufacturer List (AML), Bills of Material, manufacturing procedures, schematics, testing procedures, drawings, and documentation.

1.32 **"Term"** shall have the meaning set forth in Section 20.1.

1.33 **"Validation Documentation"** means the collection of all documentation demonstrating that Product equivalence and all applicable regulatory requirements, and any other requirements agreed by the Parties, have been achieved with respect to a proposed new Facility, including master validation plans, qualification documentation (including operational qualification documentation), performance qualification documentation (including protocols and reports), line validation/product performance qualification protocols and reports, and process failure modes and effects analysis documentation. This information is intended to be delivered as a package and considered for approval as such.

1.34 **"Warranty Period** " shall mean, for each Product, the period of one (1) year immediately follwoing the date the Product is accepted by Nevro or is deemed accepted in accordance with Section 15.1.

2. Program Management

2.1 Each Party shall provide a list of program team members. The list shall include name, title, phone number, and email address. The Program Team List is attached as **EXHIBIT B** .

3. Facilities; Manufacture of Products

3.1 If CCC desires to relocate the manufacturing of the Product from a Facility to a location in one of the countries listed on **EXHIBIT J** , or another country agreed by the Parties in writing, CCC shall provide written notice to Nevro at least **[***]** (**[***]**) months prior to CCC's proposed date of such relocation, and shall provide such other information reasonably required by Nevro with respect to such proposed new location. Following the notice, CCC shall deliver to Nevro qualification parts manufactured at such proposed new location and the Validation Documentation with respect to such proposed new location for Nevro's review and approval (which approval shall not be unreasonably withheld). CCC shall not ship any Product manufactured at the new location until CCC's receipt of a written notice from Nevro that it is ready to receive Product manufactured at the new Facility (the " **Facility Approval Notice** "). CCC will use reasonable commercial efforts to qualify and otherwise achieve all regulatory approvals necessary for the relocation and the manufacture of Products at the new location as soon as possible, excluding any such approvals with respect to the Product that Nevro itself is legally required to obtain (" **Nevro Approvals** "). Nevro will use reasonable commercial efforts to achieve the Nevro Approvals as soon as possible after Nevro's approval of the Validation Documentation. If Nevro does not issue the Facility Approval Notice within **[***]** (**[***]**) days after all regulatory approvals (including Nevro Approvals) necessary to manufacture the Product at the new location have been obtained and CCC has reasonably demonstrated that it can manufacture Products in accordance with this Agreement at such new location, then all prices for the Products will automatically **[***]** unless and until Nevro issues the Facility Approval Notice. Nevro shall provide reasonable cooperation to CCC in connection with the qualification of such new facility, and CCC shall provide reasonable cooperation to Nevro in connection with obtaining the Nevro Approvals. Nevro understands and agrees that the relocation of the Facility located at General Paz 1371, 11400 Montevideo, Uruguay is accounted for in the pricing in **EXHIBIT E** , and therefore, **[***]** will be made as result of such relocation.

3.2 CCC shall manufacture and build Products in accordance with the Specifications.

3.3 CCC shall purchase all Inventory as needed and standard production and test equipment as necessary to fulfill Purchase Orders.

3.4 Upon CCC's request, and without limiting CCC's obligations hereunder, Nevro shall use reasonable commercial efforts to cooperate with CCC in its manufacturing of the Products at the volumes required under this Agreement.

4. Product Training

4.1 During the Term of this Agreement, CCC shall maintain a sufficient staff of trained personnel to adequately support all the requirements set forth in this Agreement.

5. Quality

5.1 The Quality Agreement referenced in **EXHIBIT D** , and any amendments thereto (whether before or after the Effective Date), is hereby incorporated into this Agreement.

5.2 CCC agrees to maintain ISO 13485:2003 certification and comply with 21 CFR Part 820 in all Facilities producing Products.

6. Component Responsibilities

6.1 CCC shall maintain and manage adequate Inventory in order to meet Nevro's Purchase Orders and Component lead times. CCC shall immediately notify Nevro in the event of any potential material delays or shortages that may impact Shipment Date.

6.2 CCC may order Components above the quantities required to satisfy Purchase Orders in order to meet Minimum Order Quantities.

6.3 Subject to the remainder of this Section 6.3, Nevro shall be responsible for the price of finished Products and Safety Stock (as such prices are set forth on **EXHIBIT E**) and the cost of other types of Inventory purchased or manufactured by CCC under the terms of this Agreement which becomes obsolete due to reduction in demand (i.e., Components with lead times greater than 3 months which are ordered by CCC to fulfill non-binding portions of a Nevro forecast, but are in Products which Nevro does not order in accordance with such forecast and which Components thereafter expire before they can be used) or due to Engineering Change Orders, provided that CCC has made a reasonable effort to return such Inventory or cancel the applicable orders from vendors (except that this obligation on CCC to return or cancel will not apply in the case of finished Products and Safety Stock). In the event of such obsolescence, CCC shall notify Nevro in writing of the applicable Inventory, which notice shall explain the reason such Inventory became obsolete and shall include invoices and other documentation that show the cost to CCC of such Inventory.

6.4 If Nevro engages in a process pursuant to which Nevro accepts bids from third parties to supply Components, Nevro shall (i) notify CCC in writing of Nevro's intent to engage a third party with respect to such Components within a reasonable period of time prior to the scheduled commencement of such process, (ii) provide CCC with a general written description of Nevro's requirements with respect to such Components, and (iii) provide CCC with an opportunity to submit a bid to provide such Components to Nevro. Nevro shall discuss any such submitted bid with CCC in good faith. If the bid submitted by CCC in any such process is reasonably comparable to or better than all other bids submitted in connection with such process (including with respect to quality, price, timing, capacity to supply, legal terms, and other requirements), Nevro shall select the bid submitted by CCC in such process and negotiate in good faith to enter a definitive agreement with respect to the supply of the applicable Components. If Nevro does not accept CCC's bid in any such process, Nevro shall inform CCC in reasonable detail of the reasons for such non-acceptance.

7. Consigned Components

7.1 In the event that Nevro supplies certain Consigned Components to CCC, such Consigned Components shall be delivered to CCC in sufficient time and in sufficient quantities based on Purchase Orders and in accordance with this Agreement, including normal yield levels, to allow CCC to meet scheduled Shipment Dates for the applicable Products. All Consigned Components shall be in good condition and in good working order. Nevro assumes complete liability for the quality of all Consigned Components and CCC shall not be responsible for any Defects or deficiencies therein. CCC shall, upon receipt of the Consigned Components, perform all necessary inspections of the Consigned Components, in accordance with its standard procedures and shall notify Nevro in writing, not later than twenty (20) Days from the date of receipt of the Consigned Components, of any Defects found or of any discrepancy in quantities. CCC reserves the right, after receipt of the Consigned Components, to timely inform Nevro of additional Defects which may be discovered or revealed by further inspection by or through the manufacturing process that could not be discovered at incoming inspection by CCC.

7.2 CCC will provide Nevro with a written statement of the Consigned Components used by CCC at the end of each calendar month.

8. Engineering Change Order (ECO)

8.1 An ECO is required when the form, fit or function of the design of the Product and/or Specifications are affected by a related change by or on behalf of Nevro. Nevro shall provide ECOs to CCC by way of e-mail, hard-copy, or fax.

8.2 CCC shall provide a written response to Nevro if such changes affect the per-unit price and/or parameters related to the shipment of a Product. The pricing model will be adjusted for the effect of the ECO when implemented. Upon Nevro's written agreement to CCC's response, CCC will promptly implement any change in the Specifications or the design of a Product as reasonably requested by Nevro pursuant to an ECO. Nevro shall reimburse CCC's reasonable costs of implementation.

8.3 CCC shall not implement any changes to the design or Specifications (including any deviations from the Approved Manufacturer List or the Bill of Materials) of any Product or materials used to produce a Product, without Nevro's prior written approval. CCC shall not implement any changes to equipment, manufacturing and quality assurance procedures, or methods and techniques used to produce a Product without notifying Nevro in writing prior to such change. Documents changed by ECOs, will be translated as part of the ECO.

8.4 Documentation reasonably supporting the unusability of any Inventory as a result of an ECO shall be provided by CCC. If Nevro elects to use any Inventory which CCC believes is unusable, the warranties in Section 14.1 and the indemnification in Section 14.3 will not apply to such Inventory.

9. Minimum Supply, Purchase Orders and Forecasts

9.1 Nevro designates CCC as a preferred supplier of all products within the Field of Use (including, but not limited to, the Products listed in **EXHIBIT A)** and related services that Nevro orders from CCC during the Term of this Agreement. During the Term, and subject to the terms and conditions of this Agreement, Nevro will satisfy the Minimum Purchase Requirements as defined in **EXHIBIT A (** such obligations, the " **Minimum Purchase Requirements** "). In that regard, if Nevro desires to have a product manufactured and such product falls within the Field of Use, then such product will be included as a "Product" under this Agreement and **EXHIBIT A** will be amended to include such product unless, at the time Nevro is initially seeking to have the product manufactured, (i) CCC is unable to manufacture the product so that the product and its manufacture are at least equivalent in terms of technology, quality, ramp-up times, lead times, capacity to manufacture in accordance with this Agreement, and price to an offering made by a third party supplier or (ii) the Parties otherwise agree in writing (any such product, an **"Excluded Product"**). For clarity, revisions or successor versions of Excluded Products will not be subject to this Section 9.1.

If Nevro fails to satisfy the Minimum Purchase Requirements applicable to a Contract Year, CCC may, as its sole remedy for such failure, ship to Nevro the volume of Products that would cause Nevro to satisfy such requirement (for which Nevro will pay the invoiced amount).

9.2 If during the Term of this Agreement with respect to any Product, for any reason: (a) CCC fails to supply non-Defective Products in accordance with this Agreement with respect to at least **[***]** percent (**[***]** %) of the amount of the Product scheduled on an Purchase Order (a " **Purchase Order Failure** "); or (b) **[***]** percent (**[***]** %) or more of a shipment of the Product delivered by CCC does not meet the applicable Specifications (a " **Defect Failure** "); then (i) Nevro will have the option of requiring CCC to increase Safety Stock up to **[***]** (**[***]**) **[***]** worth of expected Product orders, and (ii) the amount of the Minimum Purchase Requirement for the year or years in which such events occur will be **[***]** in connection with a Purchase Order Failure or **[***]** related to a Defect Failure. In addition, in the case of Force Majeure or an extended interruption of supply of sixty (60) consecutive days or more, CCC and Nevro agree to negotiate in good faith further relief for Nevro from the Minimum Purchase Requirements until such time as CCC is in a position to satisfy future Purchase Orders. No event described above will be considered a Purchase Order Failure or a Defect Failure to the extent **[***]** at the time of the applicable Purchase Order Failure or Defect Failure.

9.3 During the Term of this Agreement, Nevro shall issue quarterly Purchase Order(s) by the last day of each calendar quarter for Shipment Dates in the quarter two quarters in the future. By way of example, on or before December 31st Purchase Orders will be issued for Shipment Dates in the third quarter starting July 1st. Each successive quarter, Purchase Orders shall be issued for an additional quarter.

9.4 CCC shall provide written Purchase Order acceptance or rejection in accordance with Section 9.5 within five (5) business days of receipt of the Purchase Order.

9.5 Nevro shall issue quarterly rolling monthly forecasts by the last day of each calendar quarter for the three quarters immediately following the Purchase Order coverage period. The forecast quantities for the last two quarters of the forecast are non-binding. When a Purchase Order is issued for the first quarter of the forecast, CCC will accept such Purchase Order provided that the quantities ordered may not vary up or down from such forecast quantity by more than **[***]** (**[***]** %) unless otherwise agreed by the Parties in writing.

10. Change in Purchase Orders and Safety Stock of finished goods

10.1 Nevro may not cancel any accepted Purchase Order. Nevro may change an accepted Purchase Order only if agreed upon in writing by CCC, but CCC shall use its commercially reasonable efforts to accommodate increases, decreases or reschedules of the quantities in a Purchase Order requested by Nevro. Any additional costs of such change will be borne by Nevro.

10.2 Beginning twelve (12) months after the Effective Date, CCC will maintain Safety Stock levels of each of the Products equal to **[***]** (**[***]**) **[***]** worth of expected Product orders as reflected in the rolling twelve (12) month Purchase Order and forecast requirements as defined in Section 9. The Safety Stock will be available to ship to Nevro within two (2) weeks of Nevro placing a Purchase Order. If the Safety Stock drops below the **[***]** (**[***]**) **[***]** level at any time, CCC will promptly replenish it within **[***]** (**[***]**) **[***]** . Nevro is responsible in accordance with Section 22.1 for such finished inventory, work in process, raw materials and non-cancelable purchase orders outstanding with CCC's suppliers that were reasonably and customarily necessary to sustain Safety Stock levels. If Nevro requests CCC to maintain any amount of Products in excess of the Safety Stock levels indicated in this section, title in the including, but not limited to, any applicable holding charge.

11. Price, Payment Terms, and Cost Reduction

11.1 All Products will be shipped Free On Board (FOB) (Incoterms 2010), and the FOB point will be the Montevideo port or the Montevideo airport (as applicable). Title to the Products will pass at the FOB point, and Nevro bears all risk of damage or loss to the Products after delivery to the FOB point. The prices for the Products shall be as set forth in **EXHIBIT E** of this Agreement. Notwithstanding the preceding sentence, (a) subject to clause (b) of this Section

11.1, if there is a net increase or decrease of $ **[***]** or more in the **[***]** a Product (including **[***]**), which increase or decrease shall be **[***]** , then a corresponding change equal to **[***]** percent (**[***]** %) of the documented amount of such increase or decrease will be made to the price of the applicable Product and (b) Nevro will be responsible for **[***]** percent (**[***]** %) of any such price increase **[***]** as of the Effective Date as specified **[***]** . The Parties shall meet at least twice per Contract Year to calculate the amount of any such increase or decrease and, if any increase or decrease in the Product price is made as a result of any such meeting, the Parties shall update **[***]** after such meeting to reflect the change in the **[***]** such increase or decrease. CCC shall provide to Nevro documentation **[***]** such increase or decrease. All Purchase Orders for Products issued by Nevro after the Parties' agreement regarding the amount of such increase or decrease shall reflect the adjusted Product price. For clarity, Nevro shall **[***]** with respect to **[***]** .

11.2 All CCC invoices shall be in U.S. dollars and due and payable net thirty (30) days after the date of shipment. All amounts referenced in or to be paid under this Agreement, exclude taxes, customs, shipping, insurance and duties. CCC reserves the right to charge interest on any such undisputed amounts which are past due at the rate of 1.5% per month or the highest rate allowed by law, whichever is lower. Nevro will be liable for all costs of collection of any such amounts incurred by CCC, including, but not limited to, reasonable attorneys' fees and court costs, if any. In addition to all other available rights and remedies on default, CCC may refuse orders, require advance payment in full, ship C.O.D. or halt shipments if all undisputed prior invoices are not paid in full.

11.3 CCC shall collaborate with Nevro to make proposals that, if implemented, would deliver a reduction in the cost of the Product. CCC shall provide to Nevro a plan detailing cost reduction efforts that CCC will undertake to achieve the agreed upon cost reductions, which must be approved by Nevro, which approval may not be unreasonably withheld. The cost reduction efforts will be reviewed formally by the Parties during business reviews to take place at least twice per Contract Year. Nevro and CCC will mutually agree upon the business case analysis, including expenses, cost savings and implementation schedule.

Cost reduction efforts or proposals shall not compromise quality or reliability, and CCC shall comply with Product Specifications and Good Manufacturing Practices with respect to design and process changes. Provided CCC and Nevro are willing to share the expenses associated with the implementation, cost savings shall be split [***] percent ([***]%) to Nevro and [***] percent ([***]%) to CCC. CCC shall give Nevro notice of the implementation of cost reductions as soon as practicable, but in any event within thirty (30) days of the accomplished reduction. Thereafter, all invoices shall reflect the applicable reduced pricing and the Parties shall work to update **EXHIBIT E** accordingly.

11.4 Nevro shall pay CCC an upfront, non-refundable, additional payment related to the Products in the amount of **[***]** dollars ($ **[***]**) within thirty (30) days after the Effective Date.

12. Shipment

12.1 CCC shall notify Nevro of shipments by CCC to Nevro. Nevro may specify carrier and mode of transportation for each Shipping Order or provide a standing instruction; provided, if Nevro does not so specify, CCC may select the carrier and mode of transportation reasonably required to meet Nevro's delivery requirements.

12.2 CCC shall make available in accordance with Section 11.1 all Products on the Shipment Date. If circumstances arise that prevent CCC from making the Products available on the Shipment Date, CCC shall (i) immediately notify Nevro of the nature of the problem, the methods taken to overcome the problem and the estimated time of delay, and (ii) expedite shipment of such Products when the problem is overcome.

12.3 All Products shall be packaged and prepared for shipment in a manner which conforms to the Specifications and is acceptable to common carriers for shipment. CCC shall mark the outside of each pallet per Specifications. Each shipment shall be accompanied by a packing slip which shall include Nevro item/part numbers and Nevro's Purchase Order number the shipment is against.

13. Additional Services

13.1 CCC will provide to Nevro the additional services described on **EXHIBIT F** of this Agreement, and Nevro will pay CCC for such services in accordance with the fees listed in **EXHIBIT G** of this Agreement.

14. CCC Warranties and Indemnification

14.1 CCC warrants that for the Warranty Period each Product will conform with the relevant Specifications under this Agreement. In the event that any Product does not conform with the Specifications, CCC will repair or replace such Product (or refund the price paid therefor) as provided for in Section 15.2. This warranty is made only to Nevro and CCC shall have no liability to any third party, directly or indirectly, with respect to any Product as a result of such warranty.

14.2 Notwithstanding any other provision of this Agreement, CCC shall have no obligation to Nevro under the limited warranty set forth in Section 14.1 or under Section 14.4 to the extent that (a) the Product is not used in accordance with the Specifications; (b) the Product has had modifications, alterations, repairs or work performed on it by any party other than CCC or CCC's authorized agents; (c) the failure is due to incorrect use or handling of the Products by Nevro or third parties after Nevro accepts such Product; or (d) Nevro has not complied with Section 15 (collectively, the **"Section 14.2 Causes"**).

14.3 CCC further represents and warrants that (i) it has and shall transfer good and clear title to the Products, free and clear of all liens, claims and encumbrances, and the right to grant the rights granted hereunder, (ii) CCC's manufacturing process and its performance of the Services will not infringe any Intellectual Property of any third party, and (iii) CCC has the right and power to enter into this Agreement.

14.4 CCC agrees to indemnify, defend and hold harmless Nevro and its affiliates and each of their officers, directors, shareholders, employees, agents, successors and assigns (the " **Nevro Indemnified Parties** ") from and against any and all losses, obligations, liabilities, damages, actions, settlements, judgments and reasonable expenses and costs (including, but not limited to, reasonable attorney's fees and court costs) which the Nevro Indemnified Parties may incur or suffer as a result of claims by third parties to the proportionate extent they result from or arise out of (i) any (A) personal injury or death or (B) other claim caused by a breach by CCC of the limited warranty set forth in Section 14.1 or the covenants contained in Sections 5, 23, and 24 of this Agreement, (ii) any violation of law by CCC, (iii) the gross negligence or intentionally wrongful conduct of CCC, and (iv) a breach of the representations, warranties or covenants in Section 14.3 and Section 25. The applicable Nevro Indemnified Party must give CCC written notice of any claim under this Section 14.4 within fifteen (15) business days after it first learns of such claim. CCC has the right to defend, or at its option to settle, and CCC agrees, at its own expense, to defend or at its option to settle, any indemnified claim, suit or proceeding brought against the applicable Nevro Indemnified Party, subject to: (a) CCC having sole control of any such action or settlement negotiations and paying, subject to the limitations below, any judgment entered against the applicable Nevro Indemnified Party on such issues in any suit or proceeding defended by CCC; (b) the applicable Nevro Indemnified Party agrees, at CCC's expense, to cooperate with CCC and satisfy any reasonable request for information and assistance relating to any efforts to settle or defend any such claim, suit or proceeding; and (c) the applicable Nevro Indemnified Party may not settle or compromise any claim without the prior written consent of CCC. Should the manufacture or use of any Products be enjoined by a court with applicable jurisdiction due to a breach by CCC of Section 14.3, CCC will use its reasonable best efforts to substitute or modify such Product so that it no longer is subject to such injunction.

14.5 EXCEPT FOR THE WARRANTES MADE IN SECTIONS 14.1 and 14.3, CCC MAKES NO OTHER WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THE COMPONENTS, PRODUCTS OR ANY SERVICES PROVIDED UNDER THIS AGREEMENT, AND DISCLAIMS ALL OTHER WARRANTIES INCLUDING THE WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE.

15. Acceptance and RMA Process

15.1 Nevro must conduct any incoming inspection tests not later than 30 days from the date of its receipt of the Products. Subject to Nevro's rights under Section 14, Products not rejected by Nevro by written notice to CCC within such period will be deemed accepted, with the exception of Products with defects that are not readily observable by Nevro.

15.2 Any Defective Products may be returned to CCC and CCC will, upon its confirmation of the Product as Defective Product, at its sole expense (including shipping and handling expenses), either (i) repair the applicable Defective Products within a reasonable time; (ii) replace the applicable Defective Products within a reasonable time; and/or (iii) and if neither of (i) or (ii) is feasible within a reasonable time, CCC will refund the amount of the payments paid for the Product; provided that (i) Nevro obtains a return authorization from CCC prior to returning the Products (and CCC shall provide Nevro with an RMA number promptly upon request), and the failure analysis, or summary thereof, conducted by Nevro shall accompany the Product or shall otherwise be promptly be delivered to CCC. If the Product returned to CCC is not covered by the warranty (because the return was outside the Warranty Period or was found not to be Defective Product) CCC may charge Nevro for any services performed on the Product, including, but not limited to, those listed in **EXHIBIT F** .

16. Nevro Warranties and Indemnification

16.1 Nevro represents and warrants to CCC that (i) Nevro Intellectual Property provided to CCC hereunder does not infringe the proprietary rights of any third party, and (ii) Nevro has the right and power to enter into this Agreement.

16.2 Nevro will indemnify, defend and hold harmless CCC and its affiliates and each of their officers, directors, shareholders, employees, agents, successors and assigns (the "CCC Indemnified Parties") against any and all losses, obligations, liabilities, damages, actions, settlements, judgments and reasonable costs and expenses which the CCC Indemnified Parties may incur or suffer (including, but not limited to, reasonable legal fees) as a result of claims by third parties to the proportionate extent arising out of or related to (a) the breach by Nevro of any of its warranties in Section 16.1 or the covenants contained in Sections 23 and 25 of this Agreement, (b) the gross negligence or intentionally wrongful conduct of Nevro, (c) the storage, handling, modification, distribution, marketing or sale of the Nevro System and/or any of the Products (including, but not limited to, any design defects of the Product and any personal injury or death or other claims resulting from such design defects), but, for clarity, excluding any liability to the extent CCC is obligated to indemnify Nevro for such liability under Section 14 and any liability to the extent such liability arises from CCC's breach of this Agreement, (d) any statement, promise, representation or warranty made by Nevro or by any agent or distributor of Nevro to a purchaser beyond the limited warranty made by CCC in this Agreement, (e) any and all Section 14 Causes after shipment by CCC, (f) materials, Components, directives or instructions given by Nevro to CCC, made in writing and (g) any failure to include warnings required by law or regulation on the Nevro System in which a Product is incorporated and any recall of such Nevro System that is not caused by CCC's breach of this Agreement. The applicable CCC Indemnified Party must give Nevro written notice of any claim under this Section 16.2 within 15 business days after it first learns of such claim. Nevro has the right to defend, or at its option to settle, and Nevro agrees, at its own expense, to defend or at its option to settle, any indemnified claim, suit or proceeding brought against the applicable CCC Indemnified Party, subject to: (a) Nevro having sole control of any such action or settlement negotiations and paying, subject to the limitations below, any judgment entered against the applicable CCC Indemnified Party on such issues in any suit or proceeding defended by Nevro; (b) the applicable CCC Indemnified Party agrees, at Nevro's expense, to cooperate with Nevro and satisfy any reasonable request for information and assistance relating to any efforts to settle or defend any such claim, suit or proceeding; and (c) the applicable CCC Indemnified Party may not settle or compromise any claim without the prior written consent of Nevro.

16.3 NEVRO MAKES NO OTHER WARRANTIES WITH RESPECT TO THE NEVRO INTELLECTUAL PROPERTY, CONSIGNED COMPONENTS, NEVRO PROPERTY, THE LICENSES GRANTED HEREUNDER OR OTHER MATERIALS OR DOCUMENTATION PROVIDED BY NEVRO HEREUNDER AND DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE.

17. Nevro Property

17.1 Any Nevro Property shall reside and/or remain the property of Nevro and shall (i) be clearly marked or tagged as the Property of Nevro, (ii) be and remain personal property, and not become a fixture to real property, (iii) be subject to inspection by Nevro at any time, (iv) be used solely for the purpose of supplying the Products to Nevro, (v) be kept free by CCC from any and all liens and encumbrances, (vi) not be modified in any manner by CCC without the prior written approval of Nevro, and (vii) be maintained by CCC in accordance with Nevro's maintenance procedures and guidelines, including, if applicable, but not limited to periodic calibration procedures. Nevro will pay all maintenance costs of Nevro Property. Nevro shall retain all rights, title and interest in Nevro's Property and CCC agrees to treat and maintain the Nevro's Property with the same degree of care as CCC uses with respect to its own property, but no less care than reasonable care. CCC shall bear all risk of loss or damage to Nevro's Property, normal wear and tear excepted, until it is returned or delivered to Nevro. Upon Nevro's request, CCC shall deliver all of Nevro's Property to Nevro in good condition, normal wear and tear excepted, without cost to Nevro (except freight costs); Nevro shall determine the manner and procedure for returning the Nevro's Property, and shall pay the corresponding freight costs. CCC agrees to execute all documents, or instruments evidencing Nevro's ownership of Nevro's Property as Nevro may require from time to time.

18. Intellectual Property

18.1 Background Intellectual Property .

All Intellectual Property owned by a Party prior to the Effective Date will remain the exclusive property of such Party.

18.2 Ownership of Newly Created Intellectual Property .

(a) All Intellectual Property developed solely by a Party or acquired from a third party by a Party during the Term, whether in connection with this Agreement or otherwise, (" **Improvements** ") will be owned solely by such Party.

(b) The Parties agree that:

(i) Any Intellectual Property resulting from the joint contributions of CCC and Nevro personnel or contractors during the Term will be " **Joint IP** ". For purposes hereof, the sole standard for establishing whether or not any Intellectual Property is Joint IP will be that if the Intellectual Property in question were going to be patented under the laws of the United States (whether patentable or not), an employee of each party would be required to be named as an inventor in order for the patent to be legally valid and enforceable. All Joint IP will be owned jointly by the Parties. Joint IP will be subject to all of the terms and conditions of this Agreement. Each party will execute, and will cause its employees and contractors and its affiliates' employees and contractors to execute, such assignments as may be necessary or advisable under law to effectuate the intent of this section.

(ii) Each Party will be solely responsible for determining whether to file and prosecute any patent application for any of its exclusively owned Intellectual Property.

(iii) The Parties will jointly determine whether or not to file and prosecute a patent application for any resultant patents covering Joint IP, and if so, in which jurisdictions and for how long. The Parties will jointly select patent counsel for any such application and patent prosecution. All legal expenses, filing fees and maintenance fees for all resultant patents will be shared equally both during the Term and after the termination of this Agreement for Joint IP that is jointly owned by the Parties. After the expiration or termination of this Agreement, if a party no longer desires to contribute to the fees or expenses for any resultant patent that is jointly owned, it will notify the other party on a timely basis, which shall have the option to elect to maintain such patent without contribution from the other party. In such event, the party desiring not to pay fees or expenses shall assign such patent to the other Party and will forfeit its right to use, sell, make and have made, such resultant patent.

(iv) During the Term of this Agreement, as long as Nevro satisfies the requirements of Section 9: (a) CCC will not grant, assign, or license any interest or ownership it has in any Joint IP to any entity, including but not limited to its affiliated companies, distributors, resellers, agents, subsidiaries, or parent companies, for use within the Field of Use; and (b) CCC will not make, use, sell, offer for sale, or import any products or services covered by Joint IP, or otherwise exercise or exploit any Joint IP in the Field of Use, with the exception of any activities conducted in the performance of this Agreement.

19. Exclusivity/Non-Competition

19.1 At any time during the Term when Nevro is obligated to purchase or otherwise purchases one hundred percent (100%) of its requirements for Products in the Field of Use from CCC in accordance with the Minimum Purchase Requirements, and as long as Nevro satisfies the Minimum Purchase Requirements (but if Nevro purchases such one hundred percent (100%) during Contract Year 1, and Nevro notifies CCC that Nevro intends to invoke the exclusivity requirements under this Section 19.1, then the Minimum Purchase Requirements for Contract Year 1 will equal **[***]** IPG Products in order to trigger such exclusivity requirements, and if Nevro purchases such one hundred percent (100%) during Contract Year 2, and Nevro notifies CCC that Nevro intends to invoke the exclusivity requirements under this Section 19.1, then the Minimum Purchase Requirements for Contract Year 2 will equal **[***]** IPG Products in order to trigger such exclusivity requirements, CCC agrees that it shall not, and shall cause any entity then-affiliated with CCC (including Greatbatch Ltd. and its affiliates) through their distributors, resellers or agents of any type or nature or otherwise, develop, manufacture, market, distribute or sell any complete medical devices (i.e., any devices that require regulatory approval) within the Field of Use, except to Nevro; provided that CCC and any such then-affiliated entities may continue developing, manufacturing, marketing, distributing and selling any such complete medical device (and any improvements thereto) that CCC or such then- affiliated entity was developing, manufacturing, marketing, distributing and selling at the time the restriction described in this Section 19.1 became effective.

19.2 Nothing in this Agreement shall limit a Party's rights and remedies for the enforcement of such Party's Intellectual Property against the other Party or any entity affiliated with the other Party.

20. Term

20.1 This Agreement shall become effective on the Effective Date and shall continue for an initial term of ten (10) years unless terminated at an earlier date in accordance with the provisions herein set forth. Thereafter, this Agreement shall automatically be renewed for additional two (2) year terms, unless terminated by either Party upon written notice delivered to the other Party not later than one (1) year prior to the last day of the applicable renewal period (all such renewal periods and the initial term collectively being the " **Term** "). The Parties agree that, notwithstanding the number of renewals, the Parties do not intend to convert this Agreement into a contract of indefinite duration.

21. Termination; Certain Minimum Purchase Requirements Reductions

21.1 Either Party may immediately terminate this Agreement by providing written notice to the other Party, upon the occurrence of any of the following events:

(a) if the other Party ceases to do business, or otherwise terminates its business operations, excluding any situation where all or substantially all of such other Party's assets, stock or business to which this Agreement relates are acquired by a third party (whether by sale, acquisition, merger, operation of law or otherwise);

(b) if the other Party breaches any material provision of this Agreement and fails to cure such breach within sixty (60) days of written notice describing the breach, except that a breach of the payment provision of this Agreement must be cured within thirty (30) day of written notice describing the breach;

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) if the other becomes insolvent, makes an assignment for the benefit of creditors, files a petition in bankruptcy, permits a petition in bankruptcy to be filed against it, presents a petition or has a petition presented by a creditor for its winding up, or enters into any liquidation or call any meeting of its creditors, or admits in writing that it is unable to pay its debts as they mature, or if a receiver or examiner is appointed for a substantial part of its assets; or

(d) as mutually agreed in writing by the Parties.

21.2 Nevro may terminate this Agreement by providing three (3) years written notice to CCC in the event a Change of Control occurs with respect to Nevro. Such notice may be given by Nevro or the applicable acquirer and shall be given not less than one hundred eighty (180) days after the effective date of any Nevro Change of Control or Nevro's rights under this Section 21.2 shall expire. Notwithstanding the foregoing, in the event a Change of Control occurs with respect to Nevro within three (3) years after the Effective Date, Nevro or the applicable acquirer must provide any such notice of termination by the later of one hundred eighty (180) days after the effective date of such Change of Control or the date that is three (3) years after the Effective Date, and the effective date of such termination shall be no earlier than the date that is six (6) years after the Effective Date, except as set forth below. In the event of a termination under this Section 21.2, Nevro or the applicable acquirer will pay to CCC, within thirty (30) days after the effective date of termination, fifty million dollars ($50,000,000). Notwithstanding the foregoing, in the event a Change of Control occurs with respect to Nevro within two (2) years after the Effective Date, Nevro may terminate this Agreement upon three (3) years written notice to CCC and the effective date of such termination shall be no earlier than the date that is five (5) years after the Effective Date provided that in the event of such termination Nevro or the applicable acquirer will pay to CCC, within thirty (30) days after the effective date of termination, seventy five million dollars ($75,000,000). For clarity, the termination fee for any termination under this Section 21.2 that is effective on or after the date that is six (6) years after the Effective Date shall be fifty million dollars ($50,000,000).

21.3 Nevro may terminate this Agreement by providing six (6) months written notice to CCC in the event Nevro determines that it will discontinue the sale of the IPG Products listed on **EXHIBIT A** , provided that the effective date of any such termination may not occur prior to the date that is 5 years after the Effective Date. In the event of a termination under this Section 21.3, Nevro or the applicable acquirer will pay to CCC, within thirty (30) days after the effective date of termination, fifty million dollars ($50,000,000).

21.4 With respect to any Contract Year after the Contract Year 5, Nevro may reduce the Minimum Purchase Requirements as follows: Nevro shall provide CCC written notice at least **[***]** (**[***]**) **[***]** before the commencement of a Contract Year that Nevro intends to affect a Minimum Purchase Requirements reduction (such Contract Year, the " **Initial Reduced Contract Year** "), in which case Nevro will pay to CCC, within thirty (30) days after the first day of the Initial Reduced Contract Year, at Nevro's election either (a) **[***]** dollars ($ **[***]**) and the Minimum Purchase Requirements for the Initial Reduced Contract Year and each Contract Year thereafter shall be the greater of **[***]** (**[***]**) IPG Products (prorated with respect to the final Contract Year) and **[***]** percent (**[***]** %) of Nevro's requirements for IPG Products in the Field of Use; or (b) **[***]** dollars ($ **[***]**) and the Minimum Purchase Requirements for the Initial Reduced Contract Year and each Contract Year thereafter shall be the greater of **[***]** (**[***]**) IPG Products (prorated with respect to the final Contract Year) and **[***]** percent (**[***]** %) of Nevro's requirements for IPG Products in the Field of Use.

22. Effect of Termination

22.1 Expiration or termination of this Agreement shall be without prejudice to any rights or obligations that accrued to the benefit of either Party prior to such expiration or termination. Upon expiration or termination without cause or by mutual agreement, CCC shall continue to fulfill, subject to the terms of this Agreement, all Purchase Orders and ECOs placed by Nevro and accepted by CCC in accordance with this Agreement prior to the effective date of termination. Upon expiration or termination of this Agreement for any reason, CCC shall promptly turn over to Nevro all Products and the Specifications, whether or not completed, and shall provide reasonable cooperation and assistance to Nevro in the transition of the manufacturing of the Products to a third party (if applicable), and both Parties shall promptly turn over to the respective Party the Confidential Information of such Party. All Components remaining at the conclusion of Purchase Order fulfillment after any expiration or termination of this Agreement (excluding Nevro's termination pursuant to section 21.1(b)) that cannot be returned or re-purposed at CCC's discretion will be invoiced to Nevro at

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CCC's documented cost and returned to Nevro with any remaining Consigned Components. The obligations under sections 14, 15, 16, 17, 18, 21, 22, 23, 25, 27, 28, 29, 30, 31, 32, 33, 34 and 35 shall survive the termination or expiration of this Agreement.

22.2 The Parties agree to make every effort to complete the final transfer of Products, Inventory, Confidential Information and complete all financial transactions within forty-five (45) days from the date of termination.

22.3 In the event of a termination or non-renewal of this Agreement by Nevro or CCC (excluding termination by CCC pursuant to Section 21.1(b) or termination pursuant to Section 21.2), Nevro shall have the option to make a Last Time Buy. If Nevro provides the notice of termination under Section 21.1, then Nevro must provide the Last Time Buy order at the same time it provides the notice of termination. If CCC provides the notice of termination under Section 20.1, then Nevro must provide the Last Time Buy order at least 60 days before the effective date of termination. Any Last Time Buy under Section 20.1 will be subject to a price increase equal to **[***]** (i.e., **[***]**), provided that such incremental costs shall not exceed **[***]** % of the price of the applicable Products. CCC shall provide invoices and other reasonably detailed documentation to demonstrate the amount of such costs.

23. Liability Limitation

23.1 NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, (A) NEITHER PARTY WILL BE LIABLE UNDER THIS AGREEMENT FOR ANY INDIRECT, CONSEQUENTIAL, COLLATERAL, SPECIAL OR INCIDENTAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS) WHETHER SUCH CLAIM IS BASED ON CONTRACT, NEGLIGENCE, STRICT TORT, WARRANTY OR ANY OTHER BASIS, AND (B) EACH PARTY'S TOTAL LIABILITY UNDER THIS AGREEMENT (EXCEPT FOR **[***]**) WILL NOT EXCEED THE TOTAL AMOUNT THAT NEVRO HAS PAID OR THAT IS PAYABLE TO CCC UNDER THIS AGREEMENT FOR THE IMMEDIATELY PRECEDING **[***]** PERIOD, BUT IN NO EVENT **[***]** . NOTWITHSTANDING ANY PAYMENTS OF DAMAGES MADE UNDER THIS SECTION, IF CCC BREACHES THIS AGREEMENT, NEVRO WILL BE ENTITLED TO SPECIFIC PERFORMANCE AND THE LAST TIME BUY PURSUANT TO SECTION 22.5. THE FOREGOING LIMITATIONS OF LIABILITY DO NOT APPLY TO A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER SECTIONS 14.4 (PROVIDED THAT WITH RESPECT TO ANY "OTHER CLAIM" DESCRIBED IN SECTION 14.4(i)(B), CCC'S LIABILITY SHALL BE LIMITED TO AN AMOUNT EQUAL TO **[***]** THE AMOUNT OF THE LIABILITY LIMIT DESCRIBED ABOVE IN THIS SECTION 23.1) AND 16.2, A PARTY'S CONFIDENTIALITY OBLIGATIONS, OR CCC'S OBLIGATIONS UNDER SECTION 18.2 (B)(IV) OR SECTION 19. ANY ACTIONS OR CLAIMS BY A PARTY UNDER THIS AGREEMENT MUST BE BROUGHT BY A PARTY WITHIN **[***]** OF THE DATE ON WHICH SUCH PARTY BECAME AWARE OF THE CAUSE OF ACTION OR CLAIM.

23.2 CCC shall procure and maintain product liability insurance in such amounts as ordinary good business practice for its type of business would make advisable and shall provide Nevro with evidence of this coverage; provided, however, that in no case shall the limits of such coverage be less than the following (but subject to any deductible or self-insured retention (SIR)):

Bodily Injury:	$ **[***]**	Each Occurrence
	$ **[***]**	General Aggregate
Property Damage:	$ **[***]**	Each Occurrence
	$ **[***]**	General Aggregate

Upon request, CCC shall provide Nevro with an insurance certificate on or before January 31st of each year concerning the year started specifying the amounts stated in this Section 23.2 including the SIR.

23.3 Nevro shall procure and maintain product liability insurance in such amounts as ordinary good business practice for its type of business would make advisable and shall provide CCC with evidence of this coverage; provided, however, that in no case shall the limits of such coverage be less than the following (but subject to any deductible or self-insured retention (SIR)):

Bodily Injury:	$ **[***]**	Each Occurrence
	$ **[***]**	General Aggregate
Property Damage:	$ **[***]**	Each Occurrence
	$ **[***]**	General Aggregate

Upon request, Nevro shall provide CCC with an insurance certificate on or before January 31st of each year concerning the year started specifying the amounts stated in this Section 23.3 including the SIR.

24. Relationship of Parties and Liability for Services Performed by Others

24.1 CCC and its subcontractor(s) shall be deemed to be independent contractors of Nevro, and this Agreement does not create a general agency, joint venture, partnership, employment relationship, or franchise between CCC and Nevro. Each Party assumes full responsibility for the actions and negligence of its employees, agents or other personnel assigned by it to perform work pursuant to this Agreement, regardless of their place of work, and shall be solely responsible for payment of salary, including withholding of federal and state income taxes, social security, workers' compensation and the like .

25. Confidentiality

25.1 The Parties acknowledge and agree that, from time to time, either of the Parties may disclose Confidential Information only to the other for the purpose of better carrying out their obligations or to allow the receiving Party to better carry out its obligations hereunder. The Parties shall only use Confidential Information for the purposes of this Agreement and shall otherwise keep confidential and not disclose to any other person any of the Confidential Information except as expressly permitted herein.

25.2 A Receiving Party may disclose Confidential Information to their respective directors, officers, employees, authorized agents and professional advisers to the extent such persons have a need to know such information for the purpose of performing such Party's duties and obligations hereunder, provided that such Party advises each such individual of the terms of this Agreement and ensures that each such individual receives and hold such information as if that individual were a party to this Agreement. A Party may, from time to time, designate in writing individuals as authorized representatives of that Party to whom Confidential Information may be provided directly by the Disclosing Party, and any Confidential Information so provided will be deemed to have been provided to the other Party and be subject to this Agreement. A Disclosing Party may, from time to time, require the Receiving Party to provide evidence to its reasonable satisfaction that all persons permitted by this paragraph to have access to the Disclosing Party's Confidential Information have executed Agreements, the terms of which are reasonably satisfactory to the Disclosing Party, are consistent with the terms of this Agreement and which may be enforced by the Disclosing Party providing for the assignment of intellectual and other property rights to the Receiving Party or Disclosing Party, as appropriate and non-disclosure of Confidential Information.

25.3 The obligations of a Party concerning the other Party's Confidential Information shall not apply to information which:

(a) is or becomes widely known (defined as being published in industry/medical journals or literature), other than by reason of a breach of this Agreement or, to the knowledge of the Receiving Party, a breach of a similar Agreement;

(b) is or was already in the possession of the Receiving Party and not subject to a duty of confidentiality at the time of the disclosure by the Disclosing Party;

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) is or has been independently developed by the Receiving Party, as evidenced by written or electronic documentation, without reference to or based upon the other Party's Confidential Information;

(d) the Disclosing Party agrees in writing need not be kept confidential;

(e) is required by law or court of competent jurisdiction to be disclosed by the Receiving Party provided such Party first gives prompt notice of the requirement to disclose to the Disclosing Party to allow that Party to obtain an appropriate order or other protection against the publication of such information; or

(f) is required by any regulatory authority or notified body.

25.4 All Confidential Information provided hereunder shall remain the property of the Disclosing Party. The Receiving Party shall, within ten days of a written request to do so, return to the Disclosing Party all Confidential Information that has been provided in tangible form and shall, unless prohibited by law, destroy or otherwise render unintelligible all other Confidential Information. Notwithstanding the foregoing, each Party will be allowed to keep one copy of the Confidential Information in order to ensure continued compliance with the terms of this Agreement.

25.5 The Parties acknowledge that monetary damages would not be sufficient remedy for a breach of obligation of confidentiality in this Agreement and agree that each Party shall be entitled to seek and obtain appropriate equitable remedies, including injunctive relief, to prevent the unauthorized use or disclosure of any Confidential Information.

25.6 The obligations under this Section shall continue beyond the termination or expiration of this Agreement.

26. Force Majeure

26.1 The failure or delay of either Party to perform fully any of its obligations under this Agreement solely by reason of acts of God; acts of civil or military authority; civil disturbance; war; embargo; strikes or other labor disputes (excluding those related to a Party's workforce); fire; a delay or default caused by common carriers; or similar circumstance beyond its reasonable control which cannot reasonably be foreseen or provided against (" **Force Majeure** ") will be deemed not to be a breach of this Agreement so long as the Party so prevented from complying with this Agreement has not contributed to such Force Majeure, has used commercially reasonable efforts to avoid such Force Majeure or to ameliorate its effects, and continues to take all commercially reasonable actions within its power to comply as fully as possible with the terms of this Agreement. In the event of any such Force Majeure, full performance of the obligations affected will be deferred until the Force Majeure ceases. This section will not apply to excuse a failure to comply with the terms of this Agreement arising from any commercial dispute between a Party and a third party or the failure by a Party to secure any materials, supplies, labor or other input for any reason not caused by Force Majeure.

27. Governing Law and Arbitration

27.1 This Agreement shall be governed by and construed under the laws of the State of Delaware, U.S.A., without regard for conflict of laws principles. Any controversy or claim arising out of or relating to this Agreement, or its breach, shall be subject to binding arbitration in the State of Delaware, under the Commercial Arbitration Rules of the American Arbitration Association by three arbitrators appointed in accordance with such Rules, provided, however, that neither Party shall be precluded from seeking injunctive relief or other provisional relief in any court of law. The language of the arbitration shall be English. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction. The Parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. It is not intended that any third party should be a beneficiary under this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

28. Compliance with Laws

28.1 Each Party shall comply with all applicable laws and regulations in the performance of its duties and tasks under this Agreement.

28.2 Within 30 days following a written request by either Party, the other Party will provide the requesting Party with a written certification signed by one of its senior officers that such Party is complying with its obligations under this Agreement.

29. Assignability

29.1 Subject to the remainder of this provision, this Agreement shall be binding upon, and shall inure to the benefit of, the Parties' respective successors (by way of merger, consolidation, reorganization, reincorporation, change of corporate form, Change of Control or otherwise) and permitted assigns. This Agreement shall not be assignable by either Party without the prior written consent of the other Party; provided, however, that, upon thirty (30) days prior written notice to the other Party but without the other Party's consent, either Party (a) may assign this Agreement to any of its affiliates provided that the assigning party shall remain primarily liable under this Agreement; and (b) may and shall assign this Agreement to any individual or entity which acquires all or substantially all of the assets of such Party to which this Agreement relates provided that the assignee, in the reasonable judgment of the other Party, is able to perform the assigning Party's obligations under this Agreement.

30. Notice

30.1 Notices under this Agreement shall be sufficient only if personally delivered by a major rapid delivery courier service return receipt requested to a Party at its addresses first set forth herein or as amended by notice pursuant to this subsection.

31. No Waiver

31.1 No waiver of any term or condition of this Agreement shall be valid or binding on either Party unless in a writing signed by the Party granting the waiver. The failure of either Party to enforce at any time any of the provisions of the Agreement, or the failure to require at any time performance by the other Party of any of the provisions of this Agreement, shall in no way be construed to be a present or future waiver of such provisions, nor in any way affect the validity of either Party to enforce each and every such provision thereafter.

31.2 Unless otherwise expressly specified herein, all remedies hereunder are cumulative and may be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed to be an election of such remedy or to preclude the exercise of any other remedy.

32. Severability

32.1 In the event that any provision of this Agreement is found to be entirely or partially invalid, illegal, or unenforceable, the validity, legality, and enforceability of any of the remaining provisions shall not in any way be affected or impaired and a valid, legal, and enforceable provision of similar intent and economic impact shall be substituted therefore.

33. Entire Agreement; Existing Agreements

33.1 This Agreement consists of the terms and conditions stated above, including the Exhibits, is the entire Agreement between the Parties, and supersedes all proposals, oral or written, all negotiations, conversations, or discussions between or among Parties relating to the subject matter of this Agreement and all past dealing or industry custom. All sales of Products by CCC to Nevro are subject to the terms and conditions of this Agreement and are not subject to the terms and conditions contained in any purchase order of Nevro or confirmation by CCC, except insofar as a purchase order or confirmation establishes the quantity, destination, shipping information and the desired delivery date (which must satisfy the standard lead times identified for the applicable Product). This Agreement may not be amended or modified in any manner, except by an instrument in writing signed on behalf of each of the Parties to this Agreement by their duly authorized representatives.

33.2 For clarity, nothing in this provision or this Agreement modifies or otherwise affects the terms and conditions of any previous engineering services or other agreements, as amended, executed by the Parties prior to the Effective Date, including the Engineering Agreement, the Final Manufacturing Conversion Agreement between the Parties dated March 20, 2013, and the Supply Agreement between the Parties dated April 1, 2012 (and, for clarity, if the Parties agree to conduct or continue any development work described in Section 37 of the Previous Supply Agreement after the Effective Date of this Agreement, the terms applicable to any such post Effective Date development shall be set forth in a separate agreement by the Parties); except that the Parties agree that the Previous Supply Agreement is terminated as of the Effective Date of this Agreement.

34. Construction

34.1 The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The term “including” as used herein shall mean “including without limitation.”

35. Counterparts

35.1 The Agreement may executed by facsimile, pdf, and in any number of counterparts, each of which shall be deemed an original but all of such together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

CENTRO DE CONSTRUCCION DE CARDIOESTIMULADORES DEL URUGUAY S.A.

By: /s/ Thomas J. Hook
Name: Thomas J. Hook
Title: Director

NEVRO CORP.

By: /s/ Andrew Galligan
Name: Andrew Galligan
Title: : CFO, V.P. Finance

EXHIBIT A – PRODUCTS AND MINIMUM SUPPLY

PRODUCTS	Minimum Purchase Requirements
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

* .

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT B – PROGRAM TEAM LIST

CCC:

Name	Phone Number	E-mail Address	Title/Responsibility
[***]	**[***]**	**[***]**	**[***]**

Nevro:

Name	Phone Number	E-mail Address	Title/Responsibility
[***]	**[***]**	**[***]**	**[***]**

Communication Counterparts:

Topics	CCC Representatives	Nevro Representatives
[***]		
[***]	**[***]**	**[***]**
[***]		
[***]	**[***]**	**[***]**
[***]		
[***]	**[***]**	**[***]**
[***] [1]	**[***]**	**[***]**
[***]	**[***]**	**[***]**
[***]	**[***]**	**[***]**

[1] This include the coordination of revisions and configurations of all Components supplied by Nevro, in order to ensure the supply of the correct versions. In particular for the **[***]** , the parties have to ensure the correct PCB, BOM and FW revisions are implemented before supplying the **[***]** to CCC.

EXHIBIT C – CONSIGNED TOOLING, EQUIPMENT AND SOFTWARE

Special Test Equipment:

- None

EXHIBIT D – QUALITY AGREEMENT

Reference is made to the Quality Agreement executed by the Parties on October 3, 2012.

EXHIBIT E – PRICE MODEL

Pricing of IPG 1000 and IPG 1500

	IPG VOLUME	PRICE*
Contract Year One	**[***]**	**$[***]**
Contract Year Two	**[***]**	**$[***]**
Contract Year Three and Thereafter	**[***]**	**$[***]**

*The prices in the table above reflect incremental volume pricing (for example, the price for the first **[***]** units in Contract Year One is $ **[***]** per unit and the price for the next **[***]** units is $ **[***]** per unit in that Contract Year). The IPG volumes above are measured by the volumes of units ordered during a Contract Year. Price does not include consigned Components (i.e., **[***]**) (collectively, **"Consigned Components"**).

External Neurostimulator (TSM) and Programmer Wand (PW) Pricing

TSM	**$[***]**
PW	**$[***]**

Charger Pricing

Charger	**$[***]**

All prices are exclusive of VAT.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT F - ADDITIONAL SERVICES

1. Technical support to products designed and manufactured by CCC.
2. Documentation support: **[***]** . The documentation update will be done as follows:

   [***]

   The translation to English of the documents written in Spanish will be done following to the criteria defined on Exhibit I.
3. Translation of all products complaints reports and other CAPA documents (upon request).
4. Expedite complaint investigation and follow-up, according to the following criteria*:

   [***]

*CCC may charge for the services described in Section 4 above in the event that the defect that was subject to the investigation was not caused by CCC.

5. FDA's PMA submission support, including:

[***]

CCC may charge the fees described in **EXHIBIT G** with respect to the services above designated with an asterisk, provided that CCC may not charge such fees for any such services provided in connection with a Defect caused by CCC.

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT G – ADDITIONAL WORK FEE

[***]

For work performed **[***]** , the fee per day will apply and **[***]** .

These fees do not include the **[***]** , which expenses must be preapproved by Nevro and will be invoiced separately to Nevro.

Additionally, these fees do not include any **[***]** . Any **[***]** and will be the sole responsibility of Nevro.

EXHIBIT I – TRANSLATION OF DOCUMENTS

The translation of documents will be performed according to the following translation criteria:

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT J – APPROVED COUNTRIES

[***]

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT K –BILL OF MATERIALS

Component	Supplier		Cost	Qty	Total cost
	[***]	[***]	[***]	[***]	[***]
Total			**[***]**		**[***]**

BOM CCC			Cost	Qty	Total cost
	[***]	[***]	[***]	[***]	[***]
SubTotal					**[***]**
TOTAL					**[***]**

[***] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.23

LEASE AGREEMENT

By and Between

WESTPORT OFFICE PARK, LLC,
a California limited liability company

("Landlord")

and

NEVRO CORP.,
a Delaware corporation

("Tenant")

March 5, 2015

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LEASE AGREEMENT

THIS LEASE AGREEMENT, (this "Lease") is made and entered into as of March 5, 2015 by and between WESTPORT OFFICE PARK, LLC, a California limited liability company ("Landlord"), and Tenant identified in the Basic Lease Information below.

BASIC LEASE INFORMATION

Tenant: NEVRO CORP., a Delaware corporation

Premises: The entire Building, containing approximately 50,470 square feet of rentable area, outlined in Exhibit B to this Lease.

Building: The Building commonly known as 1800 Bridge Parkway, Redwood City, California 94065. The rentable area of the Building is 50,470 square feet.

Base Rent:

Period (In Months)	Annual Base Rent	Monthly Base Rent
01 – 12	$2,028,894.00	$169,074.50
13 – 14	Abated*	Abated*
15 – 24	$1,741,467.40	$174,146.74
25 – 36	$2,152,453.68	$179,371.14
37 – 48	$2,217,027.24	$184,752.27
49 – 60	$2,283,538.08	$190,294.84
61 – 72	$2,352,044.16	$196,003.68
73 – 84	$2,422,605.60	$201,883.80

* As an inducement to Tenant entering into this Lease, so long as no Event of Default shall have occurred and shall be continuing under this Lease, Base Rent in the amount of $174,146.74 per month shall be abated for the thirteenth (13 th) and fourteenth (14 th) months after the Commencement Date. The amount of Base Rent set forth in the foregoing table for that period reflects that rent abatement. During such abatement period, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease. In the event that an Event of Default shall have occurred and be continuing when such abatement is contemplated, such abatement shall be suspended, and Tenant shall be entitled to the full amount of such suspended abatement beginning at such time as such Event of Default is no longer continuing.

Security Deposit Amount: $0.00

Letter of Credit Required Amount: $605,651.40, subject to increase and/or reduction as provided in Article 54 .

Rent Payable Upon Execution: $227,115.00

Tenant's Building Percentage: 100%

Tenant's Common Area Building Percentage: 5.06%

Commencement Date: The date that is the later of June 1, 2015 or the date upon which Substantial Completion (as defined in Section 5 of the Tenant Work Letter attached hereto as Exhibit C) of the Landlord's Work occurs, but in no event later than June 30, 2015.

Expiration Date: The date that is the day prior to the day that is eighty-four (84) months after the Commencement Date. If the Expiration Date falls on a day other than the last day of the calendar month, then, the Expiration Date shall be extended to the last day of the calendar month in which the day that the Term of this Lease would otherwise end but for this proviso occurs, and the Term of this Lease shall be extended accordingly.

Landlord's Address:

c/o The Prudential Insurance Company of America
4 Embarcadero Center, 27 th Floor
San Francisco, CA 94111
Attn: PRISA II Asset Management

With a copy by the same method to:

c/o The Prudential Insurance Company of America
7 Giralda Farms
Madison, New Jersey 07940
Attention: James Marinello, Esquire

With a copy by the same method to:

Harvest Properties, Inc.
6425 Christie Avenue, Suite 220
Emeryville, California 94608
Attention: Joss Hanna

Address for rental payment:

Payments via FedEx/UPS/Courier:

JP Morgan Chase
2710 Media Center Dr.
Building #6, Suite #120
Los Angeles, CA 90065
Attn: PREI's Westport Office Park/100170

Payments via regular mail (lockbox address):

Remit to: PREI's Westport Office Park #171201
P. O. Box 100170
Pasadena, CA 91189-0170

Payments via either FED wire or ACH wire:

Bank Account Name:
Harvest Properties, Inc. LLC,
as agent for PREI's Westport Office Park
Bank Account Number 921254751
Bank Name: JP Morgan Chase Bank, N.A.
Bank City & State Location: Baton Rouge, LA
ABA Routing Number: 071000013

Tenant's Address:

4040 Campbell Avenue, Suite 210
Menlo Park, California 94025
Attention: Andrew Galligan

(If on or after the Commencement Date to the Premises)
Attention: Andrew Galligan

Landlord's Broker: Cassidy Turley / BT Commercial Real Estate.
Tenant's Broker: Kidder Mathews.

Parking Allocation: One hundred sixty-six (166), which is based on a parking ratio of 3.3 non-exclusive parking spaces per one thousand (1,000) square feet of rentable space in the Premises.

Tenant Improvement Allowance: $2,271,150.00

The Basic Lease Information is incorporated into and made part of this Lease. Each reference in this Lease to any Basic Lease Information shall mean the applicable information set forth in the Basic Lease Information, except that in the event of any conflict between an item in the Basic Lease Information and this Lease, this Lease shall control. Additional defined terms used in the Basic Lease Information shall have the meanings given those terms in this Lease.

ARTICLE 1.
PREMISES; COMMON AREAS

1.1 Subject to all of the terms and conditions hereinafter set forth, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises. The property shown on Exhibit A to this Lease and all improvements thereon and appurtenances on that land thereto, including, but not limited to, the Building, other office buildings, access roadways, and all other related areas, shall be collectively hereinafter referred to as the "Project." Tenant acknowledges and agrees that Landlord may elect to sell one or more of the buildings within the Project and that upon any such sale Tenant's pro-rata share of those Operating Expenses and Taxes (each as defined below) allocated to the areas of the Project other than buildings may be adjusted accordingly by Landlord. The parties hereto hereby acknowledge that the purpose of Exhibit A and Exhibit B are to show the approximate location of the Premises in the Building and the general layout of the Project and such Exhibits are not meant to constitute an agreement, representation or warranty as to the construction of the Premises, the Building or the Project, the precise area of the Premises, the Building or the Project or the specific location of the Building, "Common Areas," as that term is defined in Section 1.3 , below, or the elements thereof or of the accessways to the Premises, or the Project.

1.2 For purposes of this Lease, (1) "rentable area" and "usable area" shall be calculated pursuant to the Standard Method for Measuring Floor Area in Office Buildings (ANSI/BOMA Z65.1, 1996); (2) "rentable square feet" and "rentable footage" shall have the same meaning as the term "rentable area;" and (3) "usable square feet" and "usable square footage" shall have the same meaning as the term "usable area." Notwithstanding anything to the contrary in this Lease, the recital of the rentable area herein above set forth is for descriptive purposes only. Tenant shall have no right to terminate this Lease or receive any adjustment or rebate of any Base Rent or Additional Rent (as hereinafter defined) payable hereunder if said recital is incorrect. Tenant has inspected the Premises and is fully familiar with the scope and size thereof and agrees to pay the full Base Rent and Additional Rent set forth herein in consideration for the use and occupancy of said space, regardless of the actual number of square feet contained therein.

1.3 Tenant shall have the non-exclusive right to use in common with other tenants in the Project, and subject to the rules and regulations referred to in Article 27 of this Lease, those portions of the Project which are provided, from time to time, for use in common by Landlord, Tenant and any other tenants of the Project (such areas, together with such other portions of the Project designated by Landlord, in its reasonable discretion, including certain areas designated for the exclusive use of certain tenants, or to be shared by Landlord and certain tenants, are collectively referred to herein as the "Common Areas"). The Common Areas shall consist of the "Project Common Areas" and the "Building Common Areas." The term "Project

Common Areas," as used in this Lease, shall mean the portion of the Project reasonably designated as such by Landlord. The term "Building Common Areas," as used in this Lease, shall mean the portions of the Common Areas located within the Building reasonably designated as such by Landlord. The manner in which the Common Areas are maintained and operated shall be at the reasonable discretion of Landlord and the use thereof shall be subject to such reasonable rules, regulations and restrictions as Landlord may make from time to time. Landlord reserves the right to close temporarily, make alterations or additions to, or change the location of elements of the Project and the Common Areas; provided that in exercising its rights under this sentence, Landlord shall make commercially reasonable efforts to minimize the disruption to Tenant's business operations during standard business hours. Subject to "Applicable Laws," as that term is defined in Section 5.1(a) of this Lease, except when and where Tenant's right of access is specifically excluded in this Lease, and except in the event of an emergency, Tenant shall have the right of access to the Premises, the Building, and the parking facilities servicing the Building twenty-four (24) hours per day, seven (7) days per week during the "Term," as that term is defined in Section 2.1 , below.

ARTICLE 2.
TERM AND CONDITION OF PREMISES

2.1 The term of this Lease (the "Term") shall commence on the Commencement Date and end on the Expiration Date, unless sooner terminated (the "Termination Date") as hereinafter provided. The Commencement Date of this Lease and the obligation of Tenant to pay Base Rent, Additional Rent and all other charges hereunder shall not be delayed or postponed by reason of any delay by Tenant in performing changes or alteration in the Premises not required to be performed by Landlord. In the event the Term shall commence on a day other than the first day of a month, then the Base Rent shall be immediately paid for such partial month prorated in accordance with Section 4.4 below. As soon as the Commencement Date is determined, Tenant shall execute a Commencement Date memorandum in the form attached hereto as Exhibit F acknowledging, among other things, the (a) Commencement Date, (b) scheduled Expiration Date of this Lease and (c) Tenant's acceptance of the Premises. The Tenant's failure to execute the Commencement Date Memorandum shall not affect Tenant's liability hereunder.

2.2 Landlord shall perform the construction work as provided in Exhibit C hereto ("Landlord's Work"). Except for Landlord's Work, Landlord has no obligation to construct improvements in the Premises.

2.3 Tenant shall give Landlord written notice of any incomplete work, unsatisfactory conditions or defects (the " Punch List Items ") which were part of Landlord's Work in the Premises within thirty (30) days after the Commencement Date and Landlord shall, at its sole expense, complete said work and/or remedy such unsatisfactory conditions or defects as soon as possible. The existence of any incomplete work, unsatisfactory conditions or defects as aforesaid shall not affect the Commencement Date or the obligation of Tenant to pay Base Rent, Additional Rent and all other charges hereunder.

2.4 Subject to completion of the Punch List Items and the warranties that are the subject of Section 4.3.3 of the Tenant Work Letter set forth in Exhibit C hereof, the taking of

possession of the Premises by Tenant shall be conclusive evidence that the Premises and the Building were in good and satisfactory condition at the time possession was taken by Tenant. Neither Landlord nor Landlord's agents have made any representations or promises with respect to the condition of the Building, the Premises, the land upon which the Building is constructed, or any other matter or thing affecting or related to the Building or the Premises, except as herein expressly set forth, and no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in this Lease.

ARTICLE 3.
USE, NUISANCE, OR HAZARD

3.1 The Premises shall be used and occupied by Tenant solely for general office purposes, medical device research and development, and for no other purposes without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed.

3.2 Tenant shall not use, occupy, or permit the use or occupancy of the Premises for any purpose which Landlord, in its reasonable discretion, deems to be illegal, immoral, or dangerous; permit any public or private nuisance; do or permit any act or thing which may disturb the quiet enjoyment of any other tenant of the Project; keep any substance or carry on or permit any operation which might introduce offensive odors or conditions into other portions of the Project, use any apparatus which might make undue noise or set up vibrations in or about the Project; permit anything to be done which would increase the premiums paid by Landlord for fire and extended coverage insurance on the Project or its contents or cause a cancellation of any insurance policy covering the Project or any part thereof or any of its contents; or permit anything to be done which is prohibited by or which shall in any way conflict with any law, statute, ordinance, or governmental rule, regulation or covenants, conditions and restrictions affecting the Project, including without limitation the CC&R's (as defined below) now or hereinafter in force. Should Tenant do any of the foregoing without the prior written consent of Landlord, and the same is not cured within five (5) business days after notice from Landlord (which five (5) business day period shall be subject to extension if the nature of the breach is such that it is not possible to cure the same within such five (5) business day period so long as the Tenant commences the cure of such breach within such five (5) day period and diligently prosecutes the same to completion) it shall constitute an Event of Default (as hereinafter defined) and shall enable Landlord to resort to any of its remedies hereunder.

3.3 The ownership, operation, maintenance and use of the Project shall be subject to certain conditions and restrictions contained in an instrument ("CC&R's") recorded or to be recorded against title to the Project. Tenant agrees that regardless of when those CC&R's are so recorded, this Lease and all provisions hereof shall be subject and subordinate thereto. Accordingly, as a consequence of that subordination, during any period in which the entire Project is not owned by Landlord, (a) the portion of Operating Expenses and Taxes (each as defined below) for the Common Areas shall be allocated among the owners of the Project as provided in the CC&R's, and (b) the CC&R's shall govern the maintenance and insuring of the portions of the Project not owned by Landlord. Tenant shall, promptly upon request of Landlord, sign all documents reasonably required to carry out the foregoing into effect.

ARTICLE 4.
RENT

4.1 Tenant hereby agrees to pay Landlord the Base Rent. For purposes of Rent adjustment under the Lease, (a) if the Commencement Date falls on a date that is prior to the 15th day of the calendar month, the number of months is measured from the first day of the calendar month in which the Commencement Date falls, or (a) if the Commencement Date falls on a date that is the 15th or a later day of the calendar month, the number of months is measured from the first day of the calendar month after the calendar month in which the Commencement Date falls. Each monthly installment (the "Monthly Rent") shall be payable by check or by money order on or before the first day of each calendar month. In addition to the Base Rent, Tenant also agrees to pay Tenant's Share of Operating Expenses and Taxes (each as hereinafter defined), and any and all other sums of money as shall become due and payable by Tenant as hereinafter set forth, all of which shall constitute additional rent under this Lease (the "Additional Rent"). Landlord expressly reserves the right to apply any payment received to Base Rent or any other items of Rent that are not paid by Tenant. The Monthly Rent and the Additional Rent are sometimes hereinafter collectively called "Rent" and shall be paid when due in lawful money of the United States without demand, deduction, abatement, or offset to the addresses for the rental payment set forth in the Basic Lease Information, or as Landlord may designate from time to time.

4.2 In the event any Monthly or Additional Rent or other amount payable by Tenant hereunder is not paid within five (5) days after its due date, Tenant shall pay to Landlord a late charge (the "Late Charge"), as Additional Rent, in an amount of five percent (5%) of the amount of such late payment. Failure to pay any Late Charge shall be deemed a Monetary Default (as hereinafter defined). Provision for the Late Charge shall be in addition to all other rights and remedies available to Landlord hereunder, at law or in equity, and shall not be construed as liquidated damages or limiting Landlord's remedies in any manner. Failure to charge or collect such Late Charge in connection with any one (1) or more such late payments shall not constitute a waiver of Landlord's right to charge and collect such Late Charges in connection with any other similar or like late payments.

4.3 Simultaneously with the execution hereof, Tenant shall deliver to Landlord (i) the Rent Payable Upon Execution as payment of the first installment of Monthly Rent and Tenant's Share of Operating Expenses and Taxes due hereunder and (ii) an amount equal to the Security Deposit Amount to be held by Landlord as security for Tenant's faithful performance of all of the terms, covenants, conditions, and obligations required to be performed by Tenant hereunder (the "Security Deposit"). The Security Deposit shall be held by Landlord as security for the performance by Tenant of all of the covenants of this Lease to be performed by Tenant and Tenant shall not be entitled to interest thereon. The Security Deposit is not an advance rent deposit, an advance payment of any other kind, or a measure of Landlord's damages in any case of Tenant's default. If Tenant fails to perform any of the covenants of this Lease to be performed by Tenant, including without limitation the provisions relating to payment of Rent, the removal of property at the end of the Term, the repair of damage to the Premises caused by Tenant, and the cleaning of the Premises upon termination of the tenancy created hereby, then Landlord shall have the right, but no obligation, to apply the Security Deposit, or so much thereof as may be necessary, for the payment of any Rent or any other sum in default and/or to

cure any other such failure by Tenant. If Landlord applies the Security Deposit or any part thereof for payment of such amounts or to cure any such other failure by Tenant, then Tenant shall immediately pay to Landlord the sum necessary to restore the Security Deposit to the full amount then required by this Section 4.3 Landlord's obligations with respect to the Security Deposit are those of a debtor and not a trustee. Landlord shall not be required to maintain the Security Deposit separate and apart from Landlord's general or other funds and Landlord may commingle the Security Deposit with any of Landlord's general or other funds. Upon termination of the original Landlord's or any successor owner's interest in the Premises or the Building, the original Landlord or such successor owner shall be released from further liability with respect to the Security Deposit upon the original Landlord's or such successor owner's complying with California Civil Code Section 1950.7. Subject to the foregoing, Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, and all other provisions of law, now or hereafter in force, which (a) establish a time frame within which a landlord must refund a security deposit under a lease, and/or (b) provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage caused by the default of Tenant under this Lease, including without limitation all damages or Rent due upon termination of this Lease pursuant to Section 1951.2 of the California Civil Code. If Tenant performs every provision of this Lease to be performed by Tenant, the unused portion of the Security Deposit shall be returned to Tenant or the last assignee of Tenant's interest under this Lease within thirty (30) days following expiration or termination of the Term of this Lease.

4.4 If the Term commences on a date other than the first day of a calendar month or expires or terminates on a date other than the last day of a calendar month, the Rent for any such partial month shall be prorated to the actual number of days in such partial month.

4.5 All Rents and any other amount payable by Tenant to Landlord hereunder, if not paid when due, shall bear interest from the date due until paid at a rate equal to the prime commercial rate established from time to time by Bank of America, plus four percent (4%) per annum; but not in excess of the maximum legal rate permitted by law. Failure to charge or collect such interest in connection with any one (1) or more delinquent payments shall not constitute a waiver of Landlord's right to charge and collect such interest in connection with any other or similar or like delinquent payments.

4.6 If Tenant fails to make when due two (2) consecutive payments of Monthly Rent or makes two (2) consecutive payments of Monthly Rent which are returned to Landlord by Tenant's financial institution for insufficient funds, Landlord may require, by giving written notice to Tenant, that all future payments of Rent shall be made in cashier's check or by money order. The foregoing is in addition to any other remedy of Landlord hereunder, at law or in equity.

ARTICLE 5.
RENT ADJUSTMENT

5.1 Definitions.

(a) "Operating Expenses", as said term is used herein, shall mean all expenses, costs, and disbursements of every kind and nature which Landlord shall pay or become obligated to pay because of or in connection with the ownership, operation, management, security, repair, restoration, replacement, or maintenance of the Project, or any portion thereof. Operating Expenses shall be computed in accordance with generally accepted real estate management practices, consistently applied, and shall include, but not be limited to, the items as listed below:

(i) Wages, salaries, other compensation and any and all taxes, insurance and benefits of, the Building manager and of all other persons engaged in the operation, maintenance and security of the Project ; provided that if such other persons are employed by Landlord they are at or below the grade of senior Building manager or chief Building engineer;

(ii) Payments under any equipment rental agreements or management agreements, including without limitation the cost of any actual or charged management fee and all expenses for the Project management office including rent, office supplies, and materials therefor;

(iii) Costs of all supplies, equipment, materials, and tools and amortization (including interest on the unamortized cost) of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, or any portion thereof;

(iv) All costs incurred in connection with the operation, maintenance, and repair of the Project including without limitation, the following: (A) the cost of operation, repair, maintenance and replacement of all systems and equipment and components thereof of the Project; (B) the cost of janitorial, alarm, security and other services, replacement of wall and floor coverings, ceiling tiles and fixtures in common areas, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (C) the cost of licenses, certificates, permits and inspections and the cost of contesting any governmental enactments which are reasonably anticipated by Landlord to increase Operating Expenses, and the cost incurred in connection with a transportation system management program or similar program; (D) the cost to maintain existing landscaping, decorative lighting, and relamping, the cost of maintaining fountains, sculptures, bridges; (E) costs, fees, charges or assessments imposed by, or resulting from any mandate imposed on Landlord by, any federal, state or local government for fire and police protection, trash removal, community services, or other services which do not constitute "Taxes" as that term is defined below; and (F) costs and expenses of complying with, or participating in, conservation, recycling, sustainability, energy efficiency, waste reduction or other programs or practices

implemented or enacted from time to time at the Building, including, without limitation, in connection with any LEED (Leadership in Energy and Environmental Design) rating or compliance system or program, including that currently coordinated through the U.S. Green Building council or Energy Star rating and/or compliance system or program (collectively, "Conservation Costs").

(v) The cost of supplying all utilities, the cost of operating, maintaining, repairing, replacing, renovating and managing the utility systems, mechanical systems, sanitary, storm drainage systems, communication systems and escalator and elevator systems, and the cost of supplies, tools, and equipment and maintenance and service contracts in connection therewith.

(vi) The cost of all insurance carried by Landlord in connection with the Project as reasonably determined by Landlord, including without limitation commercial general liability insurance, physical damage insurance covering damage or other loss caused by fire, earthquake, flood or other water damage, explosion, vandalism and malicious mischief, theft or other casualty, rental interruption insurance and such insurance as may be required by any lessor under any present or future ground or underlying lease of the Building or Project or any holder of a mortgage, deed of trust or other encumbrance now or hereafter in force against the Building or Project or any portion thereof, and any deductibles payable thereunder; including, without limitation, Landlord's cost of any self insurance deductible or retention;

(vii) Capital improvements made to or capital assets acquired for the Project, or any portion thereof, after the Commencement Date that (1) are intended to reduce Operating Expenses, or (2) are necessary for the health, safety and/or security of the Project, its occupants and visitors and are deemed advisable and the reasonable judgment of Landlord, or (3) are Conservation Costs, or (4) are required under any and all applicable laws, statutes, codes, ordinances, orders, rules, regulations, conditions of approval and requirements of all federal, state, county, municipal and governmental authorities and all administrative or judicial orders or decrees and all permits, licenses, approvals and other entitlements issued by governmental entities, and rules of common law, relating to or affecting the Project, the Premises or the Building or the use or operation thereof, whether now existing or hereafter enacted, including, without limitation, the Americans with Disabilities Act of 1990, 42 USC 12111 et seq. (the "ADA") as the same may be amended from time to time, all Environmental Laws (as hereinafter defined), and any CC&R's, or any corporation, committee or association formed in connection therewith, or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof (collectively, "Applicable Laws"), (except for capital repairs, replacements or other improvements to remedy a condition existing prior to the Commencement Date which an applicable governmental authority, if it had knowledge of such condition prior to the Commencement Date, would have then required to be remedied pursuant to then-current governmental laws or regulations in their form existing as of the Commencement Date and pursuant to the then-current interpretation of such

governmental laws or regulations by the applicable governmental authority as of the Commencement Date) which capital costs, or an allocable portion thereof, shall be amortized over the useful life of the improvements (under generally accepted accounting principles) as reasonably determined by Landlord, in each case together with interest on the unamortized balance at a rate determined by Landlord not to exceed 8% per annum;

(viii) fees, charges and other costs, including management fees (or amounts in lieu thereof), consulting fees, legal fees and accounting fees, of all contractors, engineers, consultants and other persons engaged by Landlord or otherwise incurred by or charged by Landlord in connection with the management, operation, maintenance and repair of the Buildings and the Project; and

(ix) payments, fees or charges under the CC&R's and any easement, license, operating agreement, declaration, restricted covenant, or instrument pertaining to the sharing of costs by the Project, or any portion thereof.

Notwithstanding anything to the contrary set forth in clauses (i) – (ix) above, expressly excluded from Operating Expenses are the following items:

(x) Advertising and leasing commissions, and other costs of leasing space in the Project, including without limitation, leasing incentives and costs of construction of tenant improvements or tenant improvement allowances;

(xi) Repairs and restoration paid for by the proceeds of any insurance policies or amounts otherwise reimbursed to Landlord or paid by any other source (other than by tenants paying their share of Operating Expenses);

(xii) Principal, interest, and other costs directly related to financing the Project or ground lease rental or depreciation;

(xiii) The cost of special services to tenants (including Tenant) for which a special charge is made;

(xiv) The costs of repair of casualty damage or for restoration following condemnation to the extent covered by insurance proceeds or condemnation awards;

(xv) The costs of any capital expenditures (according to generally accepted accounting principles), regardless of whether covered by clauses (i) through (ix) above, except as expressly permitted to be included in Operating Expenses as provided under clauses (vi), and (vii) above;

(xvi) The costs, including permit, license and inspection costs and supervision fees, incurred with respect to the installation of tenant improvements within the Project or incurred in renovating or otherwise

improving, decorating, painting or redecorating vacant space within the Project or promotional or other costs in order to market space to potential tenants;

(xvii) The legal fees and related expenses and legal costs incurred by Landlord (together with any damages awarded against Landlord) due to the violation by Landlord or the violation by tenant of the terms and conditions of any lease of space in the Project;

(xviii) Costs incurred: (x) to comply with Applicable Laws with respect to any Hazardous Materials (as defined below) which were in existence in, on, under or about the Project (or any portion thereof) prior to the Commencement Date, and were of such a nature that a federal, state or municipal governmental or quasi-governmental authority, if it had then had knowledge of the presence of such Hazardous Materials, in the state, and under the conditions that they then existed in, on, under or about the Project, would have then required the removal, remediation or other action with respect thereto; and/or (y) with respect to Hazardous Materials which are disposed of or otherwise introduced into, on, under or about the Project after the date hereof by Landlord or Landlord's agents or employees and are of such a nature, at time of disposition or introduction, that a federal, state or municipal governmental or quasi-governmental authority, if it had then had knowledge of the presence of such Hazardous Materials, in the state, and under the conditions, that they then existed in, on, under or about the Project, would have then required the removal, remediation or other action with respect thereto; provided, however, Operating Expenses shall include costs incurred in connection with the clean-up, remediation, monitoring, management and administration of (and defense of claims related to) the presence of (1) Hazardous Materials used by Landlord (provided such use is not negligent and is in compliance with Applicable Laws) in connection with the operation, repair and maintenance of the Project to perform Landlord's obligations under this Lease (such as, without limitation, fuel oil for generators, cleaning solvents, and lubricants) and which are customarily found or used in Comparable Buildings and (2) Hazardous Materials created, released or placed in the Premises, Building or the Project by Tenant (or Tenant's affiliates or their tenants, contractors, employees or agents) prior to or after the Commencement Date;

(xix) The attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;

(xx) The expenses in connection with services or other benefits which are not available to Tenant;

(xxi) The overhead and profit paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in the Project to the extent the

same exceeds the costs of such goods and/or services rendered by qualified, unaffiliated third parties on a competitive basis;

(xxii) The costs arising from Landlord's charitable or political contributions;

(xxiii) The costs (other than ordinary maintenance and insurance) for sculpture, paintings and other objects of art;

(xxiv) The interest and penalties resulting from Landlord's failure to pay any items of Operating Expense when due;

(xxv) The Landlord's general corporate overhead and general and administrative expenses, costs of entertainment, dining, automobiles or travel for Landlord's employees, and costs associated with the operation of the business of the partnership or entity which constitutes Landlord as the same are distinguished from the costs of the operation of the Project, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Project, costs of any disputes between Landlord and its employees, disputes of Landlord with management, or outside fees paid in connection with disputes with other Project tenants or occupants (except to the extent such dispute is based on Landlord's good faith efforts to benefit Tenant or meet Landlord's obligations under this Lease);

(xxvi) The costs arising from the gross negligence or willful misconduct of Landlord;

(xxvii) The management office rental to the extent such rental exceeds the fair market rental for such space;

(xxviii) The costs of correction of latent defects in the Project to the extent covered by warranties;

(xxix) The costs of Landlord's membership in professional organizations (such as, by way of example and without limitation, BOMA) in excess of $2,500.00 per year; and

(xxx) management fees in excess of an amount equal to three percent (3%) of all gross receipts for the Project (as fully grossed up for a one hundred percent (100%) occupancy level).

(b) " Taxes " shall mean all ad valorem taxes, personal property taxes, and all other taxes, assessments, embellishments, use and occupancy taxes, transit taxes, water, sewer and pure water charges not included in Section 5.1.(a)(v) above, excises, levies, license fees or taxes, and all other similar charges, levies, penalties, or taxes, if any, which are levied, assessed, or imposed, by any Federal, State, county, or municipal authority, whether by taxing districts or authorities presently in existence or by others

subsequently created, upon, or due and payable in connection with, or a lien upon, all or any portion of the Project, or facilities used in connection therewith, and rentals or receipts therefrom and all taxes of whatsoever nature that are imposed in substitution for or in lieu of any of the taxes, assessments, or other charges included in its definition of Taxes, and any costs and expenses of contesting the validity of same.

(c) " Lease Year " shall mean the twelve (12) month period commencing January 1st and ending December 31st.

(d) " Tenant's Building Percentage " shall mean Tenant's percentage of the entire Building as determined by dividing the Rentable Area of the Premises by the total Rentable Area of the Building. If there is a change in the total Building Rentable Area as a result of an addition to the Building, partial destruction, modification or similar cause, which event causes a reduction or increase on a permanent basis, Landlord shall cause adjustments in the computations as shall be necessary to provide for any such changes. Landlord shall segregate Operating Expenses into two (2) separate categories, one (1) such category, to be applicable only to Operating Expenses incurred for the Building and the other category applicable to Operating Expenses incurred for the Common Areas and/or the Project as a whole. Accordingly, two (2) Tenant's Building Percentages shall apply, one (1) such Tenant's Building Percentage shall be calculated by dividing the Rentable Area of the Premises by the total Rentable Area in the Building ("Tenant's Building Only Percentage"), and the other Tenant's Building Percentage to be calculated by dividing the Rentable Area of the Premises by the total Rentable Area of all buildings in the Project ("Tenant's Common Area Building Percentage"). Any reference in this Lease to "Tenant's Building Percentage" shall mean and refer to both Tenant's Building Only Percentage and Tenant's Common Area Building Percentage of Operating Expenses.

(e) " Tenant's Tax Percentage " shall mean the percentage determined by dividing the Rentable Area of the Premises by the total Rentable Area of all buildings in the Project.

(f) " Market Area " shall mean the Redwood Shores submarket of Redwood City, California (the "City").

(g) " Comparable Buildings " shall mean comparable Class "A" office/R&D use buildings owned by institutions in the Market Area.

5.2 Tenant shall pay to Landlord, as Additional Rent, Tenant's Share (as hereinafter defined) of the Operating Expenses. "Tenant's Share" shall be determined by multiplying Operating Expenses for any Lease Year or pro rata portion thereof, by Tenant's Building Percentage. Landlord shall, in advance of each Lease Year, estimate what Tenant's Share will be for such Lease Year based, in part, on Landlord's operating budget for such Lease Year, and Tenant shall pay Tenant's Share as so estimated each month (the "Monthly Escalation Payments"). The Monthly Escalation Payments shall be due and payable at the same time and in the same manner as the Monthly Rent.

5.3 Landlord shall, within one hundred fifty (150) days after the end of each Lease Year, or as soon thereafter as reasonably possible, provide Tenant with a written statement of the actual Operating Expenses incurred during such Lease Year for the Project and such statement shall set forth Tenant's Share of such Operating Expenses. Tenant shall pay Landlord, as Additional Rent, the difference between Tenant's Share of Operating Expenses and the amount of Monthly Escalation Payments made by Tenant attributable to said Lease Year, such payment to be made within thirty (30) days of the date of Tenant's receipt of said statement (except as provided in Section 5.4 below); similarly, Tenant shall receive a credit if Tenant's Share is less than the amount of Monthly Escalation Payments collected by Landlord during said Lease Year, such credit to be applied to future Monthly Escalation Payments to become due hereunder, or if the Term has expired or this Lease has terminated for any reason, Landlord shall pay the amount of such overpayment to Tenant within thirty (30) days of the date of such statement. If utilities, janitorial services or any other components of Operating Expenses increase during any Lease Year, Landlord may revise Monthly Escalation Payments due during such Lease Year by giving Tenant written notice to that effect; and thereafter, Tenant shall pay, in each of the remaining months of such Lease Year, a sum equal to the amount of the revised difference in Operating Expenses multiplied by Tenant's Building Percentage divided by the number of months remaining in such Lease Year.

5.4 If, within one hundred twenty (120) days following Tenant's receipt of the Operating Expense statement or Taxes statement, neither party hereto delivers to the other party a notice referring in reasonable detail to one (1) or more errors in such statement, it shall be deemed conclusively that the information set forth in such statement(s) is correct. Tenant shall, however, be entitled to conduct or require an audit to be conducted, provided that (a) not more than one (1) such audit may be conducted during any Lease Year of the Term, (b) the records for each Lease Year may be audited only once, (c) such audit is commenced within one hundred twenty (120) days following Tenant's receipt of the applicable statement, and (d) such audit is completed and a copy thereof is delivered to Landlord within one hundred eighty (180) days following Tenant's receipt of the applicable statement. If Landlord responds to any such audit with an explanation of any issues raised in the audit within thirty (30) days of its receipt of such audit, such issues shall be deemed resolved unless Tenant responds to Landlord with further written objections within thirty (30) days after receipt of Landlord's response to the audit. In no event shall payment of Rent ever be contingent upon the performance of such audit. For purposes of any audit, Tenant or Tenant's duly authorized representative, at Tenant's sole cost and expense, shall have the right, upon fifteen (15) days' written notice to Landlord, to inspect Landlord's books and records pertaining to Operating Expenses and Taxes at the offices of Landlord or Landlord's managing agent during ordinary business hours, provided that such audit must be conducted so as not to interfere with Landlord's business operations and must be reasonable as to scope and time. Alternatively, at Landlord's sole discretion, Landlord may provide an audit of such books and records prepared by a certified public accountant of Landlord's selection, prepared at Tenant's expense, which shall be deemed to be conclusive for the purposes of this Lease. If actual Operating Expenses or Taxes are determined to have been overstated or understated by Landlord for any calendar year, then the parties shall within thirty (30) days thereafter make such adjustment payment or refund as is applicable, and if actual Operating Expenses and Taxes are determined to have been overstated by Landlord for any calendar year by in excess of seven percent (7%), then Landlord shall pay the reasonable cost of Tenant's audit, not to exceed $3,000.00.

5.5 If the occupancy of the Building during any part of any Lease Year is less than one hundred percent (100%), Landlord shall make an appropriate adjustment of the variable components of Operating Expenses for that Lease Year, as reasonably determined by Landlord using sound accounting and management principles, to determine the amount of Operating Expenses that would have been incurred had the Building been one hundred percent (100%) occupied. This amount shall be considered to have been the amount of Operating Expenses for that Lease Year. For purposes of this Section 5.5 , "variable components" include only those component expenses that are affected by variations in occupancy levels.

5.6 Tenant shall pay to Landlord, as Additional Rent, "Tenant's Tax Share" (as hereinafter defined) of the Taxes. "Tenant's Tax Share" shall be determined by multiplying Taxes for any Lease Year or pro rata portion thereof, by Tenant's Tax Percentage. Landlord shall, in advance of each Lease Year, estimate what Tenant's Tax Share will be for such Lease Year and Tenant shall pay Tenant's Tax Share as so estimated each month (the "Monthly Tax Payments"). The Monthly Tax Payments shall be due and payable at the same time and in the same manner as the Monthly Rent.

5.7 Landlord shall, within one hundred fifty (150) days after the end of each Lease Year, or as soon thereafter as reasonably possible, provide Tenant with a written statement of the actual Taxes incurred during such Lease Year for the Project and such statement shall set forth Tenant's Tax Share of such Taxes. Tenant shall pay Landlord, as Additional Rent, the difference between Tenant's Tax Share of Taxes and the amount of Monthly Tax Payments made by Tenant attributable to said Lease Year, such payment to be made within thirty (30) days of the date of Tenant's receipt of said statement; similarly, Tenant shall receive a credit if Tenant's Tax Share is less than the amount of Monthly Tax Payments collected by Landlord during said Lease Year, such credit to be applied to future Monthly Tax Payments to become due hereunder, or if the Term has expired or this Lease has terminated for any reason, Landlord shall pay the amount of such overpayment to Tenant within thirty (30) days of the date of such statement. If Taxes increase during any Lease Year, Landlord may revise Monthly Tax Payments due during such Lease Year by giving Tenant written notice to that effect; and, thereafter, Tenant shall pay, in each of the remaining months of such Lease Year, a sum equal to the amount of revised difference in Taxes multiplied by Tenant's Tax Percentage divided by the number of months remaining in such Lease Year.

5.8 If the Taxes for any Lease Year are changed as a result of protest, appeal or other action taken by a taxing authority, the Taxes as so changed shall be deemed the Taxes for such Lease Year. Any expenses incurred by Landlord in attempting to protest, reduce or minimize Taxes shall be included in Taxes in the Lease Year in which those expenses are paid. Landlord shall have the exclusive right to conduct such contests, protests and appeals of the Taxes as Landlord shall determine is appropriate in Landlord's sole discretion.

5.9 Tenant's obligation with respect to Additional Rent and the payment of Tenant's Share of Operating Expenses and Tenant's Tax Share of Taxes shall survive the Expiration Date or Termination Date of this Lease and Landlord shall have the right to retain the Security Deposit, or so much thereof as it deems necessary, to secure payment of Tenant's Share of Operating Expenses and Tenant's Tax Share of Taxes for the final year of the Lease, or part thereof, during which Tenant was obligated to pay such expenses.

ARTICLE 6.
SERVICES TO BE PROVIDED BY LANDLORD

6.1 Subject to Articles 5 and 10 herein, and provided Tenant is not in default under this Lease, Landlord agrees to furnish or cause to be furnished to the Premises the utilities and services described in the Standards for Utilities and Services, attached hereto as Exhibit G , subject to the conditions and in accordance with the standards set forth herein.

6.2 Landlord shall not be liable for any loss or damage arising or alleged to arise in connection with the failure, stoppage, or interruption of any such services; nor shall the same be construed as an eviction of Tenant, work an abatement of Rent, entitle Tenant to any reduction in Rent, or relieve Tenant from the operation of any covenant or condition herein contained; it being further agreed that Landlord reserves the right to discontinue temporarily such services or any of them at such times as may be necessary by reason of repair or capital improvements performed within the Project, accident, unavailability of employees, repairs, alterations or improvements, or whenever by reason of strikes, lockouts, riots, acts of God, or any other happening or occurrence beyond the reasonable control of Landlord. In the event of any such failure, stoppage or interruption of services, Landlord shall use commercially reasonable efforts to have the same restored. Neither diminution nor shutting off of light or air or both, nor any other effect on the Project by any structure erected or condition now or hereafter existing on lands adjacent to the Project, shall affect this Lease, abate Rent, or otherwise impose any liability on Landlord.

6.3 Landlord shall have the right to reduce heating, cooling, or lighting within the Premises and in the public area in the Building as required by any mandatory fuel or energy-saving program.

6.4 Unless otherwise provided by Landlord, Tenant shall separately arrange with the applicable local public authorities or utilities, as the case may be, for the furnishing of and payment of all telephone and facsimile services as may be required by Tenant in the use of the Premises. Tenant shall directly pay for such telephone and facsimile services as may be required by Tenant in the use of the Premises, including the establishment and connection thereof, at the rates charged for such services by said authority or utility; and the failure of Tenant to obtain or to continue to receive such services for any reason whatsoever shall not relieve Tenant of any of its obligations under this Lease.

6.5 Landlord shall have the exclusive right, but not the obligation, to provide any locksmithing services, and Landlord shall also have the non-exclusive right, but not the obligation, to provide any additional services which may be required by Tenant, including without limitation additional repairs and maintenance, provided that Tenant shall pay to Landlord upon billing, the sum of all costs to Landlord of such additional services plus an administration fee. If Tenant requests the Landlord provide locksmithing services and Landlord declines, then Tenant shall not be obligated to use Landlord’s locksmithing services. Charges for any utilities or service for which Tenant is required to pay from time to time hereunder, shall be deemed Additional Rent hereunder and shall be billed on a monthly basis.

6.6 At all times during the Term Landlord shall have the right to select the utility company or companies that shall provide electric, telecommunication and/or other utility services to the Premises and, subject to all Applicable Requirements, Landlord shall have the right at any time and from time to time during the Term to either (a) contract for services from electric, telecommunication and/or other utility service provider(s) other than the provider with which Landlord has a contract as of the date of this Lease (the "Current Provider"), or (b) continue to contract for services from the Current Provider. The cost of such utility services and any energy management and procurements services in connection therewith shall be Operating Expenses.

6.7 If Tenant is billed directly by a public utility with respect to Tenant's electrical usage at the Premises, upon request from time to time, Tenant shall provide monthly electrical utility usage for the Premises to Landlord for the period of time requested by Landlord (in electronic or paper format) or, at Landlord's option, provide any written authorization or other documentation required for Landlord to request information regarding Tenant's electricity usage with respect to the Premises directly from the applicable utility company.

6.8 Notwithstanding anything to the contrary in Section 6.2 or elsewhere in this Lease, if (a) Landlord fails to provide Tenant with the electrical service or elevator service described in Section 6.1 , or Landlord enters the Premises and such entry interferes with Tenant's reasonable use of the Premises (b) such failure or Landlord's entry is not due to any one or more Force Majeure Events or to an event covered by Article 19 , (c) Tenant has given Landlord reasonably prompt written notice of such failure or that such entry by Landlord is unreasonably interfering with Tenant's use of the Premises and (d) as a result of such failure or entry all or any part of the Premises are rendered untenantable (and, as a result, all or such part of the Premises are not used by Tenant during the applicable period) for more than five (5) consecutive business days, then Tenant shall be entitled to an abatement of Rent proportional to the extent to which the Premises are thereby rendered unusable by Tenant, commencing with the later of (i) the sixth business day during which such untenantability continues or (ii) the sixth business day after Landlord receives such notice from Tenant, until the Premises (or part thereof affected) are again usable or until Tenant again uses the Premises (or part thereof rendered unusable) in its business, whichever first occurs. The foregoing rental abatement shall be Tenant's exclusive remedy therefor. Notwithstanding the foregoing, the provisions of Article 19 below and not the provisions of this subsection shall govern in the event of casualty damage to the Premises or Project and the provisions of Article 20 below and not the provisions of this subsection shall govern in the event of condemnation of all or a part of the Premises or Project. Notwithstanding anything contained in this Section 6.8 to the contrary, if the conditions described in clauses (a), (b), and (c) of this Section 6.8 have been satisfied and as a result of such interruption the Premises, or material portion thereof, is rendered untenantable and is in fact not used by Tenant for one hundred eighty (180) consecutive days, then Tenant may give Landlord notice of its intent to terminate the Lease effective on the two hundred tenth (210 th) consecutive day the Premises is untenantable and is in fact not used by Tenant, in which event this Lease shall terminate as of the two hundred tenth (210 th) day unless prior to that date the Premises become tenantable again. Tenant's failure to give that notice to Landlord within one hundred ninety (190) days after the Premises is rendered untenantable and is in fact not used by Tenant shall be a waiver of Tenant's termination right under the prior sentence. Any such termination shall be treated as if the Term of the Lease expired on that date and such termination shall be Tenant's

sole remedy for such interruption (in addition to any rent abatement otherwise available to Tenant under this Section 6.8).

ARTICLE 7.
REPAIRS AND MAINTENANCE BY LANDLORD

7.1 Landlord shall provide for the operation, cleaning, maintenance and upkeep of the Common Areas and the public portions of the Project in a first class manner, in keeping with the standard for Comparable Buildings as part of Operating Expenses to the extent permitted under Section 5.1 . Unless otherwise expressly stipulated herein, Landlord shall not be required to make any improvements or repairs of any kind or character to the Premises during the Term, except such repairs as may be required to the exterior walls, corridors, windows, roof, integrated Building utility and mechanical systems and other Base Building (as defined below) elements and other structural elements and equipment of the Project, and subject to Section 13.4 , below, such additional maintenance as may be necessary because of the damage caused by persons other than Tenant, its agents, employees, licensees, or invitees. As used in this Lease, the "Base Building" shall include the structural portions of the Building, and the public restrooms, elevators, exit stairwells and the systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are located.

7.2 Landlord or Landlord's officers, agents, and representatives (subject to any security regulations imposed by any governmental authority) shall have the right to enter all parts of the Premises at all reasonable hours upon reasonable prior notice to Tenant (other than in an emergency) to inspect, clean, make repairs, alterations, and additions to the Project or the Premises which it may deem necessary or desirable, to make repairs to adjoining spaces, to cure any defaults of Tenant hereunder that Landlord elects to cure pursuant to Section 22.5 , below, to show the Premises to prospective tenants (during the final nine (9) months of the Term or at any time after the occurrence of an Event of Default that remains uncured), mortgagees or purchasers of the Building, or to provide any service which it is obligated or elects to furnish to Tenant; and Tenant shall not be entitled to any abatement or reduction of Rent by reason thereof. Landlord shall have the right to enter the Premises at any time and by any means in the case of an emergency. At any time that Landlord or its agents are on the Premises, Landlord and its agents shall use their reasonable efforts to minimize interference with the conduct of Tenant's business, and if requested by Tenant shall be accompanied by a representative of Tenant at all times that they are on the Premises; provided that Tenant's failure to make a Tenant representative available at the time of Landlord's entry into the Premises shall not limit Landlord's or Landlord's officers, agents, representatives' right to enter the Premises.

7.3 Except as otherwise expressly provided in this Lease, Tenant hereby waives all rights it would otherwise have under California Civil Code Sections 1932(1) and 1942(a) or any successor statutes to deduct repair costs from Rent and/or terminate this Lease as the result of any failure by Landlord to maintain or repair.

ARTICLE 8.
REPAIRS AND CARE OF PREMISES BY TENANT

8.1 If the Building, the Project, or any portion thereof, including but not limited to, the elevators, boilers, engines, pipes, and other apparatus, or members of elements of the Building (or any of them) used for the purpose of climate control of the Building or operating of the elevators, or of the water pipes, drainage pipes, electric lighting, or other equipment of the Building or the roof or outside walls of the Building and also the Premises improvements, including but not limited to, the carpet, wall coverings, doors, and woodwork, become damaged or are destroyed through the negligence or willful misconduct of Tenant, its servants, agents, employees, or anyone permitted by Tenant to be in the Building, or through it or them, then the reasonable cost of the necessary repairs, replacements, or alterations shall be borne by Tenant who shall pay the same to Landlord as Additional Rent within fifteen (15) business days after demand, subject to Section 13.4 below. Landlord shall have the exclusive right, but not the obligation, to make any repairs necessitated by such damage.

8.2 Subject to Section 13.4 below, Tenant agrees, at its sole cost and expense, to repair or replace any damage or injury done to the Project, or any part thereof, caused by the negligence or willful misconduct of Tenant, Tenant's agents, employees, licensees, or invitees which Landlord elects not to repair. Tenant shall not injure the Project or the Premises and shall maintain the elements of the Premises not to be maintained by Landlord pursuant to this Lease in a clean, attractive condition and in good repair, ordinary wear and tear and damage from casualty that is the obligation of Landlord to repair under this Lease excepted. If Tenant fails to keep such elements of the Premises in such good order, condition, and repair as required hereunder to the satisfaction of Landlord, following written notice to Tenant and a reasonable opportunity to cure, Landlord may restore the Premises to such good order and condition and make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's property or business by reason thereof, and within ten (10) days after completion thereof, Tenant shall pay to Landlord, as Additional Rent, upon demand, the cost of restoring the Premises to such good order and condition and of the making of such repairs, plus an additional charge of ten percent (10%) thereof. Upon the Expiration Date or the Termination Date, Tenant shall surrender and deliver up the Premises to Landlord in the same condition in which it existed at the Commencement Date, excepting only ordinary wear and tear and damage arising from any cause not required to be repaired by Tenant. Upon the Expiration Date or the Termination Date, Landlord shall have the right to re-enter and take possession of the Premises.

8.3 Tenant shall provide its own janitorial and cleaning services to the Premises at Tenant's sole cost and expense. Landlord is not obligated to provide any janitorial or cleaning services to the Premises.

ARTICLE 9.
TENANT'S EQUIPMENT AND INSTALLATIONS

9.1 If heat-generating machines or equipment, including telephone equipment, cause the temperature in the Premises, or any part thereof, to exceed the temperatures the Building's air conditioning system would be able to maintain in such Premises were it not for such heat-generating equipment, then Landlord reserves the right to install supplementary air

conditioning units in the Premises, and the cost thereof, including the cost of installation and the cost of operation and maintenance thereof, including water, shall be paid by Tenant to Landlord within ten (10) days after demand by Landlord.

9.2 Except for desk or table-mounted typewriters, adding machines, office calculators, dictation equipment, personal computers, printers, copiers, scanners, telecommunications equipment, server room equipment and other typical office equipment, consistent with first-class general office use in Comparable Buildings, Tenant shall not install within the Premises any fixtures, equipment, facilities, or other improvements without the specific written consent of Landlord (which consent shall not be unreasonably withheld, conditioned, or delayed), subject to Article 15 , below. Tenant shall not, without the specific written consent of Landlord (which consent shall not be unreasonably withheld, conditioned, or delayed), install or maintain any apparatus or device within the Premises which shall increase the usage of electrical power or water for the Premises to an amount greater than would be normally required for general office use for space of comparable size in the Market Area; and if any such apparatus or device is so installed, Tenant agrees to furnish Landlord a written agreement to pay for any additional costs of utilities as the result of said installation.

ARTICLE 10.
FORCE MAJEURE

10.1 It is understood and agreed that with respect to any service or other obligation to be furnished or obligations to be performed by either party, in no event shall either party be liable for failure to furnish or perform the same when prevented from doing so by strike, lockout, breakdown, accident, supply, or inability by the exercise of reasonable diligence to obtain supplies, parts, or employees necessary to furnish such service or meet such obligation; or because of war or other emergency; or for any cause beyond the reasonable control with the party obligated for such performance; or for any cause due to any act or omission of the other party or its agents, employees, licensees, invitees, or any persons claiming by, through, or under the other party; or because of the failure of any public utility to furnish services; or because of order or regulation of any federal, state, county or municipal authority (collectively, “Force Majeure Events”). Nothing in this Section 10.1 shall limit or otherwise modify or waive Tenant’s obligation to pay Base Rent and Additional Rent as and when due pursuant to the terms of this Lease.

ARTICLE 11.
CONSTRUCTION, MECHANICS’ AND MATERIALMAN’S LIENS

11.1 Tenant shall not suffer or permit any construction, mechanics’ or materialman’s lien to be filed against the Premises or any portion of the Project by reason of work, labor services, or materials supplied or claimed to have been supplied to Tenant. Nothing herein contained shall be deemed or construed in any way as constituting the consent or request of Landlord, expressed or implied, by inference or otherwise, for any contractor, subcontractor, laborer, or materialman to perform any labor or to furnish any materials or to make any specific improvement, alteration, or repair of or to the Premises or any portion of the Project; nor of giving Tenant any right, power, or authority to contract for, or permit the rendering of, any services or the furnishing of any

materials that could give rise to the filing of any construction, mechanics' or materialman's lien against the Premises or any portion of the Project.

11.2 If any such construction, mechanics' or materialman's lien shall at any time be filed against the Premises or any portion of the Project as the result of any act or omission of Tenant, Tenant covenants that it shall, within twenty (20) days after Tenant has notice of the claim for lien, procure the discharge thereof by payment or by giving security or in such other manner as is or may be required or permitted by law or which shall otherwise satisfy Landlord. If Tenant fails to take such action, Landlord, in addition to any other right or remedy it may have, may take such action as may be reasonably necessary to protect its interests. Any amounts paid by Landlord in connection with such action, all other expenses of Landlord incurred in connection therewith, including reasonable attorneys' fees, court costs, and other necessary disbursements shall be repaid by Tenant to Landlord within ten (10) days after demand.

ARTICLE 12.
ARBITRATION

12.1 In the event that a dispute arises under Sections 5.3-5.7 above, the same shall be submitted to arbitration in accordance with the provisions of applicable state law, if any, as from time to time amended. Arbitration proceedings, including the selection of an arbitrator, shall be conducted pursuant to the rules, regulations, and procedures from time to time in effect as promulgated by the American Arbitration Association (the "Association"). Prior written notice of application by either party for arbitration shall be given to the other at least ten (10) days before submission of the application to the said Association's office in the city wherein the Building is situated (or the nearest other city having an Association office). The arbitrator shall hear the parties and their evidence. The decision of the arbitrator may be entered in the appropriate court of law; and the parties consent to the jurisdiction of such court and further agree that any process or notice of motion or other application to the court or a judge thereof may be served outside the state wherein the Building is situated by registered mail or by personal service, provided a reasonable time for appearance is allowed. The costs and expenses of each arbitration hereunder and their apportionment between the parties shall be determined by the arbitrator in his or her award or decision, subject to the penultimate sentence of this section. No arbitrable dispute shall be deemed to have arisen under this Lease (a) prior to the expiration of the period of twenty (20) days after the date of the giving of written notice by the party asserting the existence of the dispute, together with a description thereof sufficient for an understanding thereof, and (b) where Tenant disputes the amount of a Tenant payment required hereunder (e.g. , Operating Expense excess under Section 5.3 hereof), prior to Tenant paying in full the amount billed by Landlord, including the disputed amount. The prevailing party in such arbitration shall be reimbursed for its expenses, including reasonable attorneys' fees. Notwithstanding the foregoing, in no event shall this Article 12 affect or delay Landlord's unlawful detainer rights under California law.

ARTICLE 13.
INSURANCE

13.1 Landlord shall maintain, as a part of Operating Expenses, special causes of loss form property insurance on the Project in an amount equal to the full replacement cost of the Project, subject to such deductibles as Landlord may determine. Landlord shall not be obligated to insure, and shall not assume any liability of risk of loss for, any of Tenant's furniture, equipment, machinery, goods, supplies, improvements or alterations upon the Premises. Such insurance shall be maintained with an insurance company selected, and in amounts desired, by Landlord or Landlord's mortgagee, and payment for losses thereunder shall be made solely to Landlord subject to the rights of the holder of any mortgage or deed of trust which may now or hereafter encumber the Project. Additionally Landlord may maintain such additional insurance, including, without limitation, earthquake insurance, flood insurance, liability insurance and/or rent insurance, as Landlord may in its sole discretion elect. The cost of all such additional insurance shall also be part of the Operating Expenses. Any or all of Landlord's insurance may be provided by blanket coverage maintained by Landlord or any affiliate of Landlord under its insurance program for its portfolio of properties or by Landlord or any affiliate of Landlord's program of self insurance, and in such event Operating Expenses shall include the portion of the reasonable cost of blanket insurance or self-insurance that is allocated to the Project.

13.2 Tenant, at its own expense, shall maintain with insurers authorized to do business in the State of California and which are rated A- and have a financial size category of at least VIII in the most recent Best's Key Rating Guide, or any successor thereto (or if there is none, an organization having a national reputation), (a) commercial general liability insurance with the following minimum limits: General Aggregate $3,000,000.00; Products/Completed Operations Aggregate $2,000,000.00; Each Occurrence $2,000,000.00; Personal and Advertising Injury $1,000,000.00; Medical Payments $5,000.00 per person, (b) Umbrella/Excess Liability on a following form basis with the following minimum limits: General Aggregate $5,000,000.00; Each Occurrence $5,000,000.00; (c) Workers' Compensation with statutory limits; (d) Employer's Liability insurance with the following limits: Bodily injury by disease per person $1,000,000.00; Bodily injury by accident policy limit $1,000,000.00; Bodily injury by disease policy limit $1,000,000.00; (e) property insurance on special causes of loss insurance form covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the "Tenant Improvements," as that term is defined in Section 2.1 of the Tenant Work Letter, and any other improvements which exist in the Premises as of the Commencement Date (excluding the Base Building) (the "Original Improvements"), and (iii) all other improvements, alterations and additions to the Premises (such insurance shall be for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, and explosion); and (f) business auto liability insurance having a combined single limit of not less than One Million Dollars ($1,000,000.00) per occurrence and insuring Tenant against liability for claims arising out of ownership, maintenance or use of any owned, hired or non-owned automobiles. At all times during the Term, such insurance shall be maintained, and Tenant shall

cause a current and valid certificate of such policies to be deposited with Landlord. If Tenant fails to have a current and valid certificate of such policies on deposit with Landlord at all times during the Term and such failure is not cured within three (3) business days following Tenant's receipt of notice thereof from Landlord, Landlord shall have the right, but not the obligation, to obtain such an insurance policy, and Tenant shall be obligated to pay Landlord the amount of the premiums applicable to such insurance within ten (10) days after Tenant's receipt of Landlord's request for payment thereof. Said policy of liability insurance shall name Landlord and Landlord's managing agent as additional insureds and Tenant as the insured and shall be noncancellable with respect to Landlord except after thirty (30) days' written notice from the insurer to Landlord.

13.3 Tenant shall adjust annually the amount of coverage established in Section 13.2 hereof to such amount as in Landlord's reasonable opinion, adequately protects Landlord's interest; provided the same is consistent with the amount of coverage customarily required of comparable tenants in Comparable Buildings.

13.4 Notwithstanding anything in this Lease to the contrary, Landlord and Tenant each hereby waives any and all rights of recovery, claim, action, or cause of action against the other, its agents, employees, licensees, or invitees for any loss or damage to or at the Premises or the Project or any personal property of such party therein or thereon by reason of fire, the elements, or any other cause which would be insured against under the terms of (i) special causes of loss form property insurance or (ii) the liability insurance referred to in Section 13.2 , to the extent of such insurance, regardless of cause or origin, including omission of the other party hereto, its agents, employees, licensees, or invitees. Landlord and Tenant covenant that no insurer shall hold any right of subrogation against either of such parties with respect thereto. This waiver shall be ineffective against any insurer of Landlord or Tenant to the extent that such waiver is prohibited by the laws and insurance regulations of the State of California. The parties hereto agree that any and all such insurance policies required to be carried by either shall be endorsed with a subrogation clause, substantially as follows: "This insurance shall not be invalidated should the insured waive, in writing prior to a loss, any and all right of recovery against any party for loss occurring to the property described therein, " and shall provide that such party's insurer waives any right of recovery against the other party in connection with any such loss or damage.

13.5 In the event Tenant's occupancy or conduct of business in or on the Premises, whether or not Landlord has consented to the same, results in any increase in premiums for the insurance carried from time to time by Landlord with respect to the Building, Tenant shall pay any such increase in premiums as Rent within ten (10) days after bills for such additional premiums shall be rendered by Landlord. In determining whether increased premiums are a result of Tenant's use or occupancy of the Premises, a schedule issued by the organization computing the insurance rate on the Building showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up such rate. Tenant shall promptly comply with all reasonable requirements of the insurance authority or of any insurer now or hereafter in effect relating to the Premises.

ARTICLE 14.
QUIET ENJOYMENT

14.1 Provided Tenant is not in default under this Lease after the expiration of any period for cure in the performance of all its obligations under this Lease, including, but not limited to, the payment of Rent and all other sums due hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance by Landlord, subject to the provisions and conditions set forth in this Lease.

ARTICLE 15.
ALTERATIONS

15.1 Tenant agrees that it shall not make or allow to be made any alterations, physical additions, or improvements in or to the Premises without first obtaining the written consent of Landlord in each instance. As used herein, the term "Minor Alteration" refers to an alteration that (a) does not affect the outside appearance of the Building and is not visible from the Common Areas, (b) is non-structural and does not impair the strength or structural integrity of the Building, and (c) does not affect the mechanical, electrical, HVAC or other systems of the Building. Landlord agrees not to unreasonably withhold, condition or delay its consent to any Minor Alteration. Landlord's consent to any other alteration may be conditioned, given, or withheld in Landlord's sole discretion. Notwithstanding the foregoing, Landlord consents to any repainting, recarpeting, or other purely cosmetic changes or upgrades to the Premises, so long as (i) the aggregate cost of such work is less than $25,000.00 in any twelve-month period, (ii) such work constitutes a Minor Alteration (iii) no building permit is required in connection therewith, and (iv) such work conforms to the then existing Building standards. At the time of said request, Tenant shall submit to Landlord plans and specifications of the proposed alterations, additions, or improvements; and Landlord shall have a period of not less than fifteen (15) days therefrom in which to review and approve or disapprove said plans; provided that if Landlord determines in good faith that Landlord requires a third party to assist in reviewing such plans and specifications, Landlord shall instead have a period of not less than thirty (30) days in which to review and approve or disapprove said plans. Tenant shall pay to Landlord upon demand the cost and expense of Landlord in (A) reviewing said plans and specifications, and (B) inspecting the alterations, additions, or improvements to determine whether the same are being performed in accordance with the approved plans and specifications and all laws and requirements of public authorities, including, without limitation, the fees of any architect or engineer employed by Landlord for such purpose. In any instance where Landlord grants such consent, and permits Tenant to use its own contractors, laborers, materialmen, and others furnishing labor or materials for Tenant's construction (collectively, "Tenant's Contractors"), Landlord's consent shall be deemed conditioned upon each of Tenant's Contractors (1) working in harmony and not interfering with any laborer utilized by Landlord, Landlord's contractors, laborers, or materialmen; and (2) furnishing Landlord with evidence of acceptable liability insurance, worker's compensation coverage and if required by Landlord, completion bonding, and if at any time such entry by one or more persons furnishing labor or materials for Tenant's work shall cause such disharmony or interference, the consent granted by Landlord to Tenant may be withdrawn immediately upon written notice from Landlord to Tenant. Tenant, at its expense, shall obtain all necessary governmental permits and certificates for the commencement and prosecution of alterations, additions, or improvements and for final approval thereof upon

completion, and shall cause any alterations, additions, or improvements to be performed in compliance therewith and with all applicable laws and requirements of public authorities and with all applicable requirements of insurance bodies. All alterations, additions, or improvements shall be diligently performed in a good and workmanlike manner, using new materials and equipment at least equal in quality and class to be better than (a) the original installations of the Building, or (b) the then standards for the Comparable Building. Upon the completion of work and upon request by Landlord, Tenant shall provide Landlord copies of all waivers or releases of lien from each of Tenant's Contractors. No alterations, modifications, or additions to the Project or the Premises shall be removed by Tenant either during the Term or upon the Expiration Date or the Termination Date without the express written approval of Landlord. Tenant shall not be entitled to any reimbursement or compensation resulting from its payment of the cost of constructing all or any portion of said improvements or modifications thereto unless otherwise expressly agreed by Landlord in writing. Tenant agrees specifically that no food, soft drink, or other vending machine shall be installed within the Premises, without the prior written consent of Landlord as to the weight, location, manner of installation and number of those vending machines.

15.2 Landlord's approval of Tenant's plans for work shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules, and regulations of governmental agencies or authorities, including, but not limited to, the Americans with Disabilities Act. Landlord may, at its option, at Tenant's expense, require that Landlord's contractors be engaged for any work upon the integrated Building mechanical or electrical systems or other Building or leasehold improvements.

15.3 At least five (5) days prior to the commencement of any work permitted to be done by persons requested by Tenant on the Premises, Tenant shall notify Landlord of the proposed work and the names and addresses of Tenant's Contractors. During any such work on the Premises, Landlord, or its representatives, shall have the right to go upon and inspect the Premises at all reasonable times, and shall have the right to post and keep posted thereon notices of non-responsibility or to take any further action which Landlord may deem to be proper for the protection of Landlord's interest in the Premises.

ARTICLE 16.
FURNITURE, FIXTURES, AND PERSONAL PROPERTY

16.1 Tenant, at its sole cost and expense, may remove its trade fixtures, office supplies and moveable office furniture and equipment not attached to the Project or Premises provided:

(a) Such removal is made prior to the Expiration Date or the Termination Date; and

(b) Tenant promptly repairs all damage caused by such removal.

16.2 If Tenant does not remove its trade fixtures, office supplies, and moveable furniture and equipment as herein above provided prior to the Expiration Date or the Termination

Date (unless prior arrangements have been made with Landlord and Landlord has agreed in writing to permit Tenant to leave such items in the Premises for an agreed period), then, in addition to its other remedies, at law or in equity, Landlord shall have the right to have such items removed and stored at Tenant's sole cost and expense and all damage to the Project or the Premises resulting from said removal shall be repaired at the cost of Tenant; Landlord may elect that such items automatically become the property of Landlord upon the Expiration Date or the Termination Date, and Tenant shall not have any further rights with respect thereto or reimbursement therefor subject to the provisions of applicable law. All other property in the Premises, any alterations, or additions to the Premises (including wall-to-wall carpeting, paneling, wall covering, specially constructed or built-in cabinetry or bookcases), and any other article attached or affixed to the floor, wall, or ceiling of the Premises shall become the property of Landlord and shall remain upon and be surrendered with the Premises as a part thereof at the Expiration or Termination Date regardless of who paid therefor; and Tenant hereby waives all rights to any payment or compensation therefor. If, however, Landlord so requests, in writing, Tenant shall remove, prior to the Expiration Date or the Termination Date, any and all alterations, additions, fixtures, equipment, and property (other than the initial Tenant Improvements (as defined in the Tenant Work Letter)) placed or installed in the Premises and shall repair any damage caused by such removal. Upon submission of any plans for Landlord's approval, Tenant may request prior to the installation of specific fixtures, equipment or improvements in the Premises, that Landlord agree not to require Tenant to remove such items upon expiration or termination of the Lease or agree to permit Tenant to remove any item it may otherwise not be permitted to remove under the terms of this Lease. Such consent, which may be granted or denied in Landlord's sole discretion, must be granted in writing prior to the installation of the subject items in order to be binding against Landlord.

16.3 All the furnishings, fixtures, equipment, effects, and property of every kind, nature, and description of Tenant and of all persons claiming by, through, or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Premises or elsewhere in the Project shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water, or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft, or from any other cause, no part of said loss or damage is to be charged to or be borne by Landlord unless due to the gross negligence or willful misconduct of Landlord or its employees, agents or contractors.

ARTICLE 17.
PERSONAL PROPERTY AND OTHER TAXES

17.1 During the Term hereof, Tenant shall pay, prior to delinquency, all business and other taxes, charges, notes, duties, and assessments levied, and rates or fees imposed, charged, or assessed against or in respect of Tenant's occupancy of the Premises or in respect of the personal property, trade fixtures, furnishings, equipment, and all other personal and other property of Tenant contained in the Project (including without limitation taxes and assessments attributable to the cost or value of any leasehold improvements made in or to the Premises by or for Tenant (to the extent that the assessed value of those leasehold improvements exceeds the assessed value of standard office improvements in other space in the Project regardless of whether title to those improvements is vested in Tenant or Landlord)), and shall

hold Landlord harmless from and against all payment of such taxes, charges, notes, duties, assessments, rates, and fees, and against all loss, costs, charges, notes, duties, assessments, rates, and fees, and any and all such taxes. Tenant shall cause said fixtures, furnishings, equipment, and other personal property to be assessed and billed separately from the real and personal property of Landlord. In the event any or all of Tenant's fixtures, furnishings, equipment, and other personal property shall be assessed and taxed with Landlord's real property, Tenant shall pay to Landlord Tenant's share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

17.2 The demised property herein may be subject to a special assessment levied by the City of Redwood as part of an Improvement District.

ARTICLE 18.
ASSIGNMENT AND SUBLETTING

18.1 Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed (except that Landlord shall in no event be obligated to consent to an encumbrance of this Lease or any transfer by operation of law): (a) assign, convey, mortgage or otherwise transfer this Lease or any interest hereunder, or sublease the Premises, or any part thereof, whether voluntarily or by operation of law; or (b) permit the use of the Premises or any part thereof by any person other than Tenant and its employees. Any such transfer, sublease or use described in the preceding sentence (a "Transfer") occurring without the prior written consent of Landlord shall, at Landlord's option, be void and of no effect. Landlord's consent to any Transfer shall not constitute a waiver of Landlord's right to withhold its consent to any future Transfer. Landlord may require as a condition to its consent to any assignment of this Lease that the assignee execute an instrument in which such assignee assumes the remaining obligations of Tenant hereunder; provided that the acceptance of any assignment of this Lease by the applicable assignee shall automatically constitute the assumption by such assignee of all of the remaining obligations of Tenant that accrue following such assignment. The voluntary or other surrender of this Lease by Tenant or a mutual cancellation hereof shall not work a merger and shall, at the option of Landlord, terminate all or any existing sublease or may, at the option of Landlord, operate as an assignment to Landlord of Tenant's interest in any or all such subleases.

18.2 For purposes of this Lease, the term "Transfer" shall also include (i) if a Tenant is a partnership or limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners, members or managers thereof, or transfer of twenty-five percent (25%) or more of partnership or membership interests therein within a twelve (12) month period, or the dissolution of the partnership or the limited liability company without immediate reconstitution thereof, and (ii) if Tenant is a corporation whose stock is not publicly held and not traded through an exchange or over the counter or any other form of entity, (A) the dissolution, merger, consolidation or other reorganization of Tenant, the sale or other transfer of more than an aggregate of fifty percent (50%) of the voting shares or other interests of or in Tenant (other than to immediate family members by reason of gift or death), within a twelve (12) month period, or (B) the sale,

mortgage, hypothecation or pledge of more than an aggregate of fifty percent (50%) of the value of the unencumbered assets of Tenant within a twelve (12) month period.

18.3 If Tenant desires the consent of Landlord to a Transfer, Tenant shall submit to Landlord, at least thirty (30) business days prior to the proposed effective date of the Transfer, a written notice (the "Transfer Notice") which includes (a) the name of the proposed sublessee or assignee, (b) the nature of the proposed sublessee's or assignee's business, (c) the terms and provisions of the proposed sublease or assignment, and (d) current financial statements and information on the proposed sublessee or assignee. Upon receipt of the Transfer Notice, Landlord may request additional information concerning the Transfer or the proposed sublessee or assignee (the "Additional Information"). Subject to Landlord's rights under Section 18.6 , Landlord shall not unreasonably withhold, condition or delay its consent to any assignment or sublease (excluding an encumbrance or transfer by operation of law), which consent or lack thereof shall be provided within thirty (30) business days of receipt of Tenant's Transfer Notice; provided, however, Tenant hereby agrees that it shall be a reasonable basis for Landlord to withhold its consent if Landlord has not received the Additional Information requested by Landlord. Without limiting any other reasonable basis for Landlord to withhold its consent to the proposed Transfer, Landlord and Tenant agree that for purposes of this Lease and any Applicable Law, Landlord shall not be deemed to have unreasonably withheld its consent if, in the judgment of Landlord: (i) the transferee is of a character or engaged in a business which is not in keeping with the standards or criteria used by Landlord in leasing the Project, or the general character or quality of the Project; (ii) the financial condition of the transferee is such that it may not be able to perform its obligations in connection with this Lease (or otherwise does not satisfy Landlord's standards for financial standing with respect to tenants under direct leases of comparable economic scope); (iii) the transferee, or any person or entity which directly or indirectly controls, is controlled by, or is under common control with, the transferee, is a tenant of or negotiating for space in the Project occupies space in the Project or has negotiated with Landlord within the preceding ninety (90) days (or is currently negotiating with Landlord) to lease space in the Project, (iv) the transferee has the power of eminent domain, is a governmental agency or an agency or subdivision of a foreign government; (v) an Event of Default by Tenant has occurred and is uncured at the time Tenant delivers the Transfer Notice to Landlord; (vi) in the judgment of Landlord, such a Transfer would violate any term, condition, covenant, or agreement of Landlord involving the Project or any other tenant's lease within it or would give an occupant of the Project a right to cancel or modify its lease; (vii) [intentionally omitted]; (viii) in Landlord's judgment, the use of the Premises by the proposed transferee would not be comparable to the types of office use by other tenants in the Project, would entail any alterations which would lessen the value of the tenant improvements in the Premises, would result in more than a reasonable density of occupants per square foot of the Premises, would increase the burden on elevators or other Building systems or equipment over the burden thereon prior to the proposed Transfer, would require increased services by Landlord or would require any alterations to the Project to comply with applicable laws; (ix) the transferee intends to use the space for purposes which are not permitted under this Lease; (x) the terms of the proposed Transfer would allow the transferee to exercise a right of renewal, right of expansion, right of first offer, or other similar right held by Tenant (or will allow the transferee to occupy space leased by Tenant pursuant to any such right); (xi) the proposed Transfer would result in more than three subleases per each full floor of the Premises being in effect at any one time during the Term; or (xii) any ground lessor or mortgagee whose consent to such Transfer is required fails to

consent thereto. Tenant hereby waives any right to terminate the Lease as a remedy for Landlord wrongfully withholding its consent to any Transfer.

18.4 Landlord and Tenant agree that, in the event of any approved assignment or subletting, the rights of any such assignee or sublessee of Tenant herein shall be subject to all of the terms, conditions, and provisions of this Lease, including, without limitation, restriction on use, assignment, and subletting and the covenant to pay Rent. Landlord may collect the rent owing by the assignee or sublessee directly from such assignee or sublessee and apply the amount so collected to the Rent herein reserved. No such consent to or recognition of any such assignment or subletting shall constitute a release of Tenant or any guarantor of Tenant's performance hereunder from further performance by Tenant or such guarantor of covenants undertaken to be performed by Tenant herein. Tenant and any such guarantor shall remain liable and responsible for all Rent and other obligations herein imposed upon Tenant, and Landlord may condition its consent to any Transfer upon the receipt of a written reaffirmation from each such guarantor in a form acceptable to Landlord (which shall not be construed to imply that the occurrence of a Transfer without such a reaffirmation would operate to release any guarantor). Consent by Landlord to a particular assignment, sublease, or other transaction shall not be deemed a consent to any other or subsequent transaction. In any case where Tenant desires to assign, sublease or enter into any related or similar transaction, whether or not Landlord consents to such assignment, sublease, or other transaction, Tenant shall pay any reasonable attorneys' fees incurred by Landlord in connection with such assignment, sublease or other transaction, including, without limitation, fees incurred in reviewing documents relating to, or evidencing, said assignment, sublease, or other transaction; provided that those costs shall not exceed $1,500.00 with respect to any single Transfer so long as Tenant and the proposed transferee execute Landlord's standard form of consent document without negotiation. All documents utilized by Tenant to evidence any subletting or assignment for which Landlord's consent has been requested and is required hereunder, shall be subject to prior approval (not to be unreasonably withheld, conditioned or delayed) by Landlord or its attorney.

18.5 Tenant shall be bound and obligated to pay Landlord a portion of any sums or economic consideration payable to Tenant by any sublessee, assignee, licensee, or other transferee, within ten (10) days following receipt thereof by Tenant from such sublessee, assignee, licensee, or other transferee, as the case might be, as follows:

(a) In the case of an assignment, fifty percent (50%) of any sums or other economic consideration received by Tenant as a result of such assignment shall be paid to Landlord after first deducting the unamortized cost of reasonable leasehold improvements paid for by Tenant in connection with such assignment and reasonable cost of any real estate commissions incurred by Tenant in connection with such assignment.

(b) In the case of a subletting, fifty percent (50%) of any sums or economic consideration received by Tenant as a result of such subletting shall be paid to Landlord after first deducting (i) the Rent due hereunder prorated to reflect only Rent allocable to the sublet portion of the Premises, (ii) the reasonable cost of tenant improvements made to the sublet portion of the Premises by Tenant for the specific benefit of the sublessee, which shall be amortized over the term of the sublease, and

(iii) the reasonable cost of any real estate commissions incurred by Tenant in connection with such subletting, which shall be amortized over the term of the sublease.

(c) Tenant shall provide Landlord with a detailed statement setting forth any sums or economic consideration Tenant either has or will derive from such Transfer, the deductions permitted under (a) and (b) of this Section 18.5 , and the calculation of the amounts due Landlord under this Section 18.5 . In addition, Landlord or its representative shall have the right at all reasonable times to audit the books and records of Tenant with respect to the calculation of the Transfer profits. If such inspection reveals that the amount paid to Landlord was incorrect, then within ten (10) days of Tenant's receipt of the results of such audit, Tenant shall pay Landlord the deficiency and the cost of Landlord's audit.

18.6 If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. Section 101 et seq. or any successor or substitute therefor (the "Bankruptcy Code"), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord, and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any such monies or other consideration not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and shall be promptly paid or delivered to Landlord. Any person or entity to whom this Lease is so assigned shall be deemed, without further act or deed, to have assumed all of the remaining obligations arising under this Lease as of the date of such assignment. Any such assignee shall, upon demand therefor, execute and deliver to Landlord an instrument confirming such assumption.

18.7 Landlord shall have the following option with respect to any assignment of this Lease or a Triggering Sublease (as defined below) proposed by Tenant:

(a) Notwithstanding any other provision of this Article, Landlord has the option, by written notice to Tenant (the "Recapture Notice") within thirty (30) days after receiving any Transfer Notice to recapture the space covered by the proposed sublease or the entire Premises in the case of an assignment (the "Subject Space") by terminating this Lease for the Subject Space or taking an assignment or a sublease of the Subject Space from Tenant. A timely Recapture Notice terminates this Lease with respect to the Subject Space, effective as of the date specified in the Transfer Notice. After such termination, Landlord may (but shall not be obligated to) enter into a lease with the party to the sublease or assignment proposed by Tenant. As used herein, "Triggering Subletting" means subleasing of fifty percent (50%) or more of the Premises, either in a single transaction or, in the aggregate, following a series of transactions, for a term or terms expiring during the last year of the Term.

(b) To determine the new Base Rent under this Lease in the event Landlord recaptures the Subject Space without terminating this Lease, the original Base Rent under the Lease shall be multiplied by a fraction, the numerator of which is the rentable square feet of the Premises retained by Tenant after Landlord's recapture and the denominator of which is the total rentable square feet in the Premises before Landlord's

recapture. The Additional Rent, to the extent that it is calculated on the basis of the rentable square feet within the Premises, shall be reduced to reflect Tenant's proportionate share based on the rentable square feet of the Premises retained by Tenant after Landlord's recapture. This Lease as so amended shall continue thereafter in full force and effect. Either party may require a written confirmation of the amendments to this Lease necessitated by Landlord's recapture of the Subject Space. If Landlord recaptures the Subject Space, Landlord shall, at Landlord's sole expense, construct any partitions required to segregate the Subject Space from the remaining Premises retained by Tenant. Tenant shall, however, pay for painting, covering or otherwise decorating the surfaces of the partitions facing the remaining Premises retained by Tenant.

18.8 Notwithstanding anything to the contrary contained in this Article 18 , Tenant may assign this Lease or sublet the Premises without the need for Landlord's prior consent if such assignment or sublease is to (x) any parent, subsidiary or affiliate business entity which the initially named Tenant controls, is controlled by or is under common control with (each, an "Affiliate"), or (y) any entity which acquires all or substantially all of the ownership interests in Tenant or assets of Tenant, or which merges with Tenant (such transferee contemplated in (x) and (y) and meeting the requirements of this Section 18.8 being a "Permitted Transferee" and the transactions contemplated in (x) and (y) and meeting the requirements of this Section 18.8 being "Permitted Transfers"); provided that: (i) at least thirty (30) days prior to such assignment or sublease, Tenant delivers to Landlord the financial statements or other financial and background information of the assignee or sublessee as required for other transfers; (ii) if the transfer is an assignment, the assignee assumes, in full, the obligations of Tenant under this Lease (or if a sublease, the sublessee of a portion of the Premises or term assumes, in full, the obligations of Tenant with respect to such portion); (iii) the proposed Permitted Transferee meets the Net Worth Threshold (as defined below); (iv) Tenant remains fully liable under this Lease; and (v) unless Landlord consents to the same, the use of the Premises set forth herein remains unchanged. As used herein, the term "Net Worth Threshold" shall mean the proposed Permitted Transferee has a tangible net worth equal to or greater than (x) that of Tenant immediately prior to such transaction, and (y) that of the originally named Tenant as of December 31 of the year prior to the Commencement Date (determined in accordance with generally accepted accounting principles consistently applied and excluding from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, trademarks, trade names, copyrights and franchises), and as evidenced by financial statements audited by a certified public accounting firm reasonably acceptable to Landlord. As used in this section, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies through ownership of at least fifty-one (51%) of the securities or partnership or other ownership interests of the entity subject to control. In addition, Landlord's consent shall not be required with respect to (the infusion of additional equity capital in Tenant or an initial public offering of equity securities of Tenant under the Securities Act of 1933, as amended, which results in Tenant's stock being traded on a national securities exchange, including, but not limited to, the NYSE, the NASDAQ Stock Market or the NASDAQ Small Cap Market System or any sale of such equity securities on such national securities exchanges (each a "Permitted Stock Transfer"). Notwithstanding anything to the contrary set forth in this Article 18 , the provisions of Sections

18.1 through 18.7 hereof shall not be applicable to Permitted Transfers, Permitted Transferees, or Permitted Stock Transfers.

ARTICLE 19.
DAMAGE OR DESTRUCTION

19.1 If the Premises or Building should be damaged or destroyed by fire or other casualty, Tenant shall give immediate written notice to Landlord. If the Premises or any common areas of the Building or Project serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 19 , restore the base, shell, and core of the Premises and such common areas. Such restoration shall be to substantially the same condition of the base, shell, and core of the Premises and common areas prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Project, or the lessor of a ground or underlying lease with respect to the Project and/or the Building, or any other modifications to the common areas deemed desirable by Landlord, provided access to the Premises and any common restrooms serving the Premises shall not be materially impaired. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or common areas necessary to Tenant's occupancy, and if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's employees, contractors, licensees, or invitees, Landlord shall allow Tenant a proportionate abatement of Base Rent and Tenant's Share of Operating Expenses and Tenant's Tax Share of Taxes to the extent Landlord is reimbursed from the proceeds of rental interruption insurance purchased by Landlord as part of Operating Expenses, during the time and to the extent the Premises are unfit for occupancy for the purposes permitted under this Lease, and not occupied by Tenant as a result thereof.

19.2 Notwithstanding the terms of Section 19.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, the Building and/or any other portion of the Real Property and instead terminate this Lease by notifying Tenant in writing of such termination within sixty (60) days after the date of Landlord's discovery of such damage (the "Damage Discovery Date"), such notice to include a termination date giving Tenant ninety (90) days to vacate the Premises, but Landlord may so elect only if the Building shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and one or more of the following conditions is present: (i) repairs cannot reasonably be completed within one hundred eighty (180) days of the Damage Discovery Date (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Project or ground or underlying lessor with respect to the Project and/or the Building shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground or underlying lease, as the case may be; or (iii) the damage is not fully covered (except for deductible amounts in the case of a casualty other than earthquake or flood) by Landlord's insurance policies. In addition, if the Premises or the Building is destroyed or damaged to any substantial extent during the last twelve (12) months of the Term, then notwithstanding anything contained in this Article 19 , Tenant and Landlord shall each have the option to terminate this Lease by giving written notice to the other of the exercise of such option

within thirty (30) days after the Damage Discovery Date, in which event this Lease shall cease and terminate as of the date of such notice. Upon any such termination of this Lease pursuant to this Section 19.2 , Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of termination, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Term.

19.3 If there is an occurrence of any damage to the Premises that does not result in the termination of this Lease pursuant to this Article 19 , then upon notice (the "Landlord Repair Notice") to Tenant from Landlord, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Sections 13.2(e)(ii) and (iii) above with respect to any improvements in the Premises required to be insured by Tenant hereunder (excluding proceeds for Tenant's Property), and Landlord shall repair any injury or damage to the Tenant Improvements, alterations and the Original Improvements installed in the Premises and shall return such Tenant Improvements, alterations and Original Improvements to their original condition; provided that if the cost of such repair by Landlord exceeds the sum of (A) amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, plus (B) any insurance proceeds received by Landlord with respect to such Tenant Improvements, alterations and Original Improvements (it being acknowledged and agreed that Tenant's insurance as to the Tenant Improvements, Alterations and Original Improvements is primary in nature and Landlord's insurance, if any, with respect to same is secondary in nature), the cost of such repairs shall be paid by Tenant to Landlord prior to Landlord's commencement of repair of the damage. In the event that Landlord does not deliver the Landlord Repair Notice within forty-five (45) days following the Damage Discovery Date, Tenant shall, at its sole cost and expense, repair any injury or damage to the Tenant Improvements, alterations, and the Original Improvements installed in the Premises and shall return such Tenant Improvements, alterations, and Original Improvements to their original condition. Whether or not Landlord delivers a Landlord Repair Notice, prior to the commencement of construction, Tenant shall submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto, and Landlord shall select the contractors to perform such improvement work.

19.4 In the event this Lease is terminated in accordance with the terms of this Article 19 , Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Sections 13.2(e)(ii) and (iii) .

19.5 The provisions of this Lease, including this Article 19 , constitute an express agreement between Landlord and Tenant with respect to damage to, or destruction of, all or any portion of the Premises or the Project, and any statute or regulation of the State of California, including without limitation Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties (and any other statute or regulation now or hereafter in effect with respect to such rights or obligations), shall have no application to this Lease or to any damage or destruction to all or any portion of the Premises or the Project.

ARTICLE 20.
CONDEMNATION

20.1 Total Condemnation . If all of the Premises is condemned by eminent domain, inversely condemned or sold under threat of condemnation for any public or quasi-public use or purpose ("Condemned"), this Lease shall terminate as of the earlier of the date the condemning authority takes title to or possession of the Premises, and Rent shall be adjusted to the date of termination.

20.2 Partial Condemnation . If any portion of the Premises or Building is condemned and such partial condemnation materially impairs Tenant's ability to use the Premises for Tenant's business as reasonably determined by Landlord, Landlord shall have the option in Landlord's sole and absolute discretion of either (i) relocating Tenant to comparable space within the Project; provided, that Tenant, in its sole and absolute discretion, shall consent to such relocation or (ii) terminate this Lease as of the earlier of the date title vests in the condemning authority or as of the date an order of immediate possession is issued and Rent shall be adjusted to the date of termination. If such partial condemnation does not materially impair Tenant's ability to use the Premises for the business of Tenant, Landlord shall promptly restore the Premises to the extent of any condemnation proceeds recovered by Landlord, excluding the portion thereof lost in such condemnation, and this Lease shall continue in full force and effect except that after the date of such title vesting or order of immediate possession Rent shall be adjusted as reasonably determined by Landlord. Tenant shall have the right to terminate this Lease in the event that any partial condemnation results in a decrease in the square footage of the Premises by more than 5,000 rentable square feet and, as a result thereof, are no longer reasonably suitable for Tenant's operations.

20.3 Award . If the Premises are wholly or partially condemned, Landlord shall be entitled to the entire award paid for such condemnation, and Tenant waives any claim to any part of the award from Landlord or the condemning authority; provided, however, Tenant shall have the right to recover from the condemning authority such compensation as may be separately awarded to Tenant in connection with costs in removing Tenant's merchandise, furniture, fixtures, leasehold improvements and equipment to a new location. No condemnation of any kind shall be construed to constitute an actual or constructive eviction of Tenant or a breach of any express or implied covenant of quiet enjoyment. Tenant hereby waives the effect of Sections 1265.120 and 1265.130 of the California Code of Civil Procedure.

20.4 Temporary Condemnation . In the event of a temporary condemnation not extending beyond the Term, this Lease shall remain in effect, Tenant shall continue to pay Rent and Tenant shall receive any award made for such condemnation except damages to any of Landlord's property. If a temporary condemnation is for a period which extends beyond the Term, this Lease shall terminate as of the date of initial occupancy by the condemning authority and any such award shall be distributed in accordance with the preceding section. If a temporary condemnation remains in effect at the expiration or earlier termination of this Lease, Tenant shall pay Landlord the reasonable cost of performing any obligations required of Tenant with respect to the surrender of the Premises.

ARTICLE 21.
HOLD HARMLESS

21.1 Tenant agrees to defend, with counsel approved by Landlord, all actions against Landlord, any member, partner, trustee, stockholder, officer, director, employee, or beneficiary of Landlord (collectively, "Landlord Parties"), holders of mortgages secured by the Premises or the Project and any other party having an interest therein (collectively with Landlord Parties, the "Indemnified Parties") with respect to, and to pay, protect, indemnify, and save harmless, to the extent permitted by law, all Indemnified Parties from and against, any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands, or judgments of any nature to which any Indemnified Party is subject because of its estate or interest in the Premises or the Project arising from (a) injury to or death of any person, or damage to or loss of property (x) on the Premises, or (y) on the Project, adjoining sidewalks, streets or ways, if connected with the use, condition, or occupancy of the Premises and resulting from the negligence or willful misconduct of Tenant, except in the case of both (x) and (y) to the extent, if any, caused by the gross negligence or willful misconduct of Landlord or its employees, contractors or agents, (b) any violation of this Lease by or attributable to Tenant, or (c) subject to Section 13.4 , any act, fault, omission, or other misconduct of Tenant or its agents, contractors, licensees, sublessees, or invitees. Tenant agrees to use and occupy the Premises and other facilities of the Project at its own risk, and hereby releases the Indemnified Parties from any and all claims for any damage or injury, except to the extent caused by the gross negligence or willful misconduct of Landlord or such Indemnified Party, to the fullest extent permitted by law.

21.2 Tenant agrees that Landlord shall not be responsible or liable to Tenant, its agents, employees, or invitees for fatal or non-fatal bodily injury or property damage occasioned by the acts or omissions of any other tenant, or such other tenant's agents, employees, licensees, or invitees, of the Project. Landlord shall not be liable to Tenant for losses due to theft, burglary, or damages done by persons on the Project.

ARTICLE 22.
DEFAULT BY TENANT

22.1 The term "Event of Default" refers to the occurrence of any one (1) or more of the following:

(a) Failure of Tenant to pay when due any sum required to be paid hereunder (the "Monetary Default") within five (5) days of receipt of written notice from Landlord; provided, however, that after the first failure to pay any sum required to be paid hereunder in any calendar year, in the event that Tenant fails a second time to pay when due any sum required to be paid hereunder during such calendar year, such failure shall be deemed to automatically constitute a Monetary Default without any obligation on Landlord to provide any additional written notice, and provided further that Tenant acknowledges that any such written notice provided hereunder shall be in lieu of, and not in addition to, any notice to pay rent or quit pursuant to any applicable statutes;

(b) Failure of Tenant, after fifteen (15) days written notice thereof, to perform any of Tenant's obligations, covenants, or agreements except a Monetary Default, provided that if the cure of any such failure is not reasonably susceptible of performance within such fifteen (15) day period, then an Event of Default of Tenant shall not be deemed to have occurred so long as Tenant has promptly commenced and thereafter diligently prosecutes such cure to completion and completes that cure within ninety (90) days;

(c) Tenant, or any guarantor of Tenant's obligations under this Lease (the "Guarantor"), admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Tenant's or Guarantor's property is made for the benefit of creditors; or a receiver or trustee is appointed for Tenant or Guarantor or its property; or the interest of Tenant or Guarantor under this Lease is levied on under execution or other legal process; or any petition is filed by or against Tenant or Guarantor to declare Tenant bankrupt or to delay, reduce, or modify Tenant's debts or obligations; or any petition filed or other action taken to reorganize or modify Tenant's or Guarantor's capital structure if Tenant is a corporation or other entity. Any such levy, execution, legal process, or petition filed against Tenant or Guarantor shall not constitute a breach of this Lease provided Tenant or Guarantor shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within ninety (90) days from the date of its creation, service, or filing;

(d) The abandonment of the Premises by Tenant, which shall mean that Tenant has vacated the Premises for ten (10) consecutive days, whether or not Tenant is in Monetary Default and such abandonment has impaired Landlord's insurance coverage for the Premises or the Building;

(e) The discovery by Landlord that any financial statement given by Tenant or any of its assignees, subtenants, successors-in-interest, or Guarantors was materially false; or

(f) If Tenant or any Guarantor shall die, cease to exist as a corporation or partnership, or be otherwise dissolved or liquidated or become insolvent, or shall make a transfer in fraud of creditors.

22.2 In the event of any Event of Default by Tenant, Landlord, at its option, may pursue one or more of the following remedies without notice or demand in addition to all other rights and remedies provided for at law or in equity:

(a) Landlord may continue this Lease in full force and effect, and this Lease shall continue in full force and effect as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect Rent when due. Landlord may enter the Premises and relet it, or any part of it, to third parties for Tenant's account, provided that any Rent in excess of the Rent due hereunder shall be payable to Landlord. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of cleaning and redecorating the Premises required by the reletting and like costs. Reletting

may be for a period shorter or longer than the remaining Term of this Lease. Tenant shall pay to Landlord the Rent and other sums due under this Lease on the dates the Rent is due, less the Rent and other sums Landlord receives from any reletting. No act by Landlord allowed by this Section 22.2(a) shall terminate this Lease unless Landlord notifies Tenant in writing that Landlord elects to terminate this Lease.

"The lessor has the remedy described in Civil Code Section 1951.4 (lessor may continue the lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign subject only to reasonable limitations)."

(b) Landlord may terminate Tenant's right to possession of the Premises at any time by giving written notice to that effect. No act by Landlord other than giving written notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord shall have the right to remove all personal property of Tenant and store it at Tenant's cost and to recover from Tenant as damages: (i) the worth at the time of award of unpaid Rent and other sums due and payable which had been earned at the time of termination; plus (ii) the worth at the time of award of the amount by which the unpaid Rent and other sums due and payable which would have been payable after termination until the time of award exceeds the amount of the Rent loss that Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid Rent and other sums due and payable for the balance of the Term after the time of award exceeds the amount of the Rent loss that Tenant proves could be reasonably avoided; plus (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which, in the ordinary course of things, would be likely to result therefrom, including, without limitation, any costs or expenses incurred by Landlord: (A) in retaking possession of the Premises, including reasonable attorneys' fees and costs therefor; (B) maintaining or preserving the Premises for reletting to a new tenant, including repairs or alterations to the Premises for the reletting; (C) leasing commissions; (D) any other costs necessary or appropriate to relet the Premises; and (E) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the laws of the State of California.

The "worth at the time of award" of the amounts referred to in Sections 22.2(b)(i) and 22.2(b)(ii) shall be calculated by allowing interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law, on the unpaid Rent and other sums due and payable from the termination date through the date of award. The "worth at the time of award" of the amount referred to in Section 22.2(b)(iii) shall be calculated by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%). Tenant waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other present or future law, if Tenant is evicted or Landlord takes possession of the Premises by reason of any Event of Default by Tenant.

22.3 If Landlord shall exercise any one or more remedies hereunder granted or otherwise available, it shall not be deemed to be an acceptance or surrender of the Premises by Tenant whether by agreement or by operation of law; it is understood that such surrender can be effected only by the written agreement of Landlord and Tenant. No alteration of security devices and no removal or other exercise of dominion by Landlord over the property of Tenant or others in the Premises shall be deemed unauthorized or constitute a conversion, Tenant hereby consenting to the aforesaid exercise of dominion over Tenant's property within the Premises after any Event of Default.

22.4 Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, including, but not limited to, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity, or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord for any or all other rights or remedies provided for in this Lease or now or hereafter existing at or in equity or by statute or otherwise. All such rights and remedies shall be considered cumulative and non-exclusive. All costs incurred by Landlord in connection with collecting any Rent or other amounts and damages owing by Tenant pursuant to the provisions of this Lease, or to enforce any provision of this Lease, including reasonable attorneys' fees from the date such matter is turned over to an attorney, whether or not one or more actions are commenced by Landlord, shall also be recoverable by Landlord from Tenant. If any notice and grace period required under subparagraphs 22.1 (a) or (b) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Tenant under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by subparagraphs 22.1(a) or (b) . In such case, the applicable grace period under subparagraphs 22.1(a) or (b) and under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Tenant to cure the default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and an Event of Default entitling Landlord to the remedies provided for in this Lease and/or by said statute.

22.5 If Tenant should fail to make any payment or cure any default hereunder within the time herein permitted and such failure constitutes an Event of Default (except in the case where if Landlord in good faith believes that action prior to the expiration of any cure period under Section 22.1 is necessary to prevent damage to persons or property, in which case Landlord may act without waiting for such cure period to expire), Landlord, without being under any obligation to do so and without thereby waiving such default, may make such payment and/or remedy such default for the account of Tenant (and enter the Premises for such purpose), and thereupon, Tenant shall be obligated and hereby agrees to pay Landlord, upon demand, all reasonable costs, expenses, and disbursements, plus ten percent (10%) overhead cost incurred by Landlord in connection therewith.

22.6 In addition to Landlord's rights set forth above, if Tenant fails to pay its Rent or any other amounts owing hereunder on the due date thereof more than two (2) times during any calendar year during the Term, then upon the occurrence of the third or any subsequent default in the payment of monies during said calendar year, Landlord, at its sole

option, shall have the right to require that Tenant, as a condition precedent to curing such default, pay to Landlord, in check or money order, in advance, the Rent and Landlord's estimate of all other amounts which will become due and owing hereunder by Tenant for a period of two (2) months following said cure. All such amounts shall be paid by Tenant within thirty (30) days after notice from Landlord demanding the same. All monies so paid shall be retained by Landlord, without interest, for the balance of the Term and any extension thereof, and shall be applied by Landlord to the last due amounts owing hereunder by Tenant. If, however, Landlord's estimate of the Rent and other amounts for which Tenant is responsible hereunder are inaccurate, when such error is discovered, Landlord shall pay to Tenant, or Tenant shall pay to Landlord, within thirty (30) days after written notice thereof, the excess or deficiency, as the case may be, which is required to reconcile the amount on deposit with Landlord with the actual amounts for which Tenant is responsible.

22.7 Nothing contained in this Article 22 shall limit or prejudice the right of Landlord to prove and obtain as damages in any bankruptcy, insolvency, receivership, reorganization, or dissolution proceeding, an amount equal to the maximum allowed by any statute or rule of law governing such a proceeding and in effect at the time when such damages are to be proved, whether or not such amount be greater, equal, or less than the amounts recoverable, either as damages or Rent, referred to in any of the preceding provisions of this Article 22 . Notwithstanding anything contained in this Article to the contrary, any such proceeding or action involving bankruptcy, insolvency, reorganization, arrangement, assignment for the benefit of creditors, or appointment of a receiver or trustee, as set forth above, shall be considered to be an Event of Default only when such proceeding, action, or remedy shall be taken or brought by or against the then holder of the leasehold estate under this Lease.

22.8 Landlord is entitled to accept, receive, in check or money order, and deposit any payment made by Tenant for any reason or purpose or in any amount whatsoever, and apply them at Landlord's option to any obligation of Tenant, and such amounts shall not constitute payment of any amount owed, except that to which Landlord has applied them. No endorsement or statement on any check or letter of Tenant shall be deemed an accord and satisfaction or recognized for any purpose whatsoever. The acceptance of any such check or payment shall be without prejudice to Landlord's rights to recover any and all amounts owed by Tenant hereunder and shall not be deemed to cure any other default nor prejudice Landlord's rights to pursue any other available remedy, Landlord's acceptance of partial payment of Rent does not constitute a waiver of any rights, including without limitation any right Landlord may have to recover possession of the Premises.

22.9 In the event that Tenant's right of possession of the Premises is terminated prior to the end of the initial Term by reason of an Event of Default by Tenant, then immediately upon such termination, an amount shall be due and payable by Tenant to Landlord equal to the unamortized portion as of that date (which amortization shall be based on an interest rate of eleven percent (11%) per annum) of the sum of (a) the cost of Landlord's Work (if any), (b) the Allowance (if any), (c) the value of any free Base Rent (i.e. , the Base Rent stated in this Lease to be abated as an inducement to Tenant's entering into this Lease) enjoyed as of that date by Tenant, and (d) the amount of all commissions paid by Landlord in order to procure this Lease.

22.10 Tenant waives the right to terminate this Lease on Landlord's default under this Lease. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief. Landlord's failure to perform any of its obligations under this Lease shall constitute a default by Landlord under this Lease if the failure continues for thirty (30) days after written notice of the failure from Tenant to Landlord. If the required performance cannot be completed within thirty (30) days, Landlord's failure to perform shall constitute a default under the Lease unless Landlord undertakes to cure the failure within thirty (30) days and diligently and continuously attempts to complete this cure as soon as reasonably possible. All obligations of each party hereunder shall be construed as covenants, not conditions.

ARTICLE 23.
[INTENTIONALLY OMITTED]

ARTICLE 24.
[INTENTIONALLY OMITTED]

ARTICLE 25.
ATTORNEYS' FEES

25.1 All costs and expenses, including reasonable attorneys' fees (whether or not legal proceedings are instituted), involved in collecting rents, enforcing the obligations of Tenant, or protecting the rights or interests of Landlord under this Lease, whether or not an action is filed, including without limitation the cost and expense of instituting and prosecuting legal proceedings or recovering possession of the Premises after default by Tenant or upon expiration or sooner termination of this Lease, shall be due and payable by Tenant on demand, as Additional Rent. In addition, and notwithstanding the foregoing, if either party hereto shall file any action or bring any proceeding against the other party arising out of this Lease or for the declaration of any rights hereunder, the prevailing party in such action shall be entitled to recover from the other party all costs and expenses, including reasonable attorneys' fees incurred by the prevailing party, as determined by the trier of fact in such legal proceeding. For purposes of this provision, the terms "attorneys' fees" or "attorneys' fees and costs," or "costs and expenses" shall mean the fees and expenses of legal counsel (including external counsel and in-house counsel) of the parties hereto, which include printing, photocopying, duplicating, mail, overnight mail, messenger, court filing fees, costs of discovery, and fees billed for law clerks, paralegals, investigators and other persons not admitted to the bar for performing services under the supervision and direction of an attorney. For purposes of determining in-house counsel fees, the same shall be considered as those fees normally applicable to a partner in a law firm with like experience in such field. In addition, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred in enforcing any judgment arising from a suit or proceeding under this Lease, including without limitation post-judgment motions, contempt proceedings, garnishment, levy and debtor and third party examinations, discovery and bankruptcy litigation, without regard to schedule or rule of court purporting to restrict such award. This post-judgment award of attorneys' fees and costs provision shall be severable from any other provision of this Lease and shall survive any judgment/award on such suit or arbitration and is not to be deemed merged into the judgment/award or terminated with the Lease.

ARTICLE 26.
NON-WAIVER

26.1 Neither acceptance of any payment by Landlord from Tenant nor, failure by Landlord to complain of any action, non-action, or default of Tenant shall constitute a waiver of any of Landlord's rights hereunder. Time is of the essence with respect to the performance of every obligation of each party under this Lease in which time of performance is a factor. Waiver by either party of any right or remedy arising in connection with any default of the other party shall not constitute a waiver of such right or remedy or any other right or remedy arising in connection with either a subsequent default of the same obligation or any other default. No right or remedy of either party hereunder or covenant, duty, or obligation of any party hereunder shall be deemed waived by the other party unless such waiver is in writing, signed by the other party or the other party's duly authorized agent.

ARTICLE 27.
RULES AND REGULATIONS

27.1 Such reasonable rules and regulations applying to all lessees in the Project for the safety, care, and cleanliness of the Project and the preservation of good order thereon are hereby made a part hereof as Exhibit D , and Tenant agrees to comply with all such rules and regulations. Landlord shall have the right at all times to change such rules and regulations or to amend them in any reasonable and non-discriminatory manner as may be deemed advisable by Landlord, all of which changes and amendments shall be sent by Landlord to Tenant in writing and shall be thereafter carried out and observed by Tenant. Landlord shall not have any liability to Tenant for any failure of any other lessees of the Project to comply with such rules and regulations.

ARTICLE 28.
ASSIGNMENT BY LANDLORD

28.1 Landlord shall have the right to transfer or assign, in whole or in part, all its rights and obligations hereunder and in the Premises and the Project. In such event, no liability or obligation shall accrue or be charged to Landlord with respect to the period from and after such transfer or assignment and assumption of Landlord's obligations by the transferee or assignee.

ARTICLE 29.
LIABILITY OF LANDLORD

29.1 It is expressly understood and agreed that the obligations of Landlord under this Lease shall be binding upon Landlord and its successors and assigns and any future owner of the Project only with respect to events occurring during its and their respective ownership of the Project. In addition, Tenant agrees to look solely to Landlord's interest in the Project for recovery of any judgment against Landlord arising in connection with this Lease, it being agreed that neither Landlord nor any successor or assign of Landlord nor any future owner of the Project, nor any partner, shareholder, member, or officer of any of the foregoing shall ever be personally liable for any such judgment. The limitations of liability contained in this

Section 29.1 shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Landlord (if Landlord is a partnership), or trustee or beneficiary (if Landlord or any partner of Landlord is a trust), have any liability for the performance of Landlord's obligations under this Lease. Notwithstanding any contrary provision herein, neither Landlord nor the Landlord Parties shall be liable under any circumstances for any indirect or consequential damages or any injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

ARTICLE 30.
SUBORDINATION AND ATTORNMENT

30.1 This Lease, at Landlord's option, shall be subordinate to any present or future mortgage, ground lease or declaration of covenants regarding maintenance and use of any areas contained in any portion of the Building, and to any and all advances made under any present or future mortgage and to all renewals, modifications, consolidations, replacements, and extensions of any or all of same. Tenant agrees, with respect to any of the foregoing documents, that no documentation other than this Lease shall be required to evidence such subordination. If any holder of a mortgage shall elect for this Lease to be superior to the lien of its mortgage and shall give written notice thereof to Tenant, then this Lease shall automatically be deemed prior to such mortgage whether this Lease is dated earlier or later than the date of said mortgage or the date of recording thereof. Tenant agrees to execute such documents as may be further required to evidence such subordination or to make this Lease prior to the lien of any mortgage or deed of trust, as the case may be, and Tenant's failure to do so within ten (10) business days after written demand and delivery of the applicable documents shall be an Event of Default. Tenant hereby attorns to all successor owners of the Building, whether or not such ownership is acquired as a result of a sale through foreclosure or otherwise. As of the date of this Lease, there is no (a) deed of trust or mortgage encumbering the Project or (b) ground lease affecting the Building

30.2 Each party shall, at such time or times as the other party may request, upon not less than ten (10) business days' prior written request by the requesting party, sign and deliver to the requesting party a certificate stating whether this Lease is in full force and effect; whether any amendments or modifications exist; whether any Monthly Rent has been prepaid and, if so, how much; whether to the knowledge of the certifying party there are any defaults hereunder; and in the circumstance where Landlord is the requesting party, such other information and agreements as may be reasonably requested, it being intended that any such statement delivered pursuant to this Article may be relied upon by the requesting party and by any prospective purchaser of all or any portion of the requesting party's interest herein, or a holder or prospective holder of any mortgage encumbering the Building. Tenant's failure to deliver such statement within ten (10) days after Landlord's second written request therefor shall constitute an Event of Default (as that term is defined elsewhere in this Lease) and shall conclusively be deemed to be an admission by Tenant of the matters set forth in the request for an estoppel certificate.

30.3 Tenant shall deliver to Landlord prior to the execution of this Lease and thereafter at any time upon Landlord's request, Tenant's most recently available current audited financial statements, including a balance sheet and profit and loss statement for the most recent prior year (collectively, the "Statements"), which Statements shall accurately and completely reflect the financial condition of Tenant. Landlord shall have the right to deliver the same to any proposed purchaser of the Building or the Project, and to any encumbrancer of all or any portion of the Building or the Project, subject to a commercially reasonable form of confidentiality agreement with Tenant.

30.4 Tenant acknowledges that Landlord is relying on the Statements in its determination to enter into this Lease, and Tenant represents to Landlord, which representation shall be deemed made on the date of this Lease and again on the Commencement Date, that no material change in the financial condition of Tenant, as reflected in the Statements, has occurred since the date Tenant delivered the Statements to Landlord. The Statements are represented and warranted by Tenant to be correct and to accurately and fully reflect Tenant's true financial condition as of the date of submission of any Statements to Landlord.

30.5 As a condition to the subordination in Section 30.1 of this Lease to its mortgage or deed of trust, any future mortgagee or beneficiary shall deliver to Tenant a written subordination and non-disturbance agreement in recordable form acceptable to such mortgagee or beneficiary in its sole discretion providing that so long as Tenant performs all of the terms of this Lease, Tenant's possession under this Lease shall not be disturbed and Tenant shall not be joined by the holder of any mortgage or deed of trust in any action or proceeding to foreclose thereunder, except where such is necessary for jurisdictional or procedural reasons. Landlord agrees to use commercially reasonable efforts to obtain a written subordination and non-disturbance agreement from such mortgagee or beneficiary in a form reasonably acceptable to Tenant; provided that Tenant shall pay all costs incurred by Landlord in obtaining that subordination and non-disturbance agreement. "Commercially reasonable efforts" of Landlord shall not require Landlord to incur any cost, expense or liability to obtain such agreement, it being agreed that Tenant shall be responsible for any fee or review costs charged by such mortgagee or beneficiary. Landlord's failure to obtain a non-disturbance, subordination and attornment agreement for Tenant in a form reasonably acceptable to Tenant shall have no effect on the rights, obligations and liabilities of Landlord and Tenant or be considered to be a default by Landlord hereunder.

ARTICLE 31.
HOLDING OVER

31.1 In the event Tenant, or any party claiming under Tenant, retains possession of the Premises after the Expiration Date or Termination Date, such possession shall be that of a tenant at sufferance and an unlawful detainer. No tenancy or interest shall result from such possession, and such parties shall be subject to immediate eviction and removal. Tenant or any such party shall pay Landlord, as Base Rent for the period of such holdover, a monthly amount equal to one hundred fifty percent (150%) of (a) the Base Rent for the last period prior to the date of such termination plus (b) Additional Rent attributable to Operating Expenses and Taxes as provided in Article 5 of this Lease during the time of holdover, together with all other Additional Rent and other amounts payable pursuant to the terms of this Lease.

Such tenancy at sufferance shall be subject to every other applicable term, covenant and agreement contained herein. Tenant shall also be liable for any and all damages sustained by Landlord as a result of such holdover. Tenant shall vacate the Premises and deliver same to Landlord immediately upon Tenant's receipt of notice from Landlord to so vacate. The Rent during such holdover period shall be payable to Landlord on demand. Landlord's acceptance of Rent if and after Tenant holds over shall not convert Tenant's tenancy at sufferance to any other form of tenancy or result in a renewal or extension of the Term of this Lease, unless otherwise specified by notice from Landlord to Tenant.

ARTICLE 32.
SIGNS

32.1 No sign, symbol, or identifying marks shall be put upon the Project, the exterior of the Building, in the halls, elevators, staircases, entrances, parking areas, or upon the doors or walls, other than within the Premises, without the prior written approval of Landlord. Should such approval ever be granted, all signs or lettering shall conform in all respects to the sign and/or lettering criteria established by Landlord. Landlord, at Landlord's sole cost and expense, reserves the right to change the door plaques as Landlord deems reasonably desirable.

32.2 Landlord shall, at Tenant's sole cost and expense, install one line of signage (the "Monument Signage") on the Building monument sign and at the top of the Building (the "Building-top Signage") identifying Tenant's name. The graphics, materials, color, design, lettering, size and specifications of Tenant's Monument Signage and Building-top Signage shall be subject to the approval of Landlord and all applicable governmental authorities and shall conform to Landlord's approved sign plan for the Building. At the expiration or earlier termination of this Lease or termination of Tenant's sign rights as provided below, Landlord shall, at Tenant's sole cost and expense, cause the Monument Signage and Building-top Signage to be removed and the area of the monument sign and top of the Building affected by the Monument Signage and Building-top Signage, as applicable, to be restored to the condition existing prior to the installation of Tenant's Monument Signage and Building-top Signage. The right to Monument Signage and Building-top Signage is personal to the initially named Tenant in this Lease and any Permitted Transferee who is an assignee of Tenant's entire interest in this Lease. All of Tenant's rights to install and maintain Monument Signage on the monument sign and Building-top Signage at the top of the Building in accordance with this Section 32.2 shall permanently terminate upon notice from Landlord following the date upon which Tenant ceases to occupy at least 33,647 rentable square feet within the Building.

32.3 Landlord, at Tenant's sole cost and expense, shall provide Tenant with Building standard lobby and suite signage.

ARTICLE 33.
HAZARDOUS SUBSTANCES

33.1 Except for Hazardous Material (as defined below) contained in products used by Tenant for ordinary cleaning and office purposes in quantities not violative of applicable Environmental Requirements, Tenant shall not permit or cause any party to bring any Hazardous Material upon the Premises and/or the Project or transport, store, use, generate, manufacture,

dispose, or release any Hazardous Material on or from the Premises and/or the Project without Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements (as defined below) and all requirements of this Lease. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture, or release of Hazardous Materials on the Premises, and Tenant shall promptly deliver to Landlord a copy of any notice of violation relating to the Premises or the Project of any Environmental Requirement.

33.2 The term "Environmental Requirements" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, permits, authorizations, orders, policies or other similar requirements of any governmental authority, agency or court regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; the Clean Air Act; the Clean Water Act; the Toxic Substances Control Act and all state and local counterparts thereto; all applicable California requirements, including, but not limited to, Sections 25115, 25117, 25122.7, 25140, 25249.8, 25281, 25316 and 25501 of the California Health and Safety Code and Title 22 of the California Code of Regulations, Division 4.5, Chapter 11, and any policies or rules promulgated thereunder as well as any County or City ordinances that may operate independent of, or in conjunction with, the State programs, and any common or civil law obligations including, without limitation, nuisance or trespass, and any other requirements of Article 3 of this Lease. The term "Hazardous Materials" means and includes any substance, material, waste, pollutant, or contaminant that is or could be regulated under any Environmental Requirement or that may adversely affect human health or the environment, including, without limitation, any solid or hazardous waste, hazardous substance, asbestos, petroleum (including crude oil or any fraction thereof, natural gas, synthetic gas, polychlorinated biphenyls (PCBs), and radioactive material). For purposes of Environmental Requirements, to the extent authorized by law, Tenant is and shall be deemed to be the responsible party, including without limitation, the "owner" and "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

33.3 Tenant, at its sole cost and expense, shall remove all Hazardous Materials stored, disposed of or otherwise released by Tenant, its assignees, subtenants, agents, employees, contractors or invitees onto or from the Premises, in a manner and to a level satisfactory to Landlord in its reasonable discretion, but in no event to a level and in a manner less than that which complies with all Environmental Requirements and does not limit any future uses of the Premises or require the recording of any deed restriction or notice regarding the Premises. Tenant shall perform such work at any time during the Term of the Lease upon written request by Landlord or, in the absence of a specific request by Landlord, before Tenant's right to possession of the Premises terminates or expires. If Tenant fails to perform such work within the time period specified by Landlord or before Tenant's right to possession terminates or expires (whichever is earlier), Landlord may at its discretion, and without waiving any other remedy available under this Lease or at law or equity (including without limitation an action to compel Tenant to perform such work), perform such work at Tenant's cost. Tenant shall pay all costs

incurred by Landlord in performing such work within ten (10) days after Landlord's request therefor. Such work performed by Landlord is on behalf of Tenant and Tenant remains the owner, generator, operator, transporter, and/or arranger of the Hazardous Materials for purposes of Environmental Requirements. Tenant agrees not to enter into any agreement with any person, including without limitation any governmental authority, regarding the removal of Hazardous Materials that have been disposed of or otherwise released onto or from the Premises without the written approval of Landlord.

33.4 Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all losses (including, without limitation, diminution in value of the Premises or the Project and loss of rental income from the Project), claims, demands, actions, suits, damages (including, without limitation, punitive damages), expenses (including, without limitation, remediation, removal, repair, corrective action, or cleanup expenses), and costs (including, without limitation, actual attorneys' fees, consultant fees or expert fees and including, without limitation, removal or management of any asbestos brought into the Premises or disturbed in breach of the requirements of this Article 33 , regardless of whether such removal or management is required by law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials or any breach of the requirements under this Article 33 by Tenant, its agents, employees, contractors, subtenants, assignees or invitees, regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Article 33 shall survive any termination of this Lease.

33.5 Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Article 33 , or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant. Tenant shall promptly notify Landlord of any communication or report that Tenant makes to any governmental authority regarding any possible violation of Environmental Requirements or release or threat of release of any Hazardous Materials onto or from the Premises. Tenant shall, within five (5) days of receipt thereof, provide Landlord with a copy of any documents or correspondence received from any governmental agency or other party relating to a possible violation of Environmental Requirements or claim or liability associated with the release or threat of release of any Hazardous Materials onto or from the Premises. At any time that Landlord or its agents are on the Premises, Landlord and its agents shall use their reasonable efforts to minimize interference with the conduct of Tenant's business, and if requested by Tenant shall be accompanied by a representative of Tenant at all times that they are on the Premises; provided that Tenant's failure to make a Tenant representative available at the time of Landlord's entry into the Premises shall not limit Landlord's or Landlord's officers, agents, representatives' right to enter the Premises.

33.6 In addition to all other rights and remedies available to Landlord under this Lease or otherwise, Landlord may, in the event of a breach of the requirements of this

Article 33 that is not cured within thirty (30) days following notice of such breach by Landlord, require Tenant to provide financial assurance (such as insurance, escrow of funds or third party guarantee) in an amount and form satisfactory to Landlord. The requirements of this Article 33 are in addition to and not in lieu of any other provision in the Lease.

33.7 Landlord hereby informs Tenant, and Tenant hereby acknowledges, that the Premises and adjacent properties overlie a former solid waste landfill site commonly known as the Westport Landfill ("Former Landfill"). Landlord further informs Tenant, and Tenant hereby acknowledges, that (i) prior testing has detected the presence of low levels of certain volatile and semi-volatile organic compounds and other contaminants in the groundwater, in the leachate from the landfilled solid waste, and/or in certain surface waters of the Project, as more fully described in the California Regional Water Quality Control Board, San Francisco Bay Region's ("Regional Board") Order No. R2-2003-0074 (Updated Waste Discharge Requirements and Rescission of Order No. 94-181) ("Order"), (ii) methane gas is or may be generated by the landfilled solid waste (item "i" immediately preceding and this item "ii" are hereafter collectively referred to as the "Landfill Contamination"), and (iii) the Premises and the Former Landfill are subject to the Order. The Order is attached hereto as Exhibit H . As evidenced by their initials on said Exhibit H , Tenant acknowledges that Landlord has provided Tenant with copies of the Order, and Tenant acknowledges that Tenant and Tenant's experts (if any) have had ample opportunity to review the Order and that Tenant has satisfied itself as to the environmental conditions of the Property and the suitability of such conditions for Tenant's intended use of the Property. Additional environmental reports are available for Tenant's review at Landlord's offices. In the event the Regional Board determines that the majority of the Premises cannot be occupied for a period in excess of thirty (30) days due to the any Hazardous Materials conditions related to the Landfill Contamination, then, provided Tenant has not caused and/or contributed to the incident responsible for said occupancy restriction, Tenant may terminate this Lease provided Tenant gives Landlord written notice within five (5) days of Tenant's receipt of notice that the Premises cannot be occupied for the purpose referenced in this Lease of its election to so terminate the Lease in the event Tenant cannot occupy the majority of the Premises at the conclusion of the thirty (30) day period. In the event said notice is received by Landlord as required herein and the majority of the Premises cannot be occupied as referenced above, this Lease shall thereafter terminate on the date of termination referenced in said Tenant notice (which date shall not be less than thirty (30) days from the date the Premises are deemed un-occupiable). Tenant agrees to cooperate and provide Landlord and the Regional Board or their authorized representatives, upon presentation of credentials, during normal business hours, immediate entry upon the Premises to assess any and all aspects of the environmental condition of the Project and its use, including, but not limited to, conducting any environmental assessment or audit, taking samples of soil, groundwater or other water, air or building materials, the inspection of treatment equipment, monitoring equipment or monitoring methods, or sampling of any discharge governed by the Order.

ARTICLE 34.
COMPLIANCE WITH LAWS AND OTHER REGULATIONS

34.1 Tenant, at its sole cost and expense, shall promptly comply with all laws, statutes, ordinances, and governmental rules, regulations, or requirements now in force or which may hereafter become in force, of federal, state, county, and municipal authorities, including, but

not limited to, the Americans with Disabilities Act, with the requirements of any board of fire underwriters or other similar body now or hereafter constituted, and with any occupancy certificate issued pursuant to any law by any public officer or officers, which impose, any duty upon Landlord or Tenant, insofar as any thereof relate to or affect the condition, use, alteration, or occupancy of the Premises. Landlord's approval of Tenant's plans for any improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules, and regulations of governmental agencies or authorities, including, but not limited to, the Americans with Disabilities Act.

34.2 As an inducement to Landlord to enter into this Lease, Tenant hereby represents and warrants that: (i) Tenant is not, nor is it owned or controlled directly or indirectly by, any person, group, entity or nation named on any list issued by the Office of Foreign Assets Control of the United States Department of the Treasury pursuant to Executive Order 13224 or any similar list or any law, order, rule or regulation or any Executive Order of the President of the United States as a terrorist, "Specially Designated National and Blocked Person" or other banned or blocked person (any such person, group, entity or nation being hereinafter referred to as a "Prohibited Person"); (ii) Tenant is not (nor is it owned or controlled, directly or indirectly, by any person, group, entity or nation which is) acting directly or indirectly for or on behalf of any Prohibited Person; and (iii) neither Tenant (nor any person, group, entity or nation which owns or controls Tenant, directly or indirectly) has conducted or will conduct business or has engaged or will engage in any transaction or dealing with any Prohibited Person, including without limitation any assignment of this Lease or any subletting of all or any portion of the Premises or the making or receiving of any contribution of funds, goods or services to or for the benefit of a Prohibited Person. Tenant covenants and agrees (a) to comply with all requirements of law relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, (b) to immediately notify Landlord in writing if any of the representations, warranties or covenants set forth in this Section 34.2 are no longer true or have been breached or if Tenant has a reasonable basis to believe that they may no longer be true or have been breached, (c) not to use funds from any Prohibited Person to make any payment due to Landlord under the Lease and (d) at the request of Landlord, to provide such information as may be requested by Landlord to determine Tenant's compliance with the terms hereof. Any breach by Tenant of the foregoing representations and warranties shall be deemed an Event of Default by Tenant under this Lease and shall be covered by the indemnity provisions of Section 21.1 above. The representations and warranties contained in this subsection shall be continuing in nature and shall survive the expiration or earlier termination of this Lease.

34.3 Pursuant to California Civil Code Section 1938, Tenant is hereby notified that, as of the date hereof, the Property has not undergone an inspection by a "Certified Access Specialist." Tenant acknowledges that Landlord has made no representation regarding compliance of the Premises or the Building with accessibility standards.

ARTICLE 35.
SEVERABILITY

35.1 This Lease shall be construed in accordance with the laws of the State of California. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws effective during the Term, then it is the intention of the parties hereto that

the remainder of this Lease shall not be affected thereby. It is also the intention of both parties that in lieu of each clause or provision that is illegal, or unenforceable, there is added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and still be legal, valid, and enforceable.

ARTICLE 36.
NOTICES

36.1 Whenever in this Lease it shall be required or permitted that notice or demand be given or served by either party to this Lease to or on the other, such notice or demand shall be given or served in writing and delivered personally, or forwarded by certified or registered mail, postage prepaid, or recognized overnight courier, addressed to Landlord's address and Tenant's address, as applicable, as specified in the Basic Lease Information. Either party may change its address for notice from time to time by serving written notice of the new address as provided in this Article 36 .

36.2 Notice hereunder shall become effective upon (a) delivery in case of personal delivery and (b) receipt or refusal in case of certified or registered mail or delivery by overnight courier.

ARTICLE 37.
OBLIGATIONS OF, SUCCESSORS, PLURALITY, GENDER

37.1 Landlord and Tenant agree that all the provisions hereof are to be construed as covenants and agreements as though the words imparting such covenants were used in each paragraph hereof, and that, except as restricted by the provisions hereof, shall bind and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors, and assigns. If the rights of Tenant hereunder are owned by two or more parties, or two or more parties are designated herein as Tenant, then all such parties shall be jointly and severally liable for the obligations of Tenant hereunder. Whenever the singular or plural number, masculine or feminine or neuter gender is used herein, it shall equally include the other.

ARTICLE 38.
ENTIRE AGREEMENT

38.1 This Lease and any attached addenda or exhibits constitute the entire agreement between Landlord and Tenant. No prior or contemporaneous written or oral leases or representations shall be binding. This Lease shall not be amended, changed, or extended except by written instrument signed by Landlord and Tenant.

38.2 THE SUBMISSION OF THIS LEASE BY LANDLORD, ITS AGENT OR REPRESENTATIVE FOR EXAMINATION OR EXECUTION BY TENANT DOES NOT CONSTITUTE AN OPTION OR OFFER TO LEASE THE PREMISES UPON THE TERMS AND CONDITIONS CONTAINED HEREIN OR A RESERVATION OF THE PREMISES IN FAVOR OF TENANT, IT BEING INTENDED HEREBY THAT THIS LEASE SHALL ONLY BECOME EFFECTIVE UPON THE EXECUTION HEREOF BY LANDLORD AND DELIVERY OF A FULLY EXECUTED LEASE TO TENANT.

ARTICLE 39.
CAPTIONS

39.1 Paragraph captions are for Landlord's and Tenant's convenience only, and neither limit nor amplify the provisions of this Lease.

ARTICLE 40.
CHANGES

40.1 Should any mortgagee require a modification of this Lease, which modification will not bring about any increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event Tenant agrees that this Lease may be so modified and agrees to execute whatever documents which are reasonably required therefor and are in form and substance reasonably acceptable to Tenant, and to deliver the same to Landlord within ten (10) business days following a request therefor.

ARTICLE 41.
AUTHORITY

41.1 All rights and remedies of Landlord under this Lease, or those which may be provided by law, may be exercised by Landlord in its own name individually, or in its name by its agent, and all legal proceedings for the enforcement of any such rights or remedies, including distress for Rent, unlawful detainer, and any other legal or equitable proceedings may be commenced and prosecuted to final judgment and be executed by Landlord in its own name individually or in its name by its agent. Landlord and Tenant each represent to the other that each has full power and authority to execute this Lease and to make and perform the agreements herein contained, and Tenant expressly stipulates that any rights or remedies available to Landlord, either by the provisions of this Lease or otherwise, may be enforced by Landlord in its own name individually or in its name by its agent or principal.

ARTICLE 42.
BROKERAGE

42.1 Tenant represents and warrants to Landlord that it has dealt only with Tenant's Broker and Landlord's Broker, in negotiation of this Lease. Landlord shall make payment of the brokerage fee due the Landlord's Broker pursuant to and in accordance with a separate agreement between Landlord and Landlord's Broker. Landlord's Broker shall pay a portion of its commission to Tenant's Broker pursuant to a separate agreement between Landlord's Broker and Tenant's Broker. Except for amounts owing to Landlord's Broker and Tenant's Broker, each party hereby agrees to indemnify and hold the other party harmless of and from any and all damages, losses, costs, or expenses (including, without limitation, all attorneys' fees and disbursements) by reason of any claim of or liability to any other broker or other person claiming through the indemnifying party and arising out of or in connection with the negotiation, execution, and delivery of this Lease. Additionally, except as may be otherwise expressly agreed upon by Landlord in writing, Tenant acknowledges and agrees that Landlord and/or Landlord's agent shall have no obligation for payment of any brokerage fee or similar compensation to any

person with whom Tenant has dealt or may in the future deal with respect to leasing of any additional or expansion space in the Building or renewals or extensions of this Lease.

ARTICLE 43.
EXHIBITS

43.1 Exhibits A through I are attached hereto and incorporated herein for all purposes and are hereby acknowledged by both parties to this Lease.

ARTICLE 44.
APPURTENANCES

44.1 The Premises include the right of ingress and egress thereto and therefrom; however, Landlord reserves the right to make changes and alterations to the Building, fixtures and equipment thereof, in the street entrances, doors, halls, corridors, lobbies, passages, elevators, escalators, stairways, toilets and other parts thereof which Landlord may deem necessary or desirable; provided that Tenant at all times has a means of access to the Premises (subject to a temporary interruption due to Force Majeure Events or necessary maintenance that cannot reasonably be performed without such interruption of access). Neither this Lease nor any use by Tenant of the Building or any passage, door, tunnel, concourse, plaza or any other area connecting the garages or other buildings with the Building, shall give Tenant any right or easement of such use and the use thereof may, without notice to Tenant, be regulated or discontinued at any time and from time to time by Landlord without liability of any kind to Tenant and without affecting the obligations of Tenant under this Lease.

ARTICLE 45.
PREJUDGMENT REMEDY, REDEMPTION, COUNTERCLAIM, AND JURY

45.1 Tenant, for itself and for all persons claiming through or under it, hereby expressly waives any and all rights which are, or in the future may be, conferred upon Tenant by any present or future law to redeem the Premises, or to any new trial in any action for ejection under any provisions of law, after reentry thereupon, or upon any part thereof, by Landlord, or after any warrant to dispossess or judgment in ejection. If Landlord shall acquire possession of the Premises by summary proceedings, or in any other lawful manner without judicial proceedings, it shall be deemed a reentry within the meaning of that word as used in this Lease. In the event that Landlord commences any summary proceedings or action for nonpayment of Rent or other charges provided for in this Lease, Tenant shall not interpose any counterclaim of any nature or description in any such proceeding or action. Tenant and Landlord both waive a trial by jury of any or all issues arising in any action or proceeding between the parties hereto or their successors, under or connected with this Lease, or any of its provisions.

ARTICLE 46.
RECORDING

46.1 Tenant shall not record this Lease but will, at the request of Landlord, execute a memorandum or notice thereof in recordable form satisfactory to both Landlord and Tenant specifying the date of commencement and expiration of the Term of this Lease and other

information required by statute. Either Landlord or Tenant may then record said memorandum or notice of lease at the cost of the recording party.

ARTICLE 47.
MORTGAGEE PROTECTION

47.1 Tenant agrees to give any mortgagees and/or trust deed holders, by registered mail, a copy of any notice of default served upon Landlord, provided that prior to such notice Tenant has been notified, in writing of the address of such mortgagees and/or trust deed holders. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary to cure such default (including but not limited to commencement of foreclosure proceedings, if necessary to effect such cure) in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

ARTICLE 48.
OTHER LANDLORD CONSTRUCTION

48.1 Tenant acknowledges that portions of the Project may be under construction following Tenant's occupancy of the Premises, and that such construction may result in levels of noise, dust, odor, obstruction of access, etc. which are in excess of that present in a fully constructed project. Tenant hereby waives any and all rent offsets or claims of constructive eviction which may arise in connection with such construction. If any excavation or construction is made adjacent to, upon or within the Building, or any part thereof, Tenant shall afford to any and all persons causing or authorized to cause such excavation or construction license to enter upon the Premises for the purpose of doing such work as such persons shall deem necessary to preserve the Building or any portion thereof from injury or damage and to support the same by proper foundations, braces and supports, without any claim for damages or indemnity or abatement of Rent (subject to the express provisions of this Lease), or of a constructive or actual eviction of Tenant.

48.2 It is specifically understood and agreed that Landlord has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, the Building, or any part thereof and that no representations respecting the condition of the Premises or the Building have been made by Landlord to Tenant except as specifically set forth herein or in the Tenant Work Letter. However, Tenant hereby acknowledges that Landlord is currently renovating or may during the Lease Term renovate, improve, alter, or modify (collectively, the "Renovations") the Project. Tenant hereby agrees that such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility and shall not be liable to Tenant for any injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from the Renovations, or for any inconvenience or annoyance occasioned by such Renovations.

48.3 In exercising its rights under this Article 48 , Landlord shall make commercially reasonable efforts to minimize the disruption to Tenant's business operations during standard business hours.

ARTICLE 49.
PARKING

49.1 The use by Tenant, its employees and invitees, of the parking facilities of the Project shall be on the terms and conditions set forth in Exhibit E attached hereto and by this reference incorporated herein and shall be subject to such other agreement between Landlord and Tenant as may hereinafter be established and to such other rules and regulations as Landlord may establish. Tenant, its employees and invitees shall use the Parking Allocation. Tenant's use of the parking spaces shall be confined to the Project. If, in Landlord's reasonable business judgment, it becomes necessary, Landlord shall exercise due diligence to cause the creation of cross-parking easements and such other agreements as are necessary to permit Tenant, its employees and invitees to use parking spaces on properties and buildings which are separate legal parcels from the Project. Tenant acknowledges that other tenants of the Project and the tenants of the other buildings, their employees and invitees, may be given the right to park at the Project.

ARTICLE 50.
ELECTRICAL CAPACITY

Tenant covenants and agrees that at all times, its use of electric energy shall never exceed the capacity of the existing feeders to the Building or the risers of wiring installation. Any riser or risers to supply Tenant's electrical requirements upon written request of Tenant shall be installed by Landlord at the sole cost and expense of Tenant, if, in Landlord's sole judgment, the same are necessary and will not cause or create a dangerous or hazardous condition or entail excess or unreasonable alterations, repairs or expense or interfere with or disrupt other tenants or occupants. In addition to the installation of such riser or risers, Landlord will also, at the sole cost and expense of Tenant, install all other equipment proper and necessary in connection therewith subject to the aforesaid terms and conditions.

ARTICLE 51.
OPTION TO EXTEND LEASE

51.1 Extension Option . Tenant shall have the option to extend this Lease (the "Extension Option") for one additional term of five (5) years (the "Extension Period"), upon the terms and conditions hereinafter set forth:

(a) If the Extension Option is exercised, then the Base Rent per annum for such Extension Period (the "Option Rent") shall be an amount equal to the Fair Market Rental Value (as defined hereinafter) for the Premises as of the commencement of the Extension Option for such Extension Period.

(b) The Extension Option must be exercised by Tenant, if at all, only at the time and in the manner provided in this Section 51.1(b) .

(i) If Tenant wishes to exercise the Extension Option, Tenant must, on or before the date occurring twelve (12) months before the expiration of the initial Lease Term (but not before the date that is fifteen (15) months before the expiration of the Initial Lease Term), exercise the Extension Option by delivering written notice (the "Exercise Notice") to Landlord. If Tenant timely and properly exercises its Extension Option, the Lease Term shall be extended for the Extension Period upon all of the terms and conditions set forth in the Lease, as amended, except that the Base Rent for the Extension Period shall be as provided in Section 51.1(a) and Tenant shall have no further options to extend the Lease Term.

(ii) If Tenant fails to deliver a timely Exercise Notice, Tenant shall be considered to have elected not to exercise the Extension Option.

(c) It is understood and agreed that the Extension Option hereby granted is personal to Tenant and is not transferable except to a Permitted Transferee in connection with an assignment of Tenant's entire interest in this Lease. In the event of any assignment or subletting of the Premises or any part thereof (other than to a Permitted Transferee), the Extension Option shall automatically terminate and shall thereafter be null and void.

(d) Tenant's exercise of the Extension Option shall, if Landlord so elects in its absolute discretion, be ineffective in the event that (i) an Event of Default by Tenant remains uncured at the time of delivery of the Exercise Notice or at the commencement of the Extension Period, or (ii) Tenant shall have reduced the size of the Premises below 25,000 rentable square feet by agreement with Landlord or pursuant to an express right in this Lease.

51.2 Fair Market Rental Value . The provisions of this Section shall apply in any instance in which this Lease provides that the Fair Market Rental Value is to apply.

(a) "Fair Market Rental Value" means the annual amount per square foot that a willing tenant would pay and a willing landlord would accept in arm's length negotiations, without any additional inducements, for a lease of the applicable space on the applicable terms and conditions for the applicable period of time. Fair Market Rental Value shall be determined considering the most recent new direct leases (and market renewals and extensions, if applicable) in the Building and in Comparable Buildings owned or managed by Landlord in the Market Area. If there are no such direct leases that are recent, consideration shall be given to the most recent new direct leases (and market renewals and extensions, if applicable) in other Comparable Buildings in the Market Area.

(b) In determining the rental rate of comparable space, the parties shall include all escalations and take into consideration the following concessions:

(i) Rental abatement concessions, if any, being granted to tenants in connection with the comparable space;

(ii) Tenant improvements or allowances provided or to be provided for the comparable space, taking into account the value of the existing improvements in the Premises, based on the age, quality, and layout of the improvements.

(c) If in determining the Fair Market Rental Value the parties determine that the economic terms of leases of comparable space include a tenant improvement allowance, Landlord may, at Landlord's sole option, elect to do the following:

(i) Grant some or all of the value of the tenant improvement allowance as an allowance for the refurbishment of the Premises; and

(ii) Reduce the Base Rent component of the Fair Market Rental Value to be an effective rental rate that takes into consideration the total dollar value of that portion of the tenant improvement allowance that Landlord has elected not to grant to Tenant (in which case that portion of the tenant improvement allowance evidenced in the effective rental rate shall not be granted to Tenant).

51.3 Determination of Fair Market Rental Value . The determination of Fair Market Rental Value shall be as provided in this Section 51.3 .

(a) Negotiated Agreement . Landlord and Tenant shall diligently attempt in good faith to agree on the Fair Market Rental Value on or before the tenth (10th) day after Tenant's exercise of the Extension Option (the "Outside Agreement Date").

(b) Parties' Separate Determinations . If Landlord and Tenant fail to reach agreement on or before the Outside Agreement Date, Landlord and Tenant shall each make a separate determination of the Fair Market Rental Value and notify the other party of this determination within five (5) days after the Outside Agreement Date.

(i) Two Determinations . If each party makes a timely determination of the Fair Market Rental Value, those determinations shall be submitted to arbitration in accordance with subsection (c).

(ii) One Determination . If Landlord or Tenant fails to make a determination of the Fair Market Rental Value within the five (5) day period, that failure shall be conclusively considered to be that party's approval of the Fair Market Rental Value submitted within the five (5) day period by the other party.

(c) Arbitration . If both parties make timely individual determinations of the Fair Market Rental Value under subsection (b), the Fair Market Rental Value shall be determined by arbitration under this subsection (c).

(i) Scope of Arbitration . The determination of the arbitrators shall be limited to the sole issue of whether Landlord's or Tenant's submitted Fair Market Rental Value is the closest to the actual Fair Market Rental Value as determined by the arbitrators, taking into account the requirements of Section 51.2 .

(ii) Qualifications of Arbitrator(s) . The arbitrators must be licensed real estate brokers who have been active in the leasing of commercial multi-story properties in the Market Area over the five-year period ending on the date of their appointment as arbitrator (s).

(iii) Parties' Appointment of Arbitrators . Within fifteen (15) days after the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator and notify the other party of the arbitrator's name and business address.

(iv) Appointment of Third Arbitrator . If each party timely appoints an arbitrator, the two (2) arbitrators shall, within ten (10) days after the appointment of the second arbitrator, agree on and appoint a third arbitrator (who shall be qualified under the same criteria set forth above for qualification of the initial two (2) arbitrators) and provide notice to Landlord and Tenant of the arbitrator's name and business address.

(v) Arbitrators' Decision . Within thirty (30) days after the appointment of the third arbitrator, the three (3) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rental Value and shall notify Landlord and Tenant of their decision. The decision of the majority the three (3) arbitrators shall be binding on Landlord and Tenant.

(vi) If Only One Arbitrator is Appointed . If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of them shall reach a decision and notify Landlord and Tenant of that decision within thirty (30) days after the arbitrator's appointment. The arbitrator's decision shall be binding on Landlord and Tenant.

(vii) If Only Two Arbitrators Are Appointed . If each party appoints an arbitrator in a timely manner, but the two (2) arbitrators fail to agree on and appoint a third arbitrator within the required period, the arbitrators shall be dismissed without delay and the issue of Fair Market Rental Value shall be submitted to binding arbitration under the real estate arbitration rules of JAMS, subject to the provisions of this section.

(viii) If No Arbitrator Is Appointed . If Landlord and Tenant each fail to appoint an arbitrator in a timely manner, the matter to be decided shall be submitted without delay to binding arbitration under the real estate arbitration rules of JAMS subject the provisions of this Section 51.3(c) .

51.4 Cost of Arbitration . The cost of the arbitration shall be paid by the party whose submitted Fair Market Rental Value is not selected by the arbitrators.

ARTICLE 52.
TELECOMMUNICATIONS LINES AND EQUIPMENT

52.1 Location of Tenant's Equipment and Landlord Consent:

52.1.1 Tenant may install, maintain, replace, remove and use communications or computer wires, cables and related devices (collectively, the "Lines") at the Building in or serving the Premises only with Landlord's prior written consent, which consent may not be unreasonably withheld, conditioned or delayed. Tenant shall locate all electronic telecommunications equipment within the Premises and shall coordinate the location of all Lines with Landlord. Any request for consent shall contain such information as Landlord may request.

52.1.2 Landlord's approval of, or requirements concerning, the Lines or any equipment related thereto, the plans, specifications or designs related thereto, the contractor or subcontractor, or the work performed hereunder, shall not be deemed a warranty as to the adequacy or appropriateness thereof, and Landlord hereby disclaims any responsibility or liability for the same.

52.1.3 If Landlord consents to Tenant's proposal, Tenant shall pay all of Tenant's and Landlord's third party costs in connection therewith (including without limitation all costs related to new Lines) and shall use, maintain and operate the Lines and related equipment in accordance with and subject to all laws governing the Lines and equipment and at Tenant's sole risk and expense. Tenant shall comply with all of the requirements of this Lease concerning alterations in connection with installing the Lines. As soon as the work is completed, Tenant shall submit as-built drawings to Landlord.

52.1.4 Landlord reserves the right to require that Tenant remove any Lines located in or serving the Premises which are installed in violation of these provisions, or which are at any time in violation of any laws or present a dangerous or potentially dangerous condition (whether such Lines were installed by Tenant or any other party), within three (3) days after written notice.

52.2 Reallocation of Line Space . Landlord may (but shall not have the obligation to) (a) install and relocate Lines at the Building; and (b) monitor and control the installation, maintenance, replacement and removal of, the allocation and periodic re-allocation of available space (if any) for, and the allocation of excess capacity (if any) on, any Lines now or hereafter installed at the Building by Landlord, Tenant or any other party.

52.3 Line Problems . Except to the extent arising from the gross negligence or willful misconduct of Landlord or Landlord's contractors, agents or employees, Landlord shall have no liability for damages arising from, and Landlord does not warrant that the Tenant's use of any Lines will be free from the following (collectively called "Line Problems"): (a) any shortages, failures, variations, interruptions, disconnections, loss or damage caused by the installation, maintenance, or replacement, use or removal of Lines by or for other tenants or occupants in the Building, by any failure of the environmental conditions or the power supply for the Building to conform to any requirement of the Lines or any associated equipment, or any other problems associated with any Lines by any other cause; (b) any failure of any Lines to satisfy Tenant's requirements; or (c) any eavesdropping or wiretapping by unauthorized parties. Landlord in no event shall be liable for damages by reason of loss of profits, business interruption or other consequential damage arising from any Line Problems.

52.4 Electromagnetic Fields . If Tenant at any time uses any equipment that may create an electromagnetic field and/or radio frequency exceeding the normal insulation ratings of ordinary twisted pair riser cable or cause radiation higher than normal background radiation, Landlord reserves the right to require Tenant to appropriately insulate that equipment and the Lines therefor (including without limitation riser cables), and take such other remedial action at Tenant's sole cost and expense as Landlord may require in its sole discretion to prevent such excessive electromagnetic fields, radio frequency or radiation.

52.5 Removal of Electrical and Telecommunications Wires .

52.5.1 Within thirty (30) days after the expiration or sooner termination of the Lease, Landlord may elect by written notice to Tenant to:

(a) Retain any or all Lines installed by Tenant in the risers of the Building;

(b) Remove any or all such Lines and restore the Premises and risers to their condition existing prior to the installation of the Lines ("Wire Restoration Work"). Landlord shall perform such Wire Restoration Work at Tenant's sole cost and expense; or

(c) Require Tenant to perform the Wire Restoration Work at Tenant's sole cost and expense.

52.5.2 In the event Landlord elects to retain the Lines, Tenant covenants that Tenant shall have good right to surrender such Lines, free of all liens and encumbrances, and that all Lines shall be left in their then existing condition, properly labeled at each end and in each telecommunications/electrical closet and junction box, and in a condition that is not hazardous.

52.5.3 In the event Tenant fails or refuses to pay all costs of the Wire Restoration Work within ten (10) days of Tenant's receipt of Landlord's notice requesting Tenant's reimbursement for or payment of such costs, Landlord may apply all or any portion of Tenant's Security Deposit toward the payment of such unpaid costs relative to the Wire Restoration Work. The retention or application of such Security Deposit by Landlord pursuant to this clause does not constitute a limitation on or waiver of Landlord's right to seek further remedy under law or equity. The provisions of this clause shall survive the expiration or sooner termination of the Lease.

ARTICLE 53.
ERISA

53.1 It is understood that from time to time during the Lease Term, Landlord may be subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and as a result may be prohibited by law from engaging in certain transactions. Tenant represents and warrants to the best of its knowledge after due inquiry that at the time this Lease is entered into and at any time thereafter when its terms are amended or modified, neither Tenant nor its affiliates (within the meaning of part VI(c) of Department of Labor Prohibited Transaction Class Exemption 84-14 ("PTE 84-14", as amended), has or will have the authority to appoint or terminate The Prudential Insurance Company of America ("Prudential") as an investment manager to any employee benefit plan then holding a ten percent (10%) or greater interest in the Prudential separate account PRISA II, nor the authority to negotiate the terms of any management agreement between Prudential and any such employee pension benefit plan for its investment in PRISA II. Further, Tenant is not "related" to Prudential within the meaning of part VI (h) of PTE 84-14.

ARTICLE 54.
LETTER OF CREDIT

54.1 Letter of Credit . Tenant agrees to provide, at Tenant's sole cost and expense, a Letter of Credit (as defined below) in the Required Amount (as defined below) as additional security for the faithful performance and observance by Tenant of all of the provisions of this Lease, on the terms and conditions set forth below. The use, application or retention of the Letter of Credit, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by law, it being intended that Landlord shall not first be required to proceed against the Letter of Credit and the Letter of Credit shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. As used herein the term "Required Amount" initially means $605,651.40. In the event that Tenant does not receive full approval from the U.S. Food and Drug Administration for the Senza ® Spinal Cord Stimulation System ("FDA Approval") by December 31, 2015, then the Required Amount shall be increased to $1,211,302.80. Tenant's failure to replace the Letter of Credit then being held by Landlord with a new Letter of Credit in the new Required Amount or amend the then-existing Letter of Credit to that new Required Amount by January 15, 2016, shall constitute an Event of Default without the right to any notice or cure period. Subject to the remaining terms of this Article 54 , and provided the Reduction Conditions (as defined below) have been satisfied at the particular reduction effective date, Tenant shall have the right to reduce the Required Amount so that the new Required Amount shall be $605,651.40 effective at any time after December 31, 2015. If Tenant is entitled to a reduction in the Required Amount, Tenant shall provide Landlord with written notice requesting that the Required Amount be reduced as provided above (the "Reduction Notice"). If Tenant provides Landlord with a Reduction Notice, and Tenant is entitled to reduce the Required Amount as provided herein, the reduction shall be effectuated by Tenant replacing the Letter of Credit then being held by Landlord with a new Letter of Credit in the new Required Amount or amending the then-existing Letter of Credit to that new Required Amount. The term "Reduction Conditions" means the following conditions:

(1) Tenant has received FDA Approval after December 31, 2015.

(2) No Event of Default shall have occurred and be continuing under this Lease.

54.2 Delivery of Letter of Credit . (a) Tenant shall cause a Letter of Credit, in the amount of the Required Amount to be issued by the L/C Bank (as defined below) in favor of Landlord, and its successors, assigns and transferees; (b) Tenant will cause the Letter of Credit to remain in full force and effect during the entire Lease Term and thereafter until sixty (60) days after expiration or earlier termination of the Lease; and (c) the initial Letter of Credit will be delivered to Landlord upon the execution and delivery of this Lease by Tenant. So long as no Event of Default then exists, Landlord shall return the Letter of Credit to Tenant within sixty (60) days after the Expiration Date. The specific requirements for the Letter of Credit and the rights of Landlord to make draws thereon will be as set forth in this Article 54 . All of Tenant's rights and all of Landlord's obligations under this Lease are strictly contingent on Tenant's

delivering and thereafter causing the Letter of Credit to remain in full force and effect during the entire Lease Term.

54.3 Draws on the Letter of Credit . Immediately upon, and at any time or from time to time after, the occurrence of any one or more Draw Events (as defined below), Landlord will have the unconditional right to draw on the Letter of Credit in accordance with this Article 54 . Upon the payment to Landlord of the Draw Proceeds, Landlord will hold the Draw Proceeds in its own name and for its own account, without liability for interest, to use and apply any and all of the Draw Proceeds only (a) to cure any Event of Default by Tenant; (b) to pay any other sum to which Landlord becomes obligated by reason of Tenant's Event of Default under this Lease; or (c) to compensate Landlord for any monetary loss or damage which Landlord suffers thereby arising from Tenant's Event of Default under this Lease. In addition, if the Draw Event is the failure of Tenant to renew the Letter of Credit as required hereunder, then Landlord shall be entitled to draw the entire Letter of Credit as a cash security deposit, held as a pledge under the California Uniform Commercial Code to secure Tenant's obligations under this Lease. Among other things, it is expressly understood that the Draw Proceeds will not be considered an advance payment of Base Rent or Additional Rent or a measure of Landlord's damages resulting from any Event of Default hereunder (past, present or future). Further, immediately upon the occurrence and during the continuance of any one or more Draw Events, Landlord may, from time to time and without prejudice to any other remedy, use the Draw Proceeds (whether from a contemporaneous or prior draw on the Letter of Credit) to the extent necessary to make good any arrearages of Base Rent or Additional Rent, to pay to Landlord any and all amounts to which Landlord is entitled in connection with the pursuit of any one or more of its remedies hereunder, and to compensate Landlord for any and all other damage, injury, expense or liability caused to Landlord by any and all such Events of Default. Any delays in Landlord's draw on the Letter of Credit or in Landlord's use of the Draw Proceeds as provided in this Article 54 will not constitute a waiver by Landlord of any of its rights hereunder with respect to the Letter of Credit or the Draw Proceeds. Following any such application of the Draw Proceeds, Tenant will either pay to Landlord on demand the cash amount so applied in order to restore the Draw Proceeds to the full amount thereof immediately prior to such application or cause the Letter of Credit to be replenished to its full amount thereunder. Failure to either pay that cash amount or cause the Letter of Credit to be replenished to its full amount thereunder within three (3) days after that application of the Draw Proceeds shall constitute an Event of Default without the right to any notice or cure period. Landlord will not be liable for any indirect, consequential, special or punitive damages incurred by Tenant arising from a claim that Landlord violated the bankruptcy code's automatic stay in connection with any draw by Landlord of any Draw Proceeds, Landlord's liability (if any) under such circumstances being limited to the reimbursement of direct costs as and to the extent expressly provided in this Section 54.3 . Nothing in this Lease or in the Letter of Credit will confer upon Tenant any property rights or interests in any Draw Proceeds; provided, however, that upon the expiration or earlier termination of this Lease, and so long as there then exist no Draw Events or Events of Default hereunder, Landlord agrees to return of any remaining unapplied balance of the Draw Proceeds then held by Landlord to Tenant, and the Letter of Credit itself (if and to the extent not previously drawn in full) to the L/C Bank. Landlord may draw on the Letter of Credit and/or apply any Security Deposit in any order.

54.4 Applicable Definitions.

"Draw Event" means each of the following events:

(1) the occurrence of any one or more of the following which shall have also been preceded, simultaneously accompanied, or succeeded by an Event of Default under this Lease regardless of the absence of any notice of default which might otherwise be required with respect to an Event of Default if the giving of notice to Tenant about such breach by Tenant is stayed or barred due to one of the following events: (i) Tenant's filing of a petition under any chapter of the Bankruptcy Code, or under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted, or Tenant's making a general assignment or general arrangement for the benefit of creditors, (ii) the filing of an involuntary petition under any chapter of the Bankruptcy Code, or under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted, or the filing of a petition for adjudication of bankruptcy or for reorganization or rearrangement, by or against Tenant and such filing not being dismissed within sixty (60) days, (iii) the entry of an order for relief under any chapter of the Bankruptcy Code, or under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted, (iv) the appointment of a "custodian," as such term is defined in the Bankruptcy Code (or of an equivalent thereto under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted), for Tenant, or the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession not being restored to Tenant within sixty (60) days, or (v) the subjection of all or substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease to attachment, execution or other judicial seizure and such subjection not being discharged within ninety (90) days;

(2) the failure of Tenant, not less than thirty (30) days prior to the stated expiration date of the Letter of Credit then in effect, to cause an extension, renewal or replacement issuance of the Letter of Credit, to be effected, which extension, renewal or replacement issuance will be made by an L/C Bank, will otherwise meet all of the requirements of the initial Letter of Credit hereunder, which failure will be an Event of Default under this Lease;

(3) the failure of Tenant to make when due any payment of Base Rent, of any monthly installment of any Additional Rent, or pay any other monetary obligation within five (5) days after the amount is due; provided that in the event Tenant is entitled to a notice prior to the occurrence of an Event of Default for non-payment of Base Rent pursuant to Section 22.1(a) , this Draw Event shall not be deemed to have occurred until expiration of five (5) days after that notice (or, if Landlord is prevented from giving notice by application of the bankruptcy code's automatic stay, any failure of Tenant to make when due any payment of Base Rent, of any monthly installment of any Additional Rent, or to pay any other monetary obligation within five (5) days after the amount is due).

(4) the payment by Landlord of any sum to cure a failure by Tenant to comply with any non-monetary obligation hereunder which Tenant has not cured within thirty (30) days after notice thereof by Landlord (or, if Landlord is prevented from giving notice by application of the bankruptcy code's automatic stay, the payment of Landlord of any sum to cure a failure by Tenant to comply with any non-monetary obligation hereunder that Tenant has not cured within thirty (30) days from the date of the breach).

"Draw Proceeds" means the proceeds of any draw or draws made by Landlord under the Letter of Credit, together with any and all interest accruing thereon.

"L/C Bank" means any United States bank which is approved by Landlord in Landlord's sole discretion. Landlord hereby approves Bank of America, N.A., as the L/C Bank for the initial Letter of Credit.

54.4.2 "Letter of Credit" means that certain one-year irrevocable letter of credit, in the Required Amount, issued by the L/C Bank, as required under Section 54.2 and, if applicable, as extended, renewed, replaced or modified from time to time in accordance with this Lease, which letter of credit will be transferable and in substantially the same form as attached Exhibit I.

54.5 Transfer of Letter of Credit . The Letter of Credit shall not be mortgaged, assigned or encumbered in any manner whatsoever by Tenant. Tenant acknowledges that Landlord has the right to transfer or mortgage its interest in the Premises and the Building and in this Lease and Tenant agrees that in the event of any such transfer or mortgage, Landlord shall have the right to transfer or assign the Letter of Credit and/or the Draw Proceeds to the transferee or mortgagee, and in such event, Tenant shall look solely to such transferee or mortgagee for return of the Letter of Credit and/or the Draw Proceeds so transferred. Tenant shall pay all fees and charges of the L/C Bank with respect to any transfer of the Letter of Credit. Tenant shall, within ten (10) business days of written request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm Landlord's transfer or assignment of the Letter of Credit and/or the Draw Proceeds to such transferee or mortgagee.

54.6 Letter of Credit is Not Security Deposit . Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit, any renewal thereof or substitute therefor or the proceeds thereof be (i) deemed to be or treated as a "security deposit" within the meaning of California Civil Code Section 1950.7, (ii) subject to the terms of such Section 1950.7, or (iii) intended to serve as a "security deposit" within the meaning of such Section 1950.7. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and such Section 1950.7 and any and all other laws, rules and regulations applicable to security deposits in the commercial context ("Security Deposit Laws") shall have no applicability or relevancy thereto and (B) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws. Notwithstanding the foregoing, to the extent California Civil Code 1950.7 in any way: (a) is determined to be applicable to this Lease or the Letter of Credit (or any proceeds thereof); or (b) controls Landlord's rights to draw on the Letter of Credit or apply the proceeds of the

Letter of Credit to any amounts due under this Lease or any damages Landlord may suffer following termination of this Lease, then Tenant fully and irrevocably waives the benefits and protections of Section 1950.7 of the California Civil Code, it being agreed that Landlord may recover from the Letter of Credit (or its proceeds) all of Landlord's damages under this Lease and California law including, but not limited to, any damages accruing upon the termination of this Lease in accordance with this Lease and Section 1951.2 of the California Civil Code.

54.7 Substitute Letter of Credit . In the event the L/C Bank is declared insolvent by the FDIC or is closed for any reason, Tenant shall immediately provide a substitute Letter of Credit meeting the requirements of this Article 54 from another United States bank which is approved by Landlord in Landlord's sole discretion.

IN WITNESS WHEREOF, Landlord and Tenant, acting herein through duly authorized individuals, have caused these presents to be executed as of the date first above written.

TENANT:

NEVRO CORP., a Delaware corporation

By: /s/ Andrew Galligan
Andrew Galligan CFO
[Printed Name and Title]

If Tenant is a corporation, this instrument must be executed by the chairman of the board, the president or any vice president and the secretary, any assistant secretary, the chief financial officer or any assistant financial officer or any assistant treasurer of such corporation, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which case the bylaws or a certified copy of the resolution, as the case may be, must be attached to this instrument.

Tenant's NAICS Code: _____

LANDLORD:

WESTPORT OFFICE PARK, LLC,
a California limited liability company

By: THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation, acting solely on behalf of and for the benefit of, and with its liability limited to the assets of, its insurance company separate account, PRISA II, its member

By: /s/ Jeffrey D. Mills
Jeffrey D. Mills
Vice President
[Printed Name and Title]

EXHIBIT A

The Project

(See attached)

Exhibit A

Exhibit A

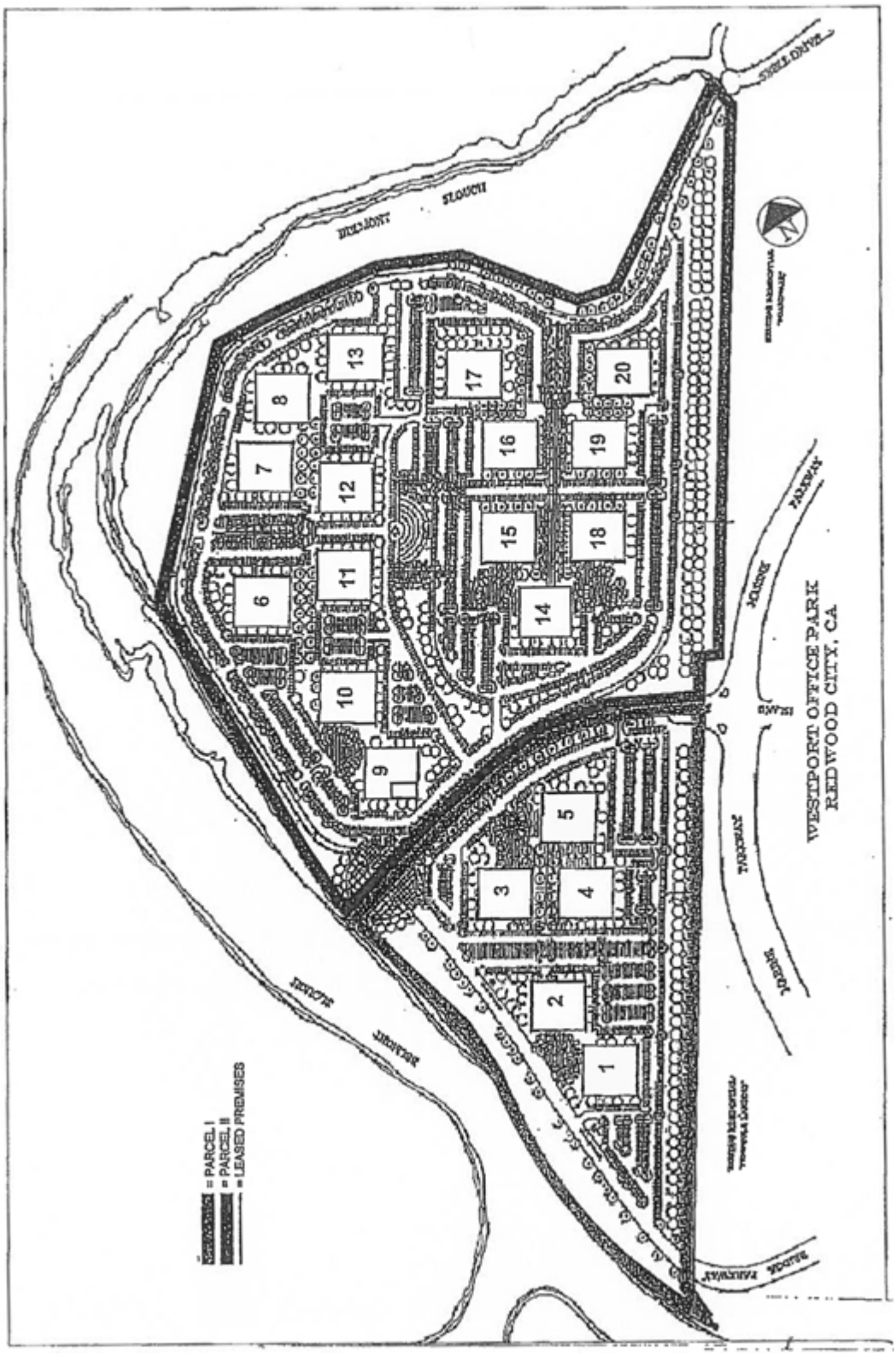
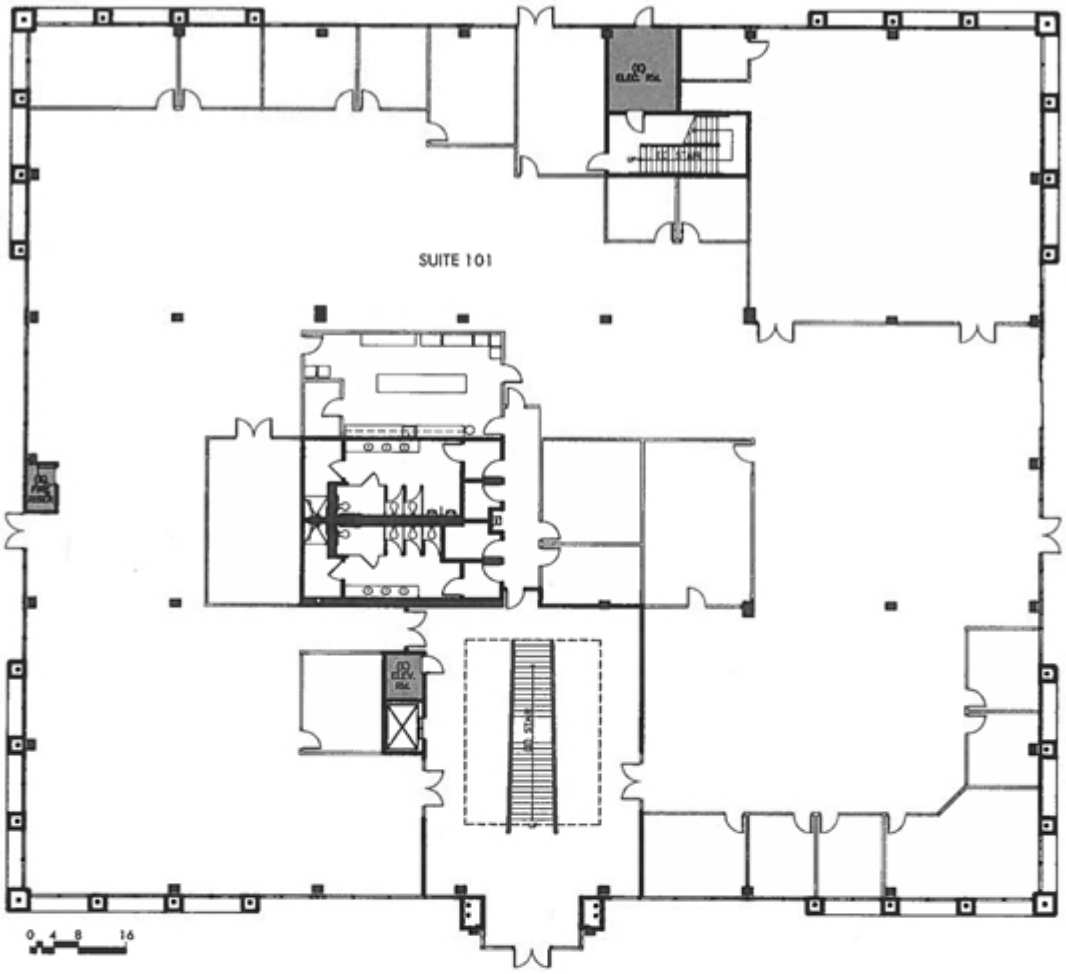

WESTPORT OFFICE PARK
REDWOOD CITY, CA
= PARCEL I
= PARCEL II
= LEASED PREMISES

EXHIBIT B

PREMISES

(See Attached)

Exhibit B



1 EXISTING FLOOR PLAN - SUITE 101
NTS

GRAPHIC LEGEND

- EXISTING CORE, SHELL & DEMISING WALLS
- EXISTING INTERIOR PARTITIONS
- COMMON AREA

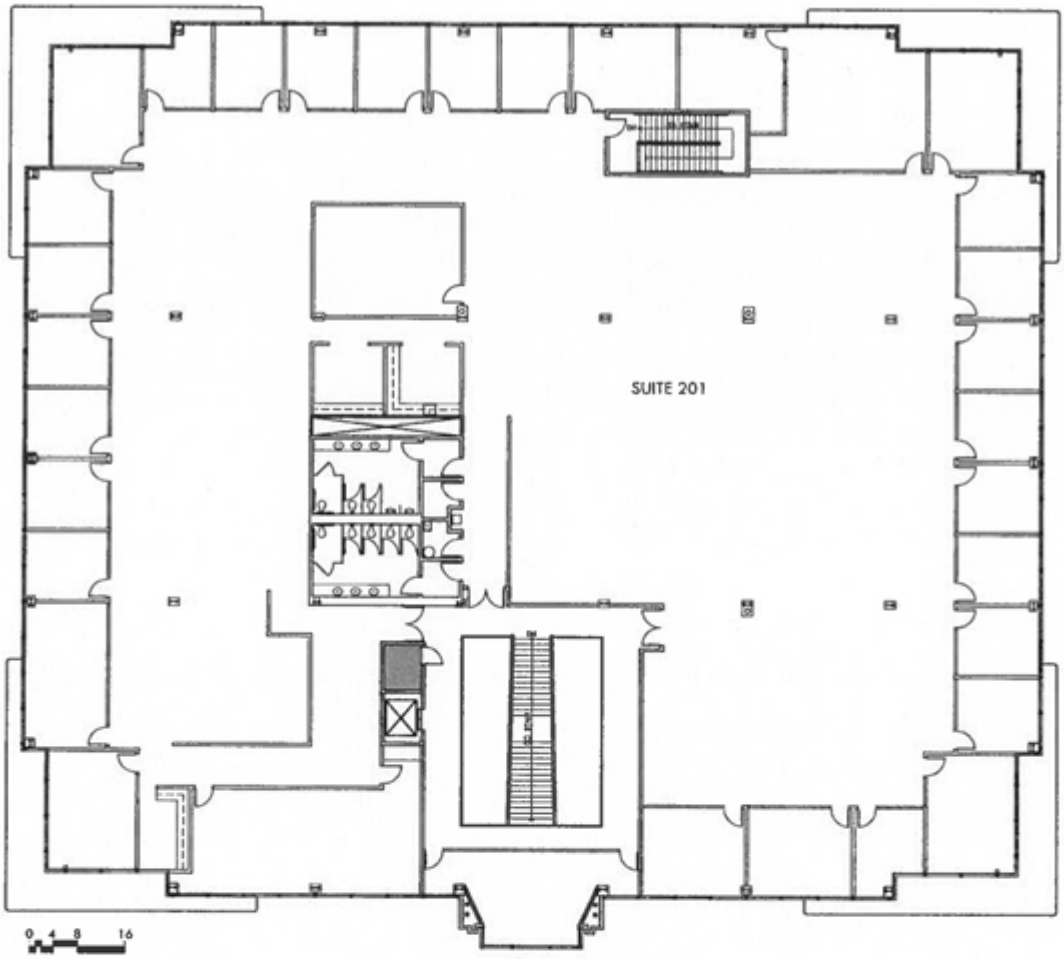
NORTH

Weske Kerr design group
311 california st, suite 310 san francisco, ca 94104
phone +1.5.227.6100 fax +1.2.863.2099

BAYSHORE TECHNOLOGY PARK
1800 BRIDGE PARKWAY
FIRST FLOOR
REDWOOD CITY, CA

PROJECT #: 08523.01
ISSUE DATE: 02.11.15

HARVEST PROPERTIES



1 EXISTING FLOOR PLAN - SUITE 201
NTS

GRAPHIC LEGEND

- EXISTING CORE, SHELL & DEMISING WALLS
- EXISTING INTERIOR PARTITIONS
- COMMON AREA

NORTH

Weako Kerr design group

BAYSHORE TECHNOLOGY PARK
1800 BRIDGE PARKWAY
SECOND FLOOR
REDWOOD CITY, CA

PROJECT #: 08523.01
ISSUE DATE: 02.11.15

HARVEST PROPERTIES

EXHIBIT C

WORK LETTER

TENANT WORK LETTER

This Tenant Work Letter ("Tenant Work Letter") sets forth the terms and conditions relating to the construction of improvements for the Premises. All references in this Tenant Work Letter to "the Lease" shall mean the relevant portions of the Lease to which this Tenant Work Letter is attached as Exhibit C .

Section 1

BASE, SHELL AND CORE

Landlord has previously constructed the base, shell, and core (i) of the Premises and (ii) of the floor(s) of the Building on which the Premises are located (collectively, the "Base, Shell, and Core"), and Tenant shall accept the Base, Shell and Core in its current "As-Is" condition existing as of the date of the Lease and the Commencement Date. Landlord shall install in the Premises certain "Tenant Improvements" (as defined below) pursuant to the provisions of this Tenant Work Letter. Except for the Tenant Improvement work described in this Tenant Work Letter and except for the Tenant Improvement Allowance set forth below, Landlord shall not be obligated to make or pay for any alterations or improvements to the Premises, the Building or the Project.

Section 2

TENANT IMPROVEMENTS

2.1 Tenant Improvement Allowance . Tenant shall be entitled to a one-time tenant improvement allowance (the "Tenant Improvement Allowance") in the amount of up to, but not exceeding $45.00 per rentable square foot of the Premises (i.e. , up to $2,271,150.00, based on 50,470 rentable square feet in the Premises), for the costs relating to the design and construction of Tenant's improvements which are permanently affixed to the Premises (the "Tenant Improvements"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Tenant Improvement Allowance. Tenant shall not be entitled to receive any cash payment or credit against Rent or otherwise for any portion of the Tenant Improvement Allowance which is not used to pay for the Tenant Improvement Allowance Items (as such term is defined below). In no event shall the Tenant Improvement Allowance be used for purposes of constructing improvements in the Premises for purposes of offering space for sublease or for the benefit of a subtenant.

2.2 Disbursement of the Tenant Improvement Allowance . Except as otherwise set forth in this Tenant Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord, only for the following items and costs (collectively, the "Tenant Improvement Allowance Items"):

2.2.1 Payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter may be deducted from the Tenant Improvement Allowance to pay for such fees), and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant Work Letter (which may include any and all amounts incurred prior to the date hereof);

2.2.2 The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

2.2.3 The cost of construction of the Tenant Improvements, including, without limitation, contractors' fees and general conditions, testing and inspection costs, costs of utilities, trash removal, parking and hoists;

2.2.4 The cost of any changes in the Base, Shell and Core when such changes are required by the Construction Drawings (including if such changes are due to the fact that such work is prepared on an unoccupied basis), such cost to include all direct architectural and/or engineering fees and expenses incurred in connection therewith;

2.2.5 The cost of any changes to the Construction Drawings or Tenant Improvements required by any applicable laws;

2.2.6 Sales and use taxes and Title 24 fees;

2.2.7 "Landlord's Supervision Fee," as that term is defined in Section 4.3.2 of this Tenant Work Letter;

2.2.8 The costs and expenses associated with complying with all national, state and local codes, including California Energy Code, Title 24, including, without limitation, all costs associated with any lighting or HVAC retrofits required thereby; and

2.2.9 All other costs to be expended by Landlord in connection with the construction of the Tenant Improvements.

2.3 Specifications for Building Standard Components . Landlord has established specifications (the "Specifications") for the Building standard components to be used in the construction of the Tenant Improvements in the Premises, which Specifications have been received by Tenant. Unless otherwise agreed to by Landlord, the Tenant Improvements shall comply with the Specifications. Landlord may make changes to the Specifications from time to time.

Section 3

CONSTRUCTION DRAWINGS

3.1 Selection of Architect/Construction Drawings . Landlord shall retain an architect/space planner (the "Architect") to prepare the "Construction Drawings," as that term is

defined in this Section 3.1 . Landlord shall retain Landlord's engineering consultants (the "Engineers") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC, lifesafety, and sprinkler work in the Premises. The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "Construction Drawings." Notwithstanding that any Construction Drawings are reviewed by Landlord or prepared by its Architect, Engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's Architect, Engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings, and Tenant's waiver and indemnity set forth in Article 10 of the Lease shall specifically apply to the Construction Drawings.

3.2 Final Space Plan . Within three (3) days of the full execution and delivery of the Lease by Landlord and Tenant, Tenant shall meet with Landlord's Architect and provide Landlord's Architect with information regarding the preliminary layout and designation of all proposed offices, rooms and other partitioning, and their intended use and equipment to be contained therein (the "Information"). Landlord and Architect shall, based on such Information (subject to changes reasonably required by Landlord), prepare the final space plan for Tenant Improvements in the Premises (collectively, the "Final Space Plan"), which Final Space Plan shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver the Final Space Plan to Tenant for Tenant's approval. Tenant shall approve or reasonably disapprove the Final Space Plan or any revisions thereto within three (3) business days after Landlord delivers the Final Space Plan or such revisions to Tenant; provided, however, that Tenant may only disapprove the Final Space Plan to the extent the same is not (subject to changes reasonably required by Landlord) in substantial conformance with the Information provided by Tenant to Architect ("Space Plan Design Problem"). Tenant's failure to disapprove the Final Space Plan for any Space Plan Design Problem or any revisions thereto by written notice to Landlord (which notice shall specify in detail the reasonable reasons for Tenant's disapproval pertaining to any Space Plan Design Problem) within said three (3) business day period shall be deemed to constitute Tenant's approval of the Final Space Plan or such revisions.

3.3 Final Working Drawings . Based on the Final Space Plan, Landlord shall cause the Architect and the Engineers to complete the architectural and engineering drawings for the Premises, and Architect shall compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "Final Working Drawings") and shall submit the same to Tenant for Tenant's approval. The Final Working Drawings shall incorporate modifications to the Final Space Plan as necessary to comply with the floor load and other structural and system requirements of the Building. To the extent that the finishes and specifications are not completely set forth in the Final Space Plan for any portion of the Tenant Improvements depicted thereon, the actual specifications and finish work shall be in accordance with the Specifications. Tenant shall approve or reasonably disapprove the Final Working Drawings or any revisions thereto within three (3) business days after Landlord delivers the Final Working Drawings or any revisions thereto to Tenant; provided, however, that Tenant may only disapprove the Final Working Drawings to the extent the same are not (subject to changes reasonably required by Landlord) in substantial conformance with the

Final Space Plan ("Working Drawing Design Problem"). Tenant's failure to reasonably disapprove the Final Working Drawings or any revisions thereto by written notice to Landlord (which notice shall specify in detail the reasonable reasons for Tenant's disapproval pertaining to any Working Drawing Design Problem) within said three (3) business day period shall be deemed to constitute Tenant's approval of the Final Working Drawings or such revisions.

3.4 Approved Working Drawings . The Final Working Drawings shall be approved or deemed approved by Tenant (the "Approved Working Drawings") prior to the commencement of the construction of the Tenant Improvements. Landlord shall cause the Architect to submit the Approved Working Drawing to the applicable local governmental agency for all applicable building permits necessary to allow "Contractor," as that term is defined in Section 4.1 of this Tenant Work Letter, to commence and fully complete the construction of the Tenant Improvements (the "Permits"). No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord not to be unreasonably withheld, conditioned or delayed beyond the applicable time periods in this Section 3 , provided that Landlord may withhold its consent, in its sole discretion, to any change in the Approved Working Drawings, if such change would directly or indirectly delay the Substantial Completion of the Premises.

3.5 Time Deadlines . Tenant shall use reasonable efforts to cooperate with Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process and to receive the Permits, and with Contractor, for approval of the "Cost Proposal," as that term is defined in Section 4.2 below as soon as possible after the execution of the Lease and, in this regard, to the extent Landlord considers such meeting(s) to be reasonably necessary, Tenant shall meet with Landlord on a weekly basis to discuss Tenant's progress in connection with the same.

3.6 Design Problem . Notwithstanding anything to the contrary in this Tenant Work Letter, Landlord shall be deemed to have acted reasonably in disapproving plans or designs if Landlord determines in good faith that the matter disapproved constitutes or would create a Design Problem (as defined below). As used herein, a "Design Problem" shall mean (i) adverse effect on the structural integrity of the Building; (ii) possible damage to the Building's systems; (iii) non-compliance with applicable codes; (iv) adverse effect on the exterior appearance of the Building; (v) creation of the potential for unusual expenses to be incurred upon the removal of the alteration or improvement and the restoration of the Premises upon termination of this Lease, unless Tenant agrees to pay for the incremental removal costs caused by the non-typical alterations; (vi) creation of the potential for unusual expenses to be incurred in connection with the maintenance by Landlord of the alteration or improvement, unless Tenant agrees to pay for the incremental maintenance costs caused by the non-typical alterations, (vii) a material effect any other tenant or occupant of the Building, (viii) creation of an obligation to make other alterations, additions or improvements to the Premises or Common Areas in order to comply with applicable laws (including, without limitation, the Americans with Disabilities Act) or (xix) adverse effect on the LEED rating of the Building.

Section 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 Contractor . A contractor, under the supervision of and mutually selected by Landlord and Tenant from a list of approved contractors provided by Landlord, shall construct the Tenant Improvements (the "Contractor").

4.2 Cost Proposal . After the Approved Working Drawings are signed by Landlord and Tenant, Landlord cause the Contractor to competitively bid the subcontracts with the major trades to at least three (3) subcontractors in each such major trade and based on that bidding process shall provide Tenant with a cost proposal in accordance with the Approved Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Tenant Improvement Allowance Items to be incurred by Tenant in connection with the construction of the Tenant Improvements (the "Cost Proposal"). Notwithstanding the foregoing, portions of the cost of the Tenant Improvements may be delivered to Tenant as such portions of the Tenant Improvements are priced by Contractor (on an individual item-by-item or trade-by-trade basis), even before the Approved Working Drawings are completed (the "Partial Cost Proposal"). Tenant shall approve and deliver the Cost Proposal to Landlord within five (5) business days of the receipt of the same (or, as to a Partial Cost Proposal, within two (2) business days of receipt of the same). The date by which Tenant must approve and deliver the Cost Proposal, or the last Partial Cost Proposal to Landlord, as the case may be, shall be known hereafter as the "Cost Proposal Delivery Date." The total of all Partial Cost Proposals, if any, shall be known as the Cost Proposal.

4.3 Construction of Tenant Improvements by Landlord's Contractor under the Supervision of Landlord.

4.3.1 Over-Allowance Amount . On the Cost Proposal Delivery Date, Tenant shall deliver to Landlord cash in an amount (the "Over-Allowance Amount") equal to the difference between (i) the amount of the Cost Proposal and (ii) the amount of the Tenant Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the Cost Proposal Delivery Date). The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any then remaining portion of the Tenant Improvement Allowance, and such disbursement shall be pursuant to the same procedure as the Tenant Improvement Allowance. In the event that, after the Cost Proposal Delivery Date, any revisions, changes, or substitutions shall be made to the Construction Drawings or the Tenant Improvements, any additional costs which arise in connection with such revisions, changes or substitutions shall be added to the Cost Proposal and shall be paid by Tenant to Landlord immediately upon Landlord's request to the extent such additional costs increase any existing Over-Allowance Amount or result in an Over-Allowance Amount. Following completion of the Tenant Improvements, Landlord shall deliver to Tenant a final cost statement which shall indicate the final costs of the Tenant Improvement Allowance Items, and if such cost statement indicates that Tenant has underpaid or overpaid the Over-Allowance Amount, then within ten (10) business days after receipt of such statement, Tenant shall deliver to Landlord the amount of such underpayment or Landlord shall return to Tenant the amount of such overpayment, as the case may be.

4.3.2 Landlord Supervision . After Landlord selects the Contractor, Landlord shall independently retain Contractor to construct the Tenant Improvements in accordance with the Approved Working Drawings and the Cost Proposal and Landlord shall supervise the construction by Contractor, and Tenant shall pay a construction supervision and management fee (the "Landlord's Supervision Fee") to Landlord in an amount equal to the product of (i) three percent (3%) and (ii) an amount equal to the Tenant Improvement Allowance plus the Over-Allowance Amount (as such Over-Allowance Amount may increase pursuant to the terms of this Tenant Work Letter).

4.3.3 Contractor's Warranties and Guaranties . Landlord hereby assigns to Tenant all warranties and guaranties by Contractor relating to the Tenant Improvements, which assignment shall be on a non-exclusive basis such that the warranties and guarantees may be enforced by Landlord and/or Tenant, and Tenant hereby waives all claims against Landlord relating to, or arising out of the construction of, the Tenant Improvements.

Section 5

SUBSTANTIAL COMPLETION;

LEASE COMMENCEMENT DATE

5.1 Substantial Completion . For purposes of the Lease, including for purposes of determining the Commencement Date "Substantial Completion" of the Premises shall occur upon the later of (a) completion of construction of the Tenant Improvements in the Premises pursuant to the Approved Working Drawings, with the exception of any punchlist items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant or under the supervision of Contractor and (b) Landlord's receipt of a final sign-off on the permits for the Tenant Improvements sufficient under customary practices in Redwood City, California, to allow legal occupancy of the Premises.

5.2 Tenant Delays . If there shall be a delay or there are delays in the Substantial Completion of the Premises (as a direct, indirect, partial, or total result of any of the following (collectively, "Tenant Delays"):

5.2.1 Tenant's failure to timely approve any matter requiring Tenant's approval, including a Partial Cost Proposal or the Cost Proposal and/or Tenant's failure to timely perform any other obligation or act required of Tenant hereunder;

5.2.2 a breach by Tenant of the terms of this Tenant Work Letter or the Lease;

5.2.3 Tenant's request for changes in the Construction Drawings;

5.2.4 Tenant's requirement for materials, components, finishes or improvements which are not available in a reasonable time (based upon the anticipated date of the Commencement Date) or which are different from, or not included in, the Specifications;

5.2.5 changes to the Base, Shell and Core required by the Approved Working Drawings;

5.2.6 any changes in the Construction Drawings and/or the Tenant Improvements required by (i) applicable laws if such changes are directly attributable to Tenant's use of the Premises or Tenant's specialized tenant improvement(s) (as reasonably determined by Landlord), and/or (ii) Landlord pursuant to Section 4.2 above; or

5.2.7 any other acts or omissions of Tenant, or its agents, or employees;

5.2.8 then, notwithstanding anything to the contrary set forth in the Lease and regardless of the actual date of the Substantial Completion of the Premises, the Commencement Date shall be deemed to be the date the Commencement Date would have occurred if no Tenant Delays, as set forth above, had occurred.

Section 6

MISCELLANEOUS

6.1 Tenant's Entry Into the Premises Prior to Substantial Completion . Subject to the terms hereof and provided that Tenant and its agents do not interfere with, or delay, Contractor's work in the Building and the Premises, at Landlord's reasonable discretion, Contractor shall allow Tenant access to the Premises three (3) weeks prior to the Substantial Completion of the Premises for the purpose of Tenant installing overstandard equipment or fixtures (including Tenant's data and telephone equipment) in the Premises and otherwise preparing the Premises for occupancy. Prior to Tenant's entry into the Premises as permitted by the terms of this Section 6.1 , Tenant shall submit a schedule to Landlord and Contractor, for their reasonable approval, which schedule shall detail the timing and purpose of Tenant's entry. In connection with any such entry, Tenant acknowledges and agrees that Tenant's employees, agents, contractors, consultants, workmen, mechanics, suppliers and invitees shall fully cooperate, work in harmony and not, in any manner, interfere with Landlord or Landlord's Contractor, agents or representatives in performing work in the Building and the Premises, or interfere with the general operation of the Building and/or the Project. If at any time any such person representing Tenant shall not be cooperative or shall otherwise cause or threaten to cause any such disharmony or interference, including, without limitation, labor disharmony, and Tenant fails to immediately institute and maintain corrective actions as directed by Landlord, then Landlord may revoke Tenant's entry rights upon twenty-four (24) hours' prior written notice to Tenant. Tenant acknowledges and agrees that any such entry into and occupancy of the Premises or any portion thereof by Tenant or any person or entity working for or on behalf of Tenant shall be deemed to be subject to all of the terms, covenants, conditions and provisions of the Lease, excluding only the covenant to pay Rent (until the occurrence of the Commencement Date). Tenant further acknowledges and agrees that Landlord shall not be liable for any injury, loss or damage which may occur to any of Tenant's work made in or about the Premises in connection with such entry or to any property placed therein prior to the Commencement Date, the same being at Tenant's sole risk and liability. Tenant shall be liable to Landlord for any damage to any portion of the Premises, including the Tenant Improvement work, caused by Tenant or any of Tenant's employees, agents, contractors, consultants, workmen, mechanics,

suppliers and invitees. In the event that the performance of Tenant's work in connection with such entry causes extra costs to be incurred by Landlord or requires the use of any Building services, Tenant shall promptly reimburse Landlord for such extra costs and/or shall pay Landlord for such Building services at Landlord's standard rates then in effect (the "Extra Charges"). In addition, Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the Building or Premises and against injury to any persons caused by Tenant's actions pursuant to this Section 6.1 . Tenant shall not be required to pay any Base Rent or Taxes or Operating Expenses (other than the Extra Charges) during prior to the Commencement Date.

6.2 Tenant's Representative . Tenant has designated Jeff Wilson as its sole representative with respect to the matters set forth in this Tenant Work Letter, who shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.3 Landlord's Representative . Landlord has designated Christine Scheerer as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.4 Time of the Essence in This Tenant Work Letter . Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. In all instances where Tenant is required to approve or deliver an item, if no written notice of approval is given or the item is not delivered within the stated time period, at Landlord's sole option, at the end of said period the item shall automatically be deemed approved or delivered by Tenant and the next succeeding time period shall commence.

6.5 Tenant's Lease Default . Notwithstanding any provision to the contrary contained in the Lease, if an Event of Default by Tenant under the Lease or any default by Tenant under this Tenant Work Letter has occurred at any time on or before the Substantial Completion of the Premises, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, at law and/or in equity, Landlord shall have the right to withhold payment of all or any portion of the Tenant Improvement Allowance and/or Landlord may cause Contractor to cease the construction of the Premises (in which case, Tenant shall be responsible for any delay in the Substantial Completion of the Premises caused by such work stoppage as set forth in Section 5.2 of this Tenant Work Letter), and (ii) all other obligations of Landlord under the terms of this Tenant Work Letter shall be forgiven until such time as such Event of Default is cured pursuant to the terms of the Lease (in which case, Tenant shall be responsible for any delay in the Substantial Completion of the Premises caused by such inaction by Landlord). In addition, if the Lease is terminated prior to the Commencement Date, for any reason due to an Event of Default by Tenant under the Lease or a default under this Tenant Work Letter, in addition to any other remedies available to Landlord under the Lease, at law and/or in equity, Tenant shall pay to Landlord, as Additional Rent under the Lease, within five (5) days of receipt of a statement therefor, any and all costs incurred by Landlord (including any portion of the Tenant Improvement Allowance disbursed by Landlord) and not reimbursed or otherwise paid by Tenant through the date of such termination in connection with the Tenant Improvements to the extent planned, installed and/or constructed as of such date of termination, including, but not limited to,

any costs related to the removal of all or any portion of the Tenant Improvements and restoration costs related thereto.

EXHIBIT D

RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations:

1. Except in connection with Tenant's work (if any) under Exhibit C, Tenant shall not alter any locks or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent (not to be unreasonably withheld, conditioned or delayed). Tenant shall bear the cost of any lock changes or repairs required by Tenant and Tenant shall promptly deliver any new keys to Landlord.

2. All doors opening to public corridors shall be kept closed at all times except for normal ingress and egress to the Premises. Tenant shall assume any and all responsibility for protecting the Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.

3. Tenant, its employees and agents must be sure that the entry doors to the Premises are securely closed and locked when leaving the Premises if it is after the normal hours of business of the Project. Tenant, its employees, agents or any other persons entering or leaving the Project at any time when it is so locked, or any time when it is considered to be after normal business hours for the Project, may be required to sign the Project register. Access to the Project may be refused unless the person seeking access has proper identification or has a previously received authorization for access to the Project. Landlord and its agents shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Project of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Project during the continuance thereof by any means it deems appropriate for the safety and protection of life and property.

4. Landlord reserves the right, in the event of an emergency in Landlord's reasonable discretion, to close or limit access to the Project and/or the Premises, from time to time, due to damage to the Project and/or the Premises, to ensure the safety of persons or property or due to government order or directive, and Tenant agrees to immediately comply with any such reasonable decision by Landlord. If Landlord closes or limits access to the Project and/or the Premises for the reasons described above, Landlord's actions shall not constitute a breach of the Lease.

5. Tenant shall not disturb, solicit, or canvass any occupant of the Project and shall cooperate with Landlord and its agents to prevent the same. Tenant, its employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, halls, stairways, elevators, or any Common Areas for the purposes of smoking tobacco products or for any other purpose, nor in any way obstruct such areas, and shall use them only as a means of ingress and egress for the Premises. Smoking shall not be permitted in the Common Areas.

6. The toilet rooms, urinals and wash bowls shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation

of this rule shall be borne by the tenants who, or whose employees or agents, shall have caused it.

7. Except for vending machines intended for the sole use of Tenant's employees and invitees, no vending machine or machines other than fractional horsepower office machines shall be installed, maintained or operated upon the Premises without the written consent of Landlord (not to be unreasonably withheld, conditioned, or delayed). All vendors or other persons visiting the Premises shall be subject to the reasonable control of Landlord. Tenant shall not permit its vendors or other persons visiting the Premises to solicit other tenants of the Project.

8. Tenant shall not use or keep in or on the Premises or the Project any kerosene, gasoline or other inflammable or combustible fluid or material, except as otherwise permitted in the Lease. Tenant shall not bring into or keep within the Premises or the Project any animals (other than service animals), birds or vehicles (other than passenger vehicles, forklifts or bicycles).

9. Tenant shall not use, keep or permit to be used or kept, any noxious gas or substance in or on the Premises or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Project by reason of noise, odors, or vibrations, or to otherwise unreasonably interfere with the use of the Project by other tenants.

10. No cooking shall be done or permitted on the Premises nor shall the Premises be used for the storage of merchandise, for loading or for any improper, objectionable or immoral purposes. Notwithstanding the foregoing, Underwriters' Laboratory approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate and similar beverages for employees and visitors of Tenant, provided that such use is in accordance with all applicable federal, state and city laws, codes, ordinances, rules and regulations; and provided further that such cooking does not result in odors escaping from the Premises.

11. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of these Rules and Regulations.

12. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash in the vicinity of the Project without violation of any law or ordinance governing such disposal. All trash, garbage and refuse disposal shall be made only through entry-ways and elevators provided for such purposes at such times as Landlord shall designate.

13. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

14. Tenant acknowledges that the local fire department has previously required Landlord to participate in a fire and emergency preparedness program or may require Landlord and/or Tenant to participate in such a program in the future. Tenant agrees to take all actions reasonably necessary to comply with the requirements of such a program including, but not

limited to, designating certain employees as “fire wardens” and requiring them to attend any necessary classes and meetings and to perform any required functions.

15. Tenant and its employees shall comply with all federal, state and local recycling and/or resource conservation laws and shall take all actions reasonably requested by Landlord in order to comply with such laws. Tenant shall comply with and participate in any program for metering or otherwise measuring the use of utilities and services, including, without limitation, programs requiring the disclosure or reporting of the use of any utilities or services. Tenant shall also cooperate and comply with, participate in, and assist in the implementation of (and take no action that is inconsistent with, or which would result in Landlord, the Building and/or the Project failing to comply with the requirements of) any conservation, sustainability, recycling, energy efficiency, and waste reduction programs, environmental protection efforts and/or other programs that are in place and/or implemented from time to time at the Building and/or the Project, including, without limitation, any required reporting, disclosure, rating or compliance system or program (including, but not limited to any LEED ([Leadership in Energy and Environmental Design] rating or compliance system, including those currently coordinated through the U.S. Green Building Council).

Landlord reserves the right at any time to reasonably change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable and nondiscriminatory Rules and Regulations as in Landlord’s judgment may from time to time be necessary for the management, safety, care and cleanliness of the Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Project. Landlord, however, shall apply such Rules and Regulations in a nondiscriminatory manner. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them.

To the extent these Rules and Regulations conflict with the provisions of the Lease, the provisions of the Lease shall control.

EXHIBIT E

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles, pickup trucks and sport utility vehicles. Tenant and its employees shall park automobiles within the lines of the parking spaces.

2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Landlord for such activities. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.

3. Parking stickers and parking cards, if any, shall be the property of Landlord and shall be returned to Landlord by the holder thereof upon termination of the holder's parking privileges. Landlord may require Tenant and each of its employees to give Landlord a commercially reasonable deposit when a parking card or other parking device is issued. Landlord shall not be obligated to return the deposit unless and until the parking card or other device is returned to Landlord. Tenant will pay such replacement charges as is reasonably established by Landlord for the loss of such devices. Loss or theft of parking identification stickers or devices from automobiles must be reported to the parking operator immediately. Any parking identification stickers reported lost or stolen found on any unauthorized car will be confiscated and the illegal holder will be subject to prosecution.

4. Unless otherwise instructed, every person using the parking area is required to park and, lock his own vehicle. Landlord will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.

5. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.

6. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws, and agreements. Parking area managers or attendants, if any, are not authorized to make or allow any exceptions to these Parking Rules and Regulations. Landlord reserves the right to terminate parking rights for any person or entity that willfully refuses to comply with these rules and regulations.

7. Every driver is required to park his or her own car. Tenant agrees that all responsibility for damage to cars or the theft of or from cars is assumed by the driver, and further agrees that Tenant will hold Landlord harmless for any such damages or theft.

8. No vehicles shall be parked in the parking areas overnight. The parking area shall only be used for daily parking and no vehicle or other property shall be stored in a parking space.

9. Any vehicle parked by Tenant, its employees, contractors or visitors in a reserved parking space or in any area of the parking area that is not designated for the parking of such a vehicle may, at Landlord's option, and without notice or demand, be towed away by any towing

company selected by Landlord, and the cost of such towing shall be paid for by Tenant and/or the driver of said vehicle.

Landlord reserves the right at any time to reasonably change or rescind any one or more of these Rules and Regulations, or to make such other and further reasonable and nondiscriminatory Rules and Regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Project, and for the preservation of good order therein, as well as for the convenience of other occupants and tenants therein. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from thereafter enforcing any such Rules or Regulations against any or all tenants of the Project. Landlord, however, shall apply such Rules and Regulations in a nondiscriminatory manner. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them.

EXHIBIT F

COMMENCEMENT DATE MEMORANDUM

With respect to that certain lease ("Lease") dated , 2015 between WESTPORT OFFICE PARK, LLC, a California limited liability company ("Landlord"), and NEVRO CORP., a Delaware corporation ("Tenant"), whereby Landlord leased to Tenant and Tenant leased from Landlord approximately rentable square feet of that certain office building located at , California ("Premises"), Tenant hereby acknowledges and certifies to Landlord as follows:

(1) Landlord delivered possession of the Premises to Tenant substantially complete on ;

(2) The Lease commenced on ("Commencement Date") and Tenant's obligation to pay Rent commenced on ("Rent Commencement Date");

(3) The Premises contain rentable square feet of space; and

(4) Tenant has accepted and is currently in possession of the Premises and the Premises are acceptable for Tenant's use.

(5) Tenant's Building Percentage is _____

(6) Base Rent Per Month is _____

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed this day of _____

"Tenant"

NEVRO CORP., a Delaware corporation

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT G

STANDARDS FOR UTILITIES AND SERVICES

The following Standards for Utilities and Services are in effect. Landlord reserves the right to adopt nondiscriminatory modifications and additions hereto:

As long as Tenant is not in default under any of the terms, covenants, conditions, provisions, or agreements of this Lease, Landlord shall:

(a) On Monday through Friday, except holidays, from 8 A.M. to 6 P.M. (and other times for a reasonable additional charge to be fixed by Landlord), ventilate the Premises and furnish air conditioning or heating on such days and hours, when in the judgment of Landlord it may be required for the comfortable occupancy of the Premises. The air conditioning system achieves maximum cooling when the window coverings are closed. Landlord shall not be responsible for room temperatures if Tenant does not keep all window coverings in the Premises closed whenever the system is in operation. Tenant agrees to cooperate fully at all times with Landlord, and to abide by all regulations and requirements which Landlord may prescribe for the proper function and protection of said air conditioning system. Tenant agrees not to connect any apparatus, device, conduit or pipe to the Building chilled and hot water air conditioning supply lines. Tenant further agrees that neither Tenant nor its servants, employees, agents, visitors, licensees or contractors shall at any time enter mechanical installations or facilities of the Building or adjust, tamper with, touch or otherwise in any manner affect said installations or facilities. The cost of maintenance and service calls to adjust and regulate the air conditioning system shall be charged to Tenant if the need for maintenance work results from either Tenant's adjustment of room thermostats or Tenant's failure to comply with its obligations under this section, including keeping window coverings closed as needed. Such work shall be charged at hourly rates equal to then current journeymen's wages for air conditioning mechanics.

(b) Landlord reserves the right to charge Tenant for the cost to Landlord of providing such after-hours heating and air-conditioning.

(c) Landlord shall furnish to the Premises, during the usual business hours on business days, electric current sufficient for normal office use. Tenant agrees, should its electrical installation or electrical consumption be in excess of the aforesaid quantity or extend beyond normal business hours, to reimburse Landlord monthly for the measured consumption at the average cost per kilowatt hour charged to the Building during the period. If a separate meter is not installed at Tenant's cost, such excess cost will be established by an estimate agreed upon by Landlord and Tenant, and if the parties fail to agree, as established by an independent licensed engineer. Said estimates to be reviewed and adjusted quarterly. Tenant agrees not to use any apparatus or device in, or upon, or about the Premises which may in any way increase the amount of such services usually furnished or supplied to said Premises, and Tenant further agrees not to connect any apparatus or device with wires, conduits or pipes, or other means by which such services are supplied, for the purpose of using additional or unusual amounts of such services without written consent of Landlord (not to be unreasonably withheld, conditioned or delayed). Should Tenant use the same to excess, the refusal on the part of Tenant to pay upon

demand of Landlord the amount established by Landlord for such excess charge shall constitute a breach of the obligation to pay Rent under this Lease and shall entitle Landlord to the rights therein granted for such breach. At all times Tenant's use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installation without the prior written consent of Landlord (not to be unreasonably withheld, delayed or conditioned). If Tenant is billed directly by a public utility with respect to Tenant's electrical usage at the Premises, upon request from time to time, Tenant shall provide monthly electrical utility usage for the Premises to Landlord for the period of time requested by Landlord (in electronic or paper format) or, at Landlord's option, provide any written authorization or other documentation required for Landlord to request information regarding Tenant's electricity usage with respect to the Premises directly from the applicable utility company.

(d) Water will be available in public areas for drinking and lavatory and break rooms and kitchenette purposes only, but if Tenant requires, uses or consumes water for any purposes in addition to ordinary drinking and lavatory purposes of which fact Tenant constitutes Landlord to be the sole judge, Landlord may install a water meter and thereby measure Tenant's water consumption for all purposes. Tenant shall pay Landlord for the cost of the meter and the cost of the installation thereof and throughout the duration of Tenant's occupancy Tenant shall keep said meter and installation equipment in good working order and repair at Tenant's own cost and expense, in default of which Landlord may cause such meter and equipment to be replaced or repaired and collect the cost thereof from Tenant. Tenant agrees to pay for water consumed, as shown on said meter, as and when bills are rendered, and on default in making such payment, Landlord may pay such charges and collect the same from Tenant. Any such costs or expenses incurred, or payments made by Landlord for any of the reasons or purposes hereinabove stated shall be deemed to be additional rent payable by Tenant and collectible by Landlord as such.

(e) Landlord reserves the right to stop service of the elevator, plumbing, ventilation, air conditioning and electric systems, when necessary, by reason of accident or emergency or for repairs, alterations or improvements, in the judgment of Landlord desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed, and shall further have no responsibility or liability for failure to supply elevator facilities, plumbing, ventilating, air conditioning or electric service, when prevented from so doing by strike or accident or by any cause beyond Landlord's reasonable control, or by laws, rules, orders, ordinances, directions, regulations or requirements of any federal, state, county or municipal authority or failure of gas, oil or other suitable fuel supply or inability by exercise of reasonable diligence to obtain gas, oil or other suitable fuel. It is expressly understood and agreed that any covenants on Landlord's part to furnish any service pursuant to any of the terms, covenants, conditions, provisions or agreements of this Lease, or to perform any act or thing for the benefit of Tenant, shall not be deemed breached if Landlord is unable to furnish or perform the same by virtue of a strike or labor trouble or any other cause whatsoever beyond Landlord's control.

EXHIBIT H

COPY OF ORDER

(See Attached.)

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
SAN FRANCISCO BAY REGION

ORDER NO. R2-2003-0074
UPDATED WASTE DISCHARGE REQUIREMENTS
AND RESCISSION OF ORDER NO. 94-181 FOR:

WESTPORT LANDFILL
JOHN ARRILLAGA SURVIVOR'S TRUST, THE PEERY PRIVATE INVESTMENT COMPANY, PEERY PUBLIC INVESTMENT COMPANY
REDWOOD CITY, SAN MATEO COUNTY

The California Regional Water Quality Control Board, San Francisco Bay Region, (hereinafter called the Board), finds that:

SITE OWNER AND LOCATION

1. The legal owners of the site are the John Arrillaga Survivor's Trust, The Peery Private Investment Company, and the Peery Public Investment Company and are hereinafter referred to as the Dischargers. The unlined landfill site, as shown in Figure 1, is located adjacent to Belmont Slough in Redwood City. A commercial business park including twenty (20) two-story buildings and associated site improvements has been constructed at the site (Figure 2).

PURPOSE OF ORDER UPDATE

2. The primary purposes of this Order are 1) to update the existing Waste Discharge Requirements (WDRs) to reflect recent site development and current facility conditions and 2) to assure compliance with the appropriate portions of Title 27 of the California Code Of Regulations (formerly known as Chapter 15, Title 23), referred to hereinafter as Title 27. The "appropriate portions" of Title 27 are hereby defined as the relevant sections pertaining to post-closure maintenance and water quality monitoring.

SITE DESCRIPTION

3. The site was tidal marshlands until approximately 1910, at which time the area was diked and portions used for pastureland and for a hog farm. The landfill area was used as a refuse disposal site from about 1948 to its closing in about 1970. Disposal in the southeastern portion of the site (referred to as the Panhandle area) reportedly ceased in about 1963, while disposal in the northeastern portion of the site (the Mound area) continued until about 1970.

4. The Westport Landfill is a closed 45-acre unlined site located approximately one-mile east of Highway 101, and is bordered by Belmont Slough to the north and west, and by existing residential developments and Marine World Parkway to the

east and south. The landfill covers the majority of two contiguous parcels that have been developed as a commercial business park called Westport Office Park.

5. The site currently includes a commercial business park with twenty (20) two-story office and research buildings totaling approximately 968,000 leasable square feet. The site (Figure 2) is currently covered by approximately 522,000 square feet of building footprints (14.2% of entire area), 1,522,100 square feet of asphalt and concrete pavement (41.4% of entire area), and 1,631,400 square feet of landscaped area (44.4% of entire area).

REGULATORY HISTORY

6. On July 20, 1976 Waste Discharge Requirements were adopted for the site in Board Order No. 76-77. In that Order Parkwood 101, Limited (the previous landfill owner), was required to place "a final cover of at least four-feet of compacted inert fill material" over the waste disposal areas. Board Order No. 76-77 was subsequently revised on October 18, 1977 by Order No. 77-134, wherein a revised time schedule was adopted for compliance with site closure specifications. Closure activities at the site included placement of additional cover material over the waste disposal areas and grading to eliminate ponding.

7. On December 14, 1994, the Board adopted Order No. 94-181, rescinding Order Nos. 76-77 and 77-134. Among other activities in response to the requirements of Order No. 94-181, and in conjunction with the reconstructed cap and site development, the lateral extent of refuse was determined using historical aerial photos taken throughout the operational period of the landfill and through organized trenching. Based on the results of these studies a perimeter cut-off wall was installed consisting of a vertical clay barrier with a minimum width of two-feet connecting the overlying low permeability cover layer with the underlying young Bay Mud, completing the containment envelope. The vertical extent of the refuse as depicted in various geotechnical studies was confirmed by a deep boring program and by pile driving observations.

LANDFILL HISTORY

8. Approximately 45 acres of the project site were used for landfill disposal of municipal solid waste and incinerator ash from about 1948 to about 1970. Approximately 650,000 cubic yards of fill material was disposed of at the site on the existing unlined Bay Mud. The waste material reportedly disposed at the site consists of non-hazardous material including: municipal solid waste, construction debris paper, glass, plastic, wood, rock fragments, and incinerator ashes.

9. The landfill can be divided into three areas. Refuse is present primarily in the southern and eastern portions of the site and forms two elevated areas, referred to as (1) the Mound (35 acres) in the eastern portion of the site, and (2) the Panhandle (an elongated area of 10 acres) along the southeastern property

boundary. The third area (40 acres), located between the refuse fill and the levees, is a low-lying area where unplanned sporadic refuse disposal occurred. Limited refuse disposal activities occurred outside the current property boundary as indicated by small pockets of discontinuous refuse identified during the installation of underground utilities and a perimeter leachate collection system. The site's surface soils are currently composed largely of fill that has been used to: establish a cap over the refuse fill area; to fill low-lying elevations; to construct building pads; to serve as a base for site paving; and, to provide topsoil for landscaped areas.

LANDFILL INVESTIGATIONS AND WORK

10. During the 1970's several possible real estate developments were proposed and various site investigations were performed. Until Westport Office Park, no proposed project continued beyond the preliminary stage. In conjunction with the planning and design of Westport Office Park, additional site investigations were performed and substantial information was developed and recorded.

11. Preliminary Soil and Groundwater Investigation- 1988 : In 1988, a preliminary soil and groundwater investigation was conducted by Kaldveer Associates. Kaldveer installed five monitoring wells in the western portion of the site to evaluate shallow groundwater quality adjacent to the refuse fill area.

12. SWAT- 1988 to 1989: In 1988 and 1989, Levine-Fricke conducted a Solid Waste Assessment Test (SWAT) to determine the landfill's potential to have adverse effects on water quality. Levine-Fricke installed seven shallow groundwater monitoring wells outside the primary refuse areas, seven monitoring wells within the primary refuse areas, and three deeper wells.

13. Addendum to SWAT- 1992 and 1993: Levine-Fricke conducted groundwater monitoring activities to complete the SWAT.

14. Removal and Replacement of Lead-Affected Soils and Landfill Materials- 1994: Levine-Fricke investigated and remediated lead-affected soil in three locations at the site. In order to complete the removal activities, two monitoring wells were abandoned. (P-1A and P-5)

15. On March 2, 1994, United Soil Engineering, Inc., (USE) conducted an investigation to determine the thickness of the landfill cover. A total of 77 borings were advanced to a depth of 6 feet. USE's investigation revealed that some portions of the landfill cover did not meet the four-foot cover requirement as specified in Order No. 76-77 and as revised by Order No. 77-134. USE's investigations revealed that an additional one to two feet of clay or low permeability soil was required to achieve the minimum required thickness for most of the landfill cover.

16. Provision C.10 of WDR Order No. 94-181 required the Dischargers to reconstruct those portions of the landfill cap that did not meet the requirements of Section 2581 of Article 8, Chapter 15 (e.g., a cap containing a minimum of two feet of foundation material, one foot low permeability layer with a hydraulic conductivity of less than or equal to 10^{-6} cm/sec, and a one foot layer for erosion protection). The Dischargers submitted a Cap Reconstruction Plan dated February 14, 1995. The Cap Reconstruction is now complete in conformance with the Cap Reconstruction Plan.

17. Deep Boring Program - 1995: Geomatrix performed a subsurface study to determine the physical characteristics of the soil by advancing 13 deep borings to approximately 140 feet BGS.

18. Additional Well Installation - 1996-1998 : Geomatrix installed four new monitoring wells to provide additional monitoring points for the landfill, as required by Board Order No. 94-181. (MW3-1R, MW3-2, MW-4, and P5-1)

19. Ammonia Investigation - 1998: Geomatrix conducted an assessment of ammonia in soil and groundwater in the vicinity of the former pig farm and found that these conditions may not be related to the landfill. Soil and grab groundwater samples were collected from 11 borings.

20. Acetone Investigation - 1999: Following the detection of acetone in a groundwater sample collected during a semi-annual monitoring event, an investigation was conducted by Geomatrix to assess the lateral extent of the acetone. Grab groundwater samples were collected from borings placed in the vicinity of the well where acetone had been detected.

21. Concurrent with site and building approval and construction (most of which took place in the late 1990s), landfill gas (LFG) venting and monitoring systems were approved and installed and meet regulatory requirements.

SITE GEOLOGIC SETTING

22. The site is domed in the northeast, central, and southeast portions of the site where refuse was placed and is relatively flat in the northwest and west portions. Elevations at the site currently range from 104.5 to 133.5 feet where City of Redwood City datum 100.0 equals mean sea level. The fill at the site overlies estuarine deposits referred to as Bay Mud. The Bay Mud deposits surround San Francisco Bay and generally consist of very low permeability plastic silty clays with high organic content. Stiff to very stiff sandy clay/clayey sand has been encountered below the Bay Mud extending to a depth of approximately 200 feet below ground surface (bgs). It has been reported that a moderately permeable sequence of clay, sand, and gravel underlies the stiff clays, beginning at a depth of 200 feet bgs. Franciscan bedrock was reported to exist at a depth of

approximately 300 feet bgs along the western side of the site and 500 feet bgs along the eastern side of the site

SITE HYDROGEOLOGIC SETTING

23. Hydrogeologic investigations have shown that, within the former landfill, the groundwater movement is radially away from the Mound area (eastern portion of site). As part of corrective action at the site groundwater collection trenches were installed along the northern and southeastern margins of the Mound and the Panhandle to assist with containment and removal of leachate-impacted groundwater adjacent to the primary refuse disposal areas.

24. The direction of deeper groundwater flow cannot be established with a high level of certainty because of the relatively discontinuous nature of the water bearing zones in the low permeability clay layer beneath the younger Bay Mud. However, it has been reported that regional hydrogeologic conditions suggest that deeper groundwater flows in an easterly direction towards San Francisco Bay.

25. Comparisons of shallow and deep groundwater levels have indicated the existence of both upward and downward vertical hydraulic gradients across the site.

26. Confined regional aquifer zones of moderate permeability are present at a depth of approximately 190 to 200 feet bgs. These aquifer zones are an extension of the major artesian basin of the south Bay and Santa Clara Valley and consists chiefly of unconsolidated Quaternary Alluvium.

GROUND WATER CONTAMINATION AND WATER QUALITY

27. Groundwater within the landfill refuse has been shown to contain volatile organic compounds (VOCs), semi-volatile organic compounds (SVOCs), polychlorinated biphenyls (PCBs), and ammonia.

28. Shallow and deep groundwater around the perimeter and/or beneath the landfill, outside the refuse limit, has had sporadic detections of low levels of VOCs and SVOCs at the following maximum concentrations: benzene at 7.2 micrograms per liter (µg/L), ethyl-benzene at 5µg/L, acetone at 120 µg/L, toluene at 6 µg/L, trichloroethylene at 33 µg/L, carbon tetra-chloride at 5 µg/L, 1,1,1-trichloroethane at 7 µg/L, chloroform at 1 µg/L, 4-methy l-2-pentanone at 43 µg/L, phenol at 54 µg/L, bis (2-ethylhexyl) phthalate at 81 µg/L. Elevated concentrations of ammonia are present along the western edge of the landfill where a pig farm operated during the 1940's and 1950's and is the suspected ammonia source.

LEACHATE COLLECTION AND REMOVAL SYSTEM (LCRS)

29. The leachate collection system at the site was expanded and upgraded in 1998, concurrent with site development and consists of three groundwater collection

trenches. The trenches were excavated to depths of 8 to 13 feet bgs and intercept the full thickness of the refuse-containing fill layer. The collection trenches are filled with permeable material to allow leachate to flow into perforated collection pipes. The trenches are capped with low-permeability clay. The locations of the leachate control trenches are shown in Figure 2. The northern leachate collection and removal trench is 1,400 feet long and is fitted with a sensor-activated automatic pumping system that periodically pumps leachate from manhole No. 3 to a connection with the sanitary sewer lateral where the leachate then flows by gravity to the South Bayside System Authority (SBSA) publicly operated treatment works (POTW) plant. The two southeastern leachate collection and removal trenches total 2,800 feet in length. To remove leachate-impacted groundwater from these trenches, sensor activated automatic pumping systems have been installed in manhole No.'s 1 and 2; leachate-impacted groundwater is automatically pumped from manhole No. 2 and from manhole No. 1 to the sanitary sewer lateral where the leachate then flows by gravity to the SBSA POTW plant.

30. Leachate is discharged under a permit issued by the SBSA. The SBSA does random sampling and testing of the leachate discharge. All repeat test results forwarded by the SBSA have shown that the leachate discharge meets the SBSA criteria for discharge to the SBSA system without treatment.

LANDFILL GAS MANAGEMENT

31. Concurrently with site and building approval and construction, landfill gas (LFG) venting and monitoring systems for each building were approved and installed. A trench network was excavated under each building. A perforated high-density polyethylene (HDPE) pipe was embedded in rounded rock backfill in these trenches. The perforated pipes were extended beyond the building perimeter where they were manifolded together. The LFG pipe manifolds are connected to vertical LFG vent risers that allow the LFG to be vented to, and dissipated in, the atmosphere. The LFG vent risers and their immediate vicinity are monitored at a minimum of monthly to insure that dangerous concentrations of gas do not exist.

32. A continuous 60 mil HDPE membrane was installed on the underside of each first floor building slab to prevent LFG penetration into each building. Each building has a system of ten LFG sensors that are continuously monitored by an offsite life safety monitoring company. The LFG sensors are calibrated quarterly. The LFG detection alarm system and the LFG sensor calibration records are inspected annually by the San Mateo County Health Services Agency.

33. The LCRS trenches described above also act as a LFG cut-off wall. There are 13 LFG vent risers connected to the vadose zone in the permeable material above the leachate. They serve to collect the LFG intercepted by the leachate trenches and to vent this gas to the atmosphere before the LFG migrates to the property line.

These LFG vent risers are monitored and inspected not less frequently then once per month.

CURRENT AND FUTURE LAND USES

34. In accordance with plans submitted to, and approved by, the City of Redwood City and the San Mateo County Health Services Agency, the former landfill site has been developed, occupied, and maintained as a commercial business park.

35. The parcels are zoned for commercial use by the City of Redwood City. Permits for additional development and/or modifications to the existing developments may be applied for in the future.

POST CLOSURE MONITORING AND MAINTENANCE

36. The Dischargers submitted Utility Inspection, Maintenance, and Settlement Monitoring programs for different portions of the site to the City of Redwood City as part of the site's post-closure activities. This program includes providing surveyed permanent benchmarks on the property, surveyed utility alignments, and detailed periodic observations and records of settlement of the water facilities and the sanitary sewer force main.

MONITORING PROGRAMS

37. Title 27 requires that the Dischargers maintain a groundwater-monitoring program designed to detect the presence of waste constituents in groundwater outside of the waste management unit (WMU). The required monitoring is included in the Discharge Monitoring Program (Attachment A) and consists of a list of constituents of concern (COCs), sampling frequency, approved analytical methods, reporting requirements, the point of compliance, and an approved evaluation method to determine compliance consistent with Title 27.

38. **Groundwater Monitoring** - Board Order No. 94-181 required the Dischargers to document the installation of four additional monitoring wells to be included in the Discharge Monitoring Program (Attachment A). A report documenting completion of these wells, or their equivalent monitoring points, was submitted to the Board in a letter dated June 28, 1996. (MW3-1R, MW3-2, MW-4, and P5-1)

39. **Groundwater Monitoring** - There are 12 shallow (4 feet to 32 feet bgs) groundwater monitoring wells and piezometers at the site. These are shown on Figure 2 and include P3-R, P-7, P-8, MW-4, MW-4P, K-4, P5-1R, MW-3, MW3-2R, UPG-1, UPG-2, and K-1. There are three deeper (35 feet to 72 feet bgs) groundwater-monitoring wells and piezometers at the site. These are shown on Figure 2 and include DW-1, DW-2 and DW-3. Groundwater-monitoring is detailed in the Discharge Monitoring Program attached to this Order (Attachment

A). The Dischargers are required to analyze according to the monitoring parameters presented in Attachment A of this Order.

40. **Leachate Monitoring** - There are 17 leachate monitoring wells/piezometers at the site. These are shown on Figure 2 and include S-2, S-3A, S-4A, S-5, P-2A, P3-PZ, P-4, P5-1-PZ, P-6, K3-R, K3-PZ, MW3-1R, PZ-2, PZ-2P, PZ-3A, PZ-3B, and PZ-3C. The Leachate Monitoring Program is detailed in the Discharge Monitoring Program attached to this Order (Attachment A).

41. **Vadose Zone Monitoring** - Vadose zone monitoring is conducted as part of the landfill gas venting and monitoring program and has been integrated into the commercial development of the site.

BASIN PLAN

42. The Regional Board adopted a revised Water Quality Plan for the San Francisco Bay Basin (Basin Plan) in June 21, 1995. This updated and consolidated plan represents the Board's master water quality control planning document. The State Water Resource Control Board and the Office of the Administrative Law approved the revised Basin Plan on July 20 and November 13, respectively, of 1995. A summary of regulatory provisions is contained in Title 23 of the California Code of Regulations, Section 3912. The Basin Plan defines beneficial uses and water quality objectives for waters of the State, including surface waters and groundwater.

43. State Board Resolution No. 89-39, "Sources of Drinking Water," defines potential sources of drinking water to include all groundwater in the region, with limited exceptions for areas containing high TDS, high background contaminant levels, or those areas with a low-yield. Shallow and deeper (33-75 feet bgs) groundwater at the site is not considered a potential drinking water source as it exceeds electrical conductivities of 5,000 microseimens per centimeter (uS/cm). There is no current use of the site's shallow or deep groundwater, nor any anticipated plans for its use. However, any groundwater at the site meeting Resolution 89-39 requirements of TDS concentrations below 3000 mg/L, electrical conductivities below 5,000 uS/cm, and with production yields greater that 200 gallons per day will be considered a potential drinking water source.

BENEFICIAL USES

44. The beneficial uses of Belmont Slough, and South San Francisco Bay as contained in the Basin Plan are as follows:

    a. Wildlife habitat;

    b. Brackish and salt water marshes;

    c. Water contact recreation;

    d. Non-water contact recreation;

    e. Commercial and sport fishing;

f. Preservation of rare and endangered species;

g. Estuarine habitat;

h. Fish migration and spawning;

i. Industrial process supply; and,

j. Industrial service supply.

45. The present and potential beneficial uses of the groundwater are as follows:

a. Domestic and municipal water supply;

b. Freshwater replenishment; and,

c. Agricultural supply.

STORM WATER POLLUTION PREVENTION

46. Board Order No. 94-181 required the Dischargers to prepare, implement and submit a Storm Water Pollution Prevention Plan (SWPPP) in accordance with requirements specified in State Water Resources Control Board General Permit for Storm Water Discharges Associated with Industrial Activities (NPDES Permit No. CAS000001). The Dischargers prepared and submitted a SWPPP dated March 24, 1995, in accordance with requirements specified in State Water Resources Control Board General Permit for Storm Water Discharges Associated with Construction Activities (NPDES Permit No. CAS000002). The SWPPP was implemented at the site during the construction phase. The NPDES General Permit requires the Dischargers to submit annual reports. The Dischargers implemented the SWPPP and submitted annual reports. With the completion of the construction phase, the Dischargers have filed a Notice of Termination for the site.

CONTINGENCY PLAN

47. Board Order No. 94-181 required the Dischargers to submit a Contingency Plan that would be implemented in the event of a leak or spill from the leachate collection facilities. An acceptable Contingency Plan was submitted to the Board on March 15, 1995. The Contingency Plan provides for immediate notice to the Board, the Local Enforcement Agency, and the California Department of Toxic Substances Control. The Contingency Plan also provides for the implementation of a corrective action plan to stop and contain the migration of pollutants from the site.

POST-EARTHQUAKE INSPECTION AND CORRECTIVE ACTION PLAN

48. Board Order No. 94-181 required the Dischargers to submit a detailed Post-Earthquake Inspection and Corrective Action Plan to be implemented in the event of an earthquake generating ground shaking of Richter Magnitude 7 or greater at, or within 30 miles of, the landfill. The Dischargers submitted an acceptable Plan dated March 14, 1995. The Plan describes containment features and groundwater monitoring and leachate control facilities potentially impacted by the static and

seismic deformations of the landfill. The Plan provides for reporting results of the post earthquake inspection to the Board within 72 hours of the occurrence of an appropriate earthquake. Immediately after an earthquake event causing damage to the landfill structures, the Plan includes the implementation of the corrective action plan and includes providing notification of any damage to the Board.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

49. The Dischargers have completed a Final Environmental Impact Report, a Supplemental Environmental Impact Report, a Health Risk Assessment, and a Technical Addendum for development at the site that resulted in the filing of Notice of Determination 108639 Appendix H by the Redwood City Planning Division on March 3, 1995 stating that the findings were pursuant to California Environmental Quality Act (CEQA).

50. This action is exempted from the provision of CEQA pursuant to Section 15301, Title 14, of the California Code of Regulations.

PUBLIC NOTICE

51 The Board has notified the Dischargers and interested agencies and persons of its intent to issue waste discharge requirements for the Dischargers and has provided them with an opportunity for a public hearing and an opportunity to submit their written views and recommendations.

PUBLIC MEETING

52 The Board in a public meeting heard and considered all comments pertaining to the discharge.

IT IS HEREBY ORDERED that the Dischargers, their agents, successors and assigns are to conduct post-closure maintenance and monitoring and shall meet the applicable provisions contained in Title 27, Division 2, Subdivision 1 of the California Code of Regulations and Division 7 of the California Water Code and shall comply with the following:

A. PROHIBITIONS

1. Waste shall not be in contact with ponded water from any source whatsoever.

2. The site is regulated as a closed facility. Therefore, no further waste shall be deposited or stored at this site.

3. Leachate from waste and ponded water containing leachate or in contact with solid wastes shall not be discharged to the waters of the State or the United States.

4. Neither the treatment nor the discharge of waste shall create a condition of pollution, contamination or nuisance, as defined by Section 13050 of the California Water Code (CWC). (H & SC Section 5411, CWC Section 13263)

5. The Dischargers, or any future site owner or operator of the site, shall not cause the following conditions to exist in waters of the State at any place outside the waste management facility:

   a. Surface Waters

      1) Floating, suspended, or deposited macroscopic particulate matter or foam.

      2) Bottom deposits or aquatic growths;

      3) Alteration of temperature, turbidity, or apparent color beyond natural background levels;

      4) Visible, floating, suspended or deposited oil or other products of petroleum origin; and,

      5) Toxic or other deleterious substances to be present in concentrations or quantities which may cause deleterious effects on aquatic biota, wildlife or waterfowl, or which render any of these unfit for human consumption either at levels created in the receiving waters or as a result of biological concentrations.

   b. Groundwater

      1) Groundwater shall not be degraded as a result of the waste maintained at this facility.

B. SPECIFICATIONS

1. All reports pursuant to this order shall be prepared under the supervision of a registered civil engineer, California registered geologist or certified engineering geologist.

2. The final cover system shall be maintained to promote lateral runoff and prevent ponding and infiltration of water.

3. Surface drainage from tributary areas and internal site drainage from surface sources shall not contact or percolate through wastes during the life of the site.

4. The site shall be protected from any washout or erosion of wastes or covering material and from inundation which could occur as a result of a 100-year, 24-hour

precipitation event, or as the result of flooding with a return frequency of 100 years.

5. The existing LCRS shall be inspected monthly or more frequently as necessary and any excess accumulated fluid shall be removed.

6. The existing containment, drainage, landfill gas, leachate collection, and monitoring systems at the facility, shall be operated and/or maintained as long as leachate or landfill gas is present and either or both pose a threat to water quality. In the event these existing features are found to be ineffective at resolving impairments to groundwater, the Dischargers may be required to take additional corrective actions.

7. The Dischargers shall assure that the foundation of the site, the solid waste fill, and the structures (including future site structures) which control leachate, surface drainage, erosion, and gas are maintained to relevant engineering criteria, including the ability to withstand conditions generated during the maximum probable earthquake. Furthermore, new structures shall be constructed and maintained in compliance with approved engineering criteria.

8. The Dischargers shall analyze the samples from the specified groundwater wells as outlined in the Discharge Monitoring Program (Attachment A).

9. The Dischargers shall install any reasonable additional groundwater and leachate monitoring devices required to fulfill the terms of any future Discharge Monitoring Program issued by the Executive Officer.

10. Landfill gases shall be adequately vented, removed from the landfill, or otherwise controlled to minimize the danger of explosion, adverse health effects, nuisance conditions, or the impairment of beneficial uses of water.

11. The Dischargers are subject to performance standards adopted by the California Integrated Waste Management Board for post-closure land use, which specify that the devices and features installed in accordance with this Order are designed, maintained, and continue to operate as intended without significant interruption.

12. The Dischargers shall maintain a minimum of two surveyed permanent monuments installed by a licensed land surveyor near the landfill from which the location and elevation of wastes, containment structures, and monitoring facilities can be determined throughout the operation and post-closure maintenance period.

13. The Regional Board shall be notified immediately of any failure occurring in the waste management unit. Any failure that threatens the integrity of containment features or the landfill shall be promptly corrected after approval of the method and schedule by the Executive Officer.

14. The Dischargers shall maintain the facility so as to prevent a statistically significant increase in the concentrations of indicator parameters or constituents of concern at groundwater monitoring points as provided in Section 20415 (e) (7) of Title 27. The Dischargers shall maintain the facility so as not to exceed the "Water Quality Protection Standard" (WQPS) of the Discharge Monitoring Program (Attachment A).

15. In the event of a release of a constituent of concern from the WMU beyond the Point of Compliance (Section 20405, Title 27), the site begins a Compliance Period (Section 20410, Title 27). During the Compliance Period, the Dischargers shall perform an Evaluation Monitoring Program and, depending on the findings, prepare an Optional Demonstration Report or Feasibility Study and Corrective Action Program, as appropriate. The Point of Compliance is defined as the vertical surface located along the hydraulically downgradient limit of the waste management unit and extending through the uppermost aquifer underlying the unit.

16. The Dischargers shall comply with all applicable provisions of Title 27 of the California Code of Regulations not specifically referred to in this Order.

C. PROVISIONS

1. The Dischargers shall comply with all Prohibitions, Specifications and Provisions of this Order. All required submittals must be acceptable to the Executive Officer. The Dischargers must also comply with all conditions of these Waste Discharge Requirements. Violations may result in enforcement actions, including Regional Board orders or court orders requiring corrective action or imposing civil monetary liability, or in modification or revocation of these waste discharge requirements by the Regional Board. (CWC Section 13261, 13263, 13265, 13267, 13268, 13300, 13301, 13304, 13340, 13350).

2. All technical and monitoring reports submitted in accordance to this Order are being requested pursuant to Section 13267 of the California Water Code. Failure to submit reports in accordance with schedules established by this Order or failure to submit a report of sufficient technical quality to be acceptable to the Executive Officer may subject the Dischargers to enforcement action pursuant to Section 13268 of the California Water Code.

3. In addition to printed submittals, all reports submitted pursuant to this Order must be submitted as electronic files in PDF format. The Regional Board has implemented a document imaging system, which is ultimately intended to reduce the need for printed report storage space and streamline the public file review process. Documents in the imaging system may be viewed, and print copies made, by the public, during file reviews conducted at the Regional Board's office. PDF files can be created by converting the original electronic files format (e.g., Microsoft Word) and/or by scanning printed text, figures, and tables. Data tables

containing water level measurements, sample analytical results, coordinates, elevations and other monitoring information shall also be provided electronically in Microsoft Excel ® or similar spreadsheet format to provide an easy to review summary, and to facilitate data computations and/or plotting that Regional Board staff may undertake during their review. Data tables submitted in electronic spreadsheet format will not be included in the case file for public review. All electronic files must be submitted on CD or diskette and included with the print report.

4. The Dischargers shall file with the Regional Board, Discharger Monitoring Reports, performed according to the attached Discharge Monitoring Program issued by the Executive Officer. The Executive Officer may amend the Discharge Monitoring Program at any time, as water quality conditions warrant.

5. The Dischargers shall submit an **Annual Monitoring Report,** acceptable to the Executive Officer, by January 31 of each year in accordance with the attached Discharge Monitoring Program (Attachment A). The annual report to the Board shall cover the previous calendar year as described in Part A of the Discharge Monitoring Program. In addition to the requirements outlined in Attachment A, this report shall also include the following: location and operational condition of all leachate and groundwater monitoring wells; groundwater and leachate potentiometric contours for each monitoring event; and tabulation of monthly leachate volumes discharged to the sanitary district along with any tabulated analytical results (if collected by the Dischargers). Furthermore, the Dischargers shall submit **Semi-Annual Monitoring Reports,** in accordance with the Discharge Monitoring Program (Attachment A), no later than January 31 and July 31 of each year; the January 31 semi-annual report may be combined with the annual report. The semi-annual report shall document any proposed maintenance activities for the upcoming monitoring period.

REPORT DUE DATES:
SEMI-ANNUAL AND ANNUAL REPORTS:
ANNUAL REPORT—January 31 (Each Year)
SEMI-ANNUAL REPORT—January 31 and July 31 (Each Year)

6. The Dischargers shall immediately notify the Board of any flooding, equipment failure, slope failure, or other change in site conditions that could impair the integrity of waste or leachate containment facilities or precipitation and drainage control structures.

REPORT DUE DATE :
Verbally Report Immediately (Written Report to follow within 5 Days)

7. The Dischargers shall prepare and submit a **Development Proposal,** acceptable to the Executive Officer, for any proposed additional development at the landfill.

COMPLIANCE DUE DATE :
120 days prior to commencement of construction

8. The Discharge Monitoring Program accompanying this Order (Attachment A) does not require the installation of any new wells. However, for any new wells required and installed as part of any future revised Discharge Monitoring Program, the Dischargers shall submit a **Well Installation Report ,** acceptable to the Executive Officer, that provides all well construction details, geologic boring logs, and well development logs for these new wells.

COMPLIANCE DUE DATE:
45 days following completion of well installation activities

9. The Dischargers shall maintain a copy of these waste discharge requirements and these requirements shall be available to site personnel at the facility office at all times. (CWC Section 13263).

10. The Board considers the property owner(s) to have continuing responsibility for correcting any problems that arise in the future as a result of waste discharged or related activities.

11. The Dischargers shall permit the Regional Board or its authorized representative, upon presentation of credentials, during normal business hours:

    a. Immediate entry upon the premises on which wastes are located or in which any required records are kept;

    b. Access to copy any records required to be kept under the terms and conditions of this order;

    c. Inspection of any treatment equipment, monitoring equipment, or monitoring methods required by this order or by any other California State Agency; and,

    d. Sampling of any discharge or groundwater governed by this order.

12. The Dischargers shall notify the succeeding owners or operators of this Order by letter in the event of any change in control, ownership of land, or waste discharge facilities presently owned or controlled by the Dischargers. The Dischargers must notify the Executive Officer, in writing at least 30 days in advance of any proposed transfer of this Order's responsibility and coverage to a new discharger. The notice must include a written agreement between the existing Dischargers and the new dischargers-containing a specific date for the transfer of this order's responsibility and coverage between the current Dischargers and the new dischargers. This agreement shall include an acknowledgment that the existing Dischargers are liable for violations up to the transfer date and that the new

dischargers are liable from the transfer date on. (CWC Sections 13267 and 13263). The request must contain the requesting entity's full legal name, and the address and telephone number of the persons responsible for contact with the Board. Failure to submit the request shall be considered a discharge without requirements, a violation of the California Water Code.

13. This Order is subject to Board review and updating, as necessary, to comply with changing State and Federal laws, regulations, policies, or guidelines; changes in the Board's Basin Plan; or changes in the discharge characteristics (CWC Section 13263).

14. Where the Dischargers becomes aware that they failed to submit any relevant facts in a Report of Waste Discharge or submitted incorrect information in a Report of Waste Discharge or in any report to the Regional Board, it shall promptly submit such facts or information (CWC Sections 13260 and 13267).

15. This Order does not convey any property rights of any sort or any exclusive privileges. The requirements prescribed herein do not authorize the commission of any act causing injury to persons or property, do not protect the Dischargers from liability under Federal, State or local laws, nor do they create a vested right for the Dischargers to continue waste discharge [CWC Section 13263(g)].

16. Provisions of these waste discharge requirements are severable. If any provision of these requirements is found invalid, the remainder of these requirements shall not be affected.

17. The Dischargers shall, at all times, properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the Dischargers to achieve compliance with conditions of this Order. Proper operation and maintenance includes effective performance, adequate funding, adequate operator staffing and training, and adequate laboratory and process controls including appropriate quality assurance procedures. This provision requires the operation of backup or auxiliary facilities or similar systems only when necessary to achieve compliance with the conditions of this order [CWC Section 13263(f)].

18. Except for a discharge which is in compliance with these waste discharge requirements, any person who, without regard to intent or negligence, causes or permits any hazardous substance or sewage to be discharged in or on any waters of the State, or discharged or deposited where it is, or probably will be, discharged in or on any waters of the State, shall, as soon as (a) that person has knowledge of the discharge, (b) notification is possible, and (c) notification can be provided without substantially impeding cleanup or other emergency measures, immediately notify the Office of Emergency Services of the discharge in accordance with the spill reporting provision of the state toxic disaster contingency plan adopted pursuant to Article 3.7 (commencing with Section

8574.7) of Chapter 7 of Division 1 of Title 2 of the Government Code, and immediately notify the State Board or the appropriate Regional Board of the discharge. This provision does not require reporting of any discharge of less than a reportable quantity as provided for under subdivisions (f) and (g) of Section 13271 of the Water Code unless the Dischargers are in violation of a prohibition in the applicable Water Quality Control Plan [CWC Section 13271(a)].

19. The Dischargers shall report any noncompliance that may endanger health or the environment. Any such information shall be provided orally to the Executive officer within 24 hours from the time the Dischargers becomes aware of the circumstances. A written submission shall also be provided within five days of the time the Dischargers becomes aware of the circumstances. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected; the anticipated time it is expected to continue and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance. The Executive Officer, or an authorized representative, may waive the written report on a case-by-case basis if the oral report has been received within 24 hours [CWC Sections 13263 and 13267].

20. All monitoring instruments and devices used by the Dischargers to fulfill the prescribed Discharge Monitoring Program (Attachment A) shall be properly maintained and calibrated as necessary to ensure their continued accuracy.

21. Unless otherwise permitted by the Regional Board Executive officer, all analyses shall be conducted at a laboratory certified for such analyses by the State Department of Health Services. The Executive Officer may allow use of an uncertified laboratory under exceptional circumstances, such as when the closest laboratory to the monitoring location is outside the State boundaries and therefore not subject to certification. All analyses shall be required to be conducted in accordance with the latest edition of "Guidelines Establishing Test Procedures for Analysis of Pollutants" (40 CFR, Part 1360) promulgated by the U.S. Environmental Protection Agency (CCR Title 23, Section 2230).

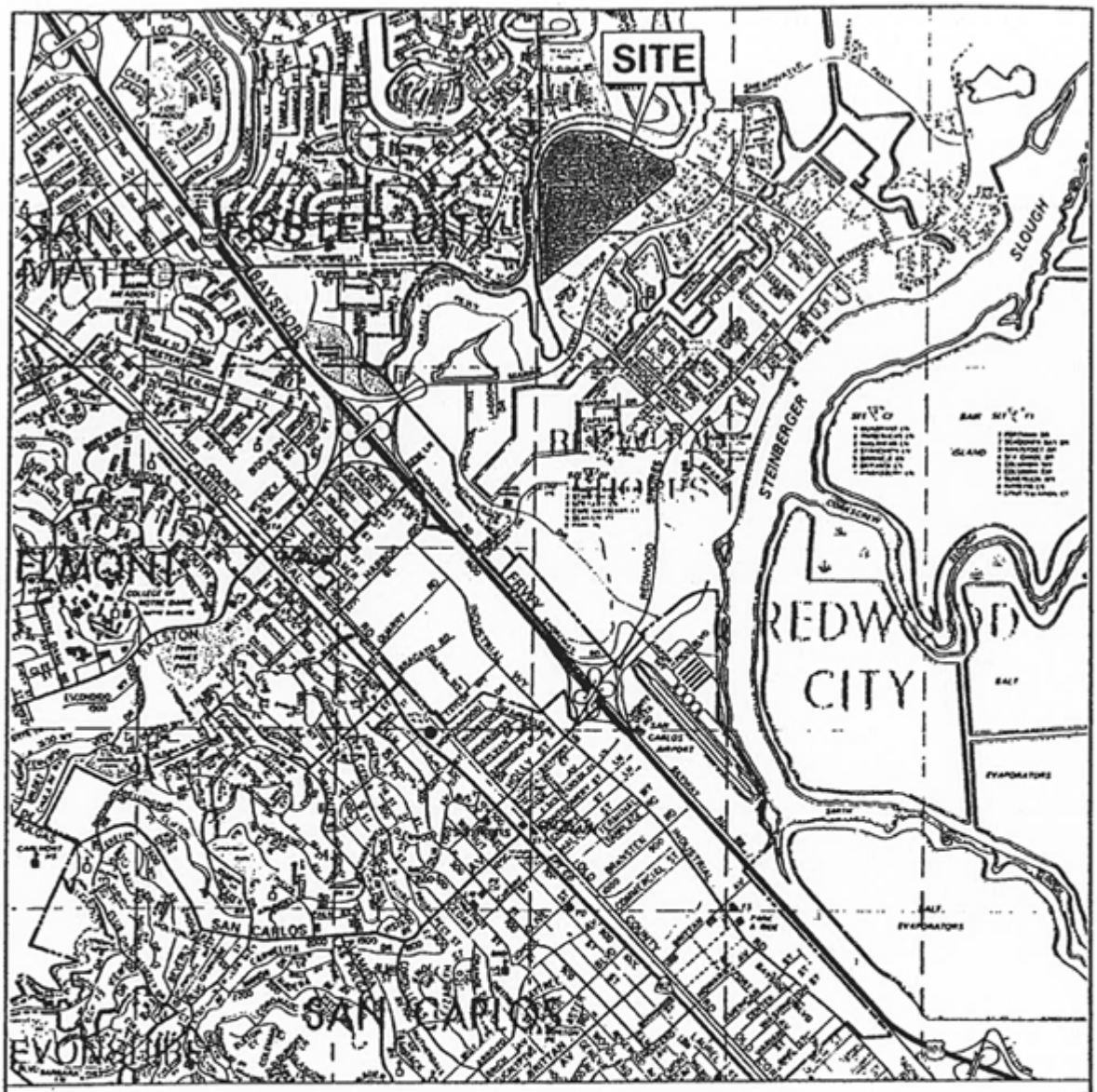
22. This Board's Order No. 94-181 is hereby rescinded.

I, Loretta K. Barsamian, Executive Officer, do hereby certify that the foregoing is a full, complete, and correct copy of an Order adopted by the California Regional Water Quality Control Board, San Francisco Bay Region, on August 20, 2003.

/s/ Loretta K. Barsamian
Loretta K. Barsamian
Executive Officer

Figures: Figure 1 - Site Location Map
Figure 2 - Site Plan

Attachment: Attachment A - Discharge Monitoring Program



GEOMATRIX

SITE LOCATION MAP
Former Landfill-Westport Office Park
Redwood City, California

Project No.
2965.02M

Figure
1

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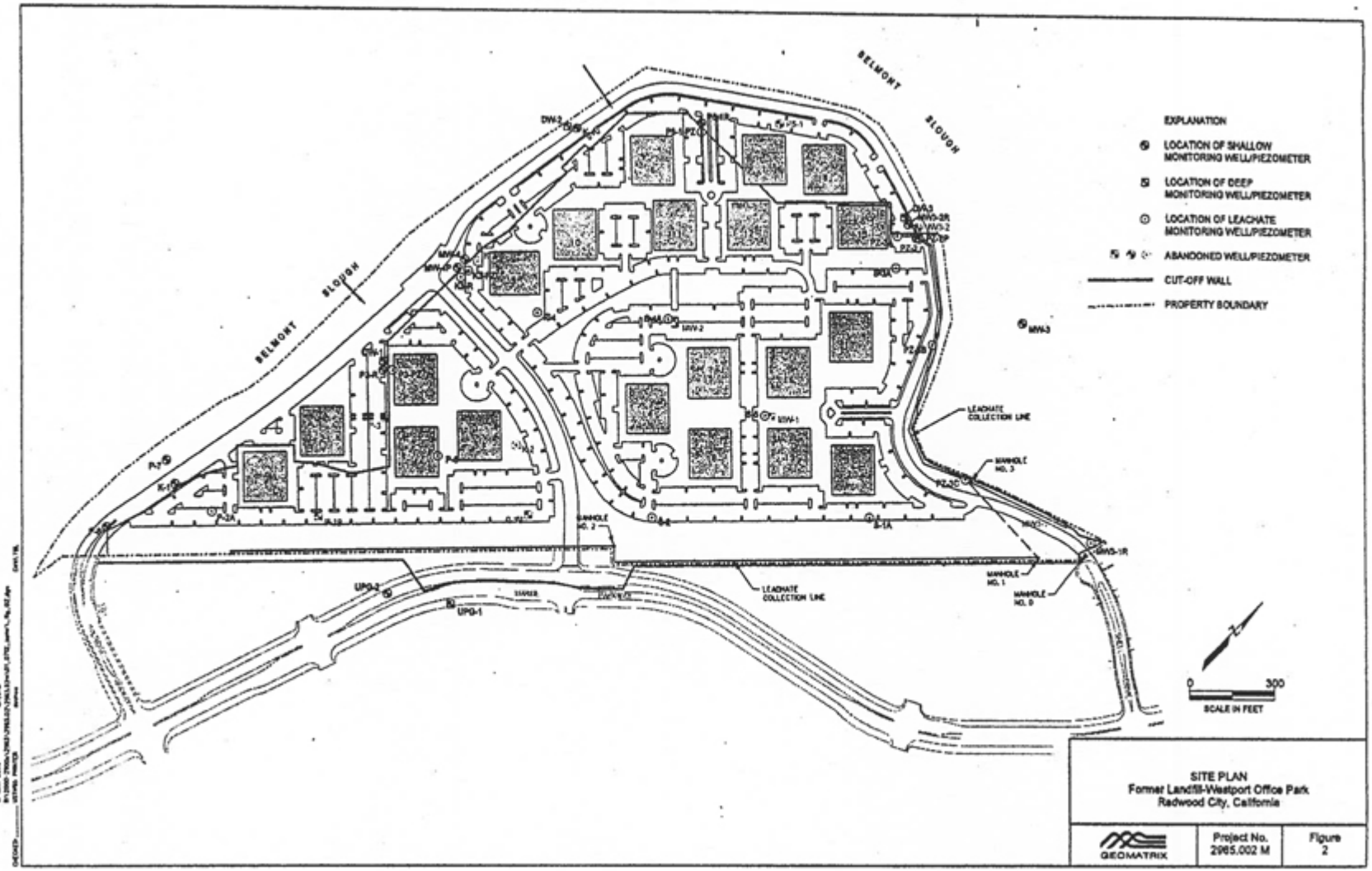

SITE PLAN
Former Landfill-Westport Office Park
Redwood City, California

GEOMATRIX	Project No. 2965.002 M	Figure 2

CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
SAN FRANCISCO BAY REGION

DISCHARGE MONITORING PROGRAM FOR

WESTPORT LANDFILL
JOHN ARRILLAGA SURVIVOR'S TRUST, PEERY PRIVATE INVESTMENT COMPANY, AND THE PEERY PUBLIC INVESTMENT COMPANY

REDWOOD CITY, SAN MATEO COUNTY

ORDER NO. R2-2003-0074

CONSISTS OF

PART A

AND

PART B

PART A

A. GENERAL

Reporting responsibilities of waste dischargers are specified in Sections 13225(a), 13267(b), 13383, and 13387(b) of the California Water Code and this Regional Board's Resolution No.73-16. This Discharge Monitoring Program is issued in accordance with Provision C.3 of Regional Board Order No. R2-2003-0074

The principal purposes of a discharge-monitoring program are:

(1) to document compliance with waste discharge requirements and prohibitions established by the Board,

(2) to facilitate self-policing by the Dischargers in the prevention and abatement of pollution arising from waste discharge,

(3) to develop or assist in the development of standards of performance and toxicity standards, and

(4) to assist the Dischargers in complying with the requirements of Title 27.

B. SAMPLING AND ANALYTICAL METHODS

Sample collection, storage, and analyses shall be performed according to the most recent version of EPA Standard Methods and in accordance with an approved sampling and analysis plan.

Water and waste analysis shall be performed by a laboratory approved for these analyses by the State of California. The director of the laboratory whose name appears on the certification shall supervise all analytical work in his/her laboratory and shall sign all reports of such work submitted to the Regional Board.

All monitoring instruments and equipment shall be properly calibrated and maintained to ensure accuracy of measurements.

C. DEFINITION OF TERMS

1. A grab sample is a discrete sample collected at any time.

2. Receiving waters refers to any surface water, which actually or potentially receives surface or groundwater which passes over, through, or under waste materials or contaminated soils. In this case, the groundwater adjacent to the landfill areas and the surface runoff from the site are considered receiving waters.

3. Standard observations refer to:

   a. Receiving Waters:

      1) Floating and suspended materials of waste origin: presence or absence, source, and size of affected area;

      2) Discoloration and turbidity: description of color, source, and size of affected area;

      3) Evidence of odors, presence or absence, characterization, source, and distance of travel from source;

      4) Evidence of beneficial use: presence of water associated wildlife;

      5) Flow rate; and,

      6) Weather conditions: wind direction and estimated velocity, total precipitation during the previous five days and on the day of observation.

   b. Perimeter of the Waste Management Unit:

      1) Evidence of liquid leaving or entering the waste management unit, estimated size of affected area and flow rate. (Show affected area on map);

      2) Evidence of odors, presence or absence, characterization, source, and distance of travel from source; and,

      3) Evidence of erosion and/or daylighted refuse.

   c. The Waste Management Unit:

      1) Evidence of ponded water at any point on the waste management facility;

      2) Evidence of odors, presence or absence, characterization, source, and distance of travel from source;

      3) Evidence of erosion, slope movement, ground movement, and/or daylighted refuse; and,

      4) Standard Analysis (SA) and measurements are listed on Part B, 1., A., Table A (attached)

D. SAMPLING, ANALYSIS, AND OBSERVATIONS

The Dischargers are required to perform sampling, analyses, and observations in the following media:

1. Groundwater per Section 20415 and

2. Surface water per Section 20415 and per the general requirements specified in Section 20415 of Title 27 is not required. Due to the extensive Bay Mud flats surrounding the site and the hazards associated with traversing them, sampling this medium is not feasible. Shallow groundwater is considered receiving waters at this site.

3. Vadose zone per Section 2550.7(d) which is accomplished by sampling, analyzing, and recording the landfill gas concentrations at gas vent risers located at each building and at the east and southeast boundary of the site.

E. RECORDS TO BE MAINTAINED

Written reports shall be maintained by the Dischargers or laboratory, and shall be retained for a minimum of five years. This period of retention shall be extended during the course of any unresolved litigation regarding this discharge or when requested by the Board. Such records shall show the following for each sample:

1. Identity of sample and sample station number;
2. Date and time of sampling;
3. Date and time that analyses are started and completed, and name of the personnel performing the analyses;
4. Complete procedure used, including method of preserving the sample, and the identity and volumes of reagents used;
5. Calculation of results; and,
6. Results of analyses, and detection limits for each analysis.

F. REPORTS TO BE FILED WITH THE BOARD

1. MONITORING REPORTS

Written discharge monitoring reports shall be filed by the 31st day of the month following the reporting period (the reporting period is specified in Part B of this program). In addition an annual report shall be filed as indicated in F.3 below. The reports shall comprise the following:

a. Letter of Transmittal

A letter transmitting the essential points in each report should accompany each report. Such a letter shall include a discussion of any requirement violations found during the last report period, and actions taken or planned for correcting the violations. If the Dischargers have previously submitted a detailed time schedule for correcting requirement violations, a reference to the correspondence transmitting such schedule will be satisfactory. If no violations have occurred in the last report period this shall be stated in the letter of transmittal. Monitoring reports and the letter transmitting the monitoring reports shall be signed by a principal executive officer at the level of vice president or his duly authorized representative, if such representative is responsible for the overall operation of the facility from which the discharge originates. The letter shall contain a statement by the official, under penalty of perjury, that to the best of the signer's knowledge the report is true, complete, and correct.

b. Each monitoring report shall include a compliance evaluation summary. The summary shall contain:

1) Concentration Limits for the Westport Landfill for all constituents of concern except ammonia, are “laboratory non-detect” based upon laboratory non-detect results for background concentrations of the listed COCs. As such, a non-statistical method is appropriate to determine whether a measurably significant release has occurred from the Westport Landfill. Therefore, any reported laboratory detection at a point of compliance monitoring well is considered a potential release. For ammonia, a statistically significant increase shall be evaluated using a statistical method acceptable to the Regional Board staff. Any potential release must be evaluated through additional monitoring and analyses acceptable to the Executive Officer.

2) A graphic description of the direction of groundwater flow under/around the waste management unit, based upon the water level elevations obtained during the monitoring period and pertinent visual observations.

3) The method and time of water level measurement, the type of pump used for purging, pump placement in the well; method of purging, pumping rate, equipment and methods used to monitor field pH, temperature, and conductivity during purging, calibration of the field equipment, results of pH, temperature, and conductivity testing, and the method of disposing of the purge water.

4) Type of pump used, pump placement for sampling, a detailed description of the sampling procedure; number and description of equipment, field and travel blanks; number and description of duplicate samples; type of sample containers and preservatives used, the date and time of sampling, the name and qualifications of the person actually taking the samples, and any other observations.

c. A map or aerial photograph shall accompany each report showing observation and monitoring station locations.

d. Laboratory statements of results of analyses specified in Part B, Table A must be included in each report. The director of the laboratory whose name appears on the laboratory certification shall supervise all analytical work in his/her laboratory and shall sign all reports of such work submitted to the Board.

1) The methods of analyses and detection limits must be appropriate for the expected concentrations. Specific methods of analyses must be identified. If methods other than EPA approved methods or Standard Methods are used, the exact methodology must be submitted for review and approved by the Executive Officer prior to use.

2) In addition to the results of the analyses, laboratory quality assurance/quality control (QA/QC) information must be included in the

monitoring report. The laboratory QA/QC information should include the method, equipment and analytical detection limits; the recovery rates; an explanation for any recovery rate that is less than 80% of the specific laboratory recovery limits; the results of equipment and method blanks; the results of spiked and surrogate samples; the frequency of quality control analysis; and the name and qualifications of the person(s) performing the analyses.

e. An evaluation of the effectiveness of the leachate monitoring or control facilities, which includes an evaluation of leachate buildup within the disposal units, a potentiometric surface map, a summary of leachate volumes removed from the units, and a discussion of the leachate disposal methods utilized.

f. A summary and certification of completion of all standard observations for the waste management unit, the perimeter of the waste management unit, and the receiving waters.

2. CONTINGENCY REPORTING

A report shall be made by telephone of any seepage from the disposal area immediately after it is discovered. A written report shall be filed with the Board within five working days thereafter. This report shall contain the following information:

1) A map showing the location(s) of discharge;

2) Approximate flow rate;

3) Nature of effects; i.e. all pertinent observations and analyses; and

4) Corrective measures underway, proposed, or as specified in the Waste Discharge Requirements.

3. REPORTING

By January 31 of each year the Dischargers shall submit an annual report to the Board covering the previous calendar year. This report shall contain:

a. Tabular summaries of the historical and recent monitoring data obtained during the previous year; the report should be accompanied by a compact disk (CD), MS-EXCEL format, tabulating the year's data.

b. A comprehensive discussion of the compliance record, and the corrective actions taken or planned which may be needed to bring the Dischargers into full compliance with the waste discharge requirements.

c. A written summary of the groundwater analyses indicating any change in the quality of the groundwater.

d. An evaluation of the effectiveness of the leachate monitoring/ control facilities, which includes an evaluation of leachate buildup within the disposal units, a summary of leachate volumes removed from the units, and a discussion of the leachate disposal methods utilized.

4. WELL LOGS

Although no new wells are required at the time of the adoption of this Order, if future conditions require the installation of additional monitoring wells, a boring log and a monitoring well construction log shall be submitted for each new sampling well established for this monitoring program, as well as a report of inspection or certification that each well has been constructed in accordance with the construction standards of the Department of Water Resources. These shall be submitted within 45 days after well installation.

PART B

1. DESCRIPTIONS OF OBSERVATION STATIONS AND SCHEDULE OF OBSERVATIONS.

A. GROUNDWATER AND LEACHATE MONITORING

Report Semi-annually

i. Groundwater: Groundwater samples shall be analyzed as outlined in Table A (Attached). Groundwater elevations shall be recorded quarterly and reported semi-annually in the July and January semi-annual monitoring reports.

Monitoring Points:

Groundwater	P-8, P-7, P3-R, MW-4, MW-4P, K-4, P5-1R, MW3-2R, MW-3, DW-1, DW-2, DW-3, UPG-1, UPG-2

MW-4 and MW-4P are in close proximity, therefore only one well needs to be monitored for the parameters listed in Table A. The other well (MW-4P) is intended as a piezometer well and shall be monitored for water elevation only. MW-4 is considered a POC well.

Wells UPG-1, UPG-2, and MW-3 shall be monitored for water elevation only.

ii. Leachate samples shall be analyzed once every five years (First leachate chemical analysis due for the January through July 2003 semi-annual monitoring event) for the parameters outlined in Table A (Attached). Leachate water elevations shall be recorded quarterly and reported semiannually in the July and January semi-annual monitoring reports.

Monitoring Points:

Leachate-Impacted Groundwater	S-2, S-3A, S-4A, S-5, P-2A, P3-PZ, P-4, P5-1-PZ, P-6, K3-R, K3-PZ*, MW3-1R, PZ-2*, PZ-2P, PZ-3A*, PZ-3B*, PZ-3C

All wells shall be monitoring for water elevation. All wells shall be monitored for chemical constituents outlined in Table A (Attached) once every 5 Years. Wells denoted with an asterisk (*) shall be monitored for leachate elevations only.

B. FACILITIES MONITORING

The Dischargers shall inspect all facilities to ensure proper and safe operation once per quarter and report semi-annually.

MONITORING REPORT SCHEDULE

Reports shall be due on the following schedule:

First semi-annual report:	**July 31 of each year**
Second semi-annual Report:	**January 31 of each year**
Annual Report:	**Combined with the second semi-annual report, due January 31 of each year**

I, Loretta K. Barsamian, Executive Officer, hereby certify that the foregoing Self-Monitoring Program:

1. Has been developed in accordance with the procedures set forth in this Board's Resolution No. 73-16 in order to obtain data and document compliance with waste discharge requirements established in this Board's Order No. R2-2003-0074
2. Is effective on the date shown below.
3. May be reviewed or modified at any time subsequent to the effective date, upon written notice from the Executive Officer.

/s/ Loretta K. Barsamian
Loretta K. Barsamian
Executive Officer

Date Ordered: August 20, 2003

Attachment: Table A—Schedule for Sampling, Measurement, and Analysis

Table A - Discharge Monitoring Program, List of Analytical Parameters-Leachate and Groundwater

Field/Inorganic Parameters	Method [1]	Frequency
pH	Field	Semi-Annual
Electrical conductivity	Field	Semi-Annual
Groundwater Elevations	Field	Quarterly [2]
Leachate Elevations	Field	Quarterly [2]
Total Ammonia	350.3	Semi-Annual
Ammonia (un-ionized)	350.1	Semi-Annual

Organics/ PCBs	Method [1]	Frequency
Volatile Organic Compounds (including MTBE)	8260	Semi-Annual [3,4]
Semi-Volatile Organic Compounds	8270	Semi-Annual [3,4]
PCBs	8082	Semi-Annual [3,4]

Notes:

1. Test methods per Methods for Chemical Analysis of Water and Waste, USEPA 600/4/79/029, revised March 1983, or Test Methods for Evaluating Solid Wastes: Physical/Chemical Methods, USEPA SW-846, 3 rd edition, November 1986 and revisions. Board staff may consider alternative EPA and/or Standard Methods, with comparable MDLs and PQLs, for use at the Westport Landfill.
2. Analyzed quarterly and reported semi-annually.
3. Analysis of groundwater (wells located outside the waste management unit) shall be conducted during the 2003 calendar year. Any identified impacted groundwater monitoring wells shall be analyzed semi-annually thereafter. All other groundwater- monitoring wells shall be sampled annually, thereafter.
4. Analysis of existing leachate-impacted groundwater wells within the WMU shall be conducted during the 2003 calendar year and once every 5 years, thereafter.

DRAFT FOR DISCUSSION PURPOSES ONLY

EXHIBIT I

FORM OF LETTER OF CREDIT

BANK OF AMERICA
1 FLEET WAY
SCRANTON, PA 18507-1999
ATTN: GTO – STANDBY UNIT

DATE:

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER _____

APPLICANT:

BENEFICIARY:

AMOUNT: USD

EXPIRY DATE:

EXPIRE PLACE: OUR COUNTERS

GENTLEMEN:

WE HEREBY ISSUE THIS IRREVOCABLE LETTER OF CREDIT NO. IN YOUR FAVOR, FOR THE ACCOUNT OF APPLICANT, FOR UP TO AN AGGREGATE AMOUNT OF USD AVAILABLE BY YOUR DRAFT(S) IN THE FORM OF ANNEX 1 ATTACHED HERETO, DRAWN ON US AT SIGHT, ACCOMPANIED BY THE ORIGINAL OF THIS LETTER OF CREDIT AND AMENDMENT(S), IF ANY.

PARTIAL DRAWINGS ARE PERMITTED.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT IS DEEMED TO BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR PERIOD(S) OF ONE YEAR EACH FROM THE CURRENT EXPIRY DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST SIXTY (60) DAYS PRIOR TO ANY EXPIRATION DATE, WE NOTIFY YOU BY REGISTERED MAIL OR OVERNIGHT COURIER AT THE ABOVE LISTED ADDRESS THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT EXTENDED FOR ANY SUCH ADDITIONAL PERIOD.

ANY SUCH NOTICE SHALL BE EFFECTIVE WHEN SENT BY US.

THIS LETTER OF CREDIT IS TRANSFERABLE IN FULL AND NOT IN PART. ANY TRANSFER MADE HEREUNDER MUST CONFORM STRICTLY TO THE TERMS HEREOF AND TO THE CONDITIONS OF RULE 6 OF THE INTERNATIONAL STANDBY PRACTICES (ISP98) FIXED BY THE INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590.

SHOULD YOU WISH TO EFFECT A TRANSFER UNDER THIS CREDIT, SUCH TRANSFER WILL BE SUBJECT TO THE RETURN TO US OF THE ORIGINAL CREDIT INSTRUMENT, ACCOMPANIED BY OUR

FORM OF TRANSFER, PROPERLY COMPLETED AND SIGNED BY AN AUTHORIZED SIGNATORY OF YOUR FIRM, BEARING YOUR BANKERS STAMP AND SIGNATURE AUTHENTICATION. SUCH TRANSFER FORM IS AVAILABLE UPON REQUEST.

ALL TRANSFER FEE AND CHARGES IN CONNECTION WITH ANY TRANSFER OF THIS LETTER OF CREDIT ARE FOR THE APPLICANT'S ACCOUNT. ANY TRANSFER OF THIS LETTER OF CREDIT IS NOT CONTINGENT ON APPLICANT'S ABILITY TO PAY THE TRANSFER FEES OR OTHER CHARGES.

DRAFT(S) MUST STATE: "DRAWN UNDER BANK OF AMERICA, N.A. STANDBY L/C NO. DATED ."

DRAFTS AND DOCUMENTS MUST BE PRESENTED AT OUR OFFICE ADDRESSED: BANK OF AMERICA, N.A., 1 FLEET WAY, SCRANTON, PA 18507-1999, ATTN: GTO – STANDBY DEPT. PRESENTATION OF DRAFTS DRAWN HEREUNDER MAY BE ALSO BE MADE VIA FACSIMILE TO 800-755-8743 (IF PRESENTED BY FAX IT MUST BE FOLLOWED UP BY A PHONE CALL TO US AT 800-370-7519 TO CONFIRM RECEIPT). IN THE EVENT OF FASCIMILE PRESENTATION THE ORIGINAL DOCUMENTATION IS NOT REQUIRED TO BE PRESENTED BY MAIL.

WE HEREBY AGREE WITH YOU THAT DRAFT(S) DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT SHALL BE DULY HONORED UPON DUE PRESENTATION TO US.

DRAFTS PRESENTED PRIOR TO 10:00 AM EASTERN TIME ON ANY BUSINESS DAY SHALL BE PAID BY WIRE TRANSFER, AT BENEFICIARY'S INSTRUCTION, BY 5:00 P.M. EASTERN TIME ON THE NEXT BUSINESS DAY. DRAFTS PRESENTED AFTER 10:00 AM EASTERN TIME ON ANY BUSINESS DAY SHALL BE PAID BY WIRE TRANSFER, AT BENEFICIARY'S INSTRUCTION, BY 5:00 PM EASTERN TIME ON THE SECOND SUCCEEDING BUSINESS DAY.

OUR OBLIGATION UNDER THIS CREDIT SHALL NOT BE AFFECTED BY ANY CIRCUMSTANCES, CLAIM OR DEFENSE, REAL OR PERSONAL, IT BEING UNDERSTOOD THAT OUR OBLIGATION SHALL BE THAT OF A PRIMARY OBLIGOR AND NOT THAT OF A SURETY, GUARANTOR OR ACCOMMODATION MAKER AND WE HEREBY WAIVE ANY RIGHT TO DEFER HONORING A DRAFT.

THIS CREDIT SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING, AND SUCH UNDERTAKING SHALL NOT IN ANY WAY BE MODIFIED OR AMPLIFIED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN OR IN WHICH THIS CREDIT IS REFERRED TO OR TO WHICH THIS CREDIT RELATES, AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (ISP98), THE INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590, AND TO THE EXTENT NOT INCONSISTENT THEREWITH SHALL ALSO BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA U.S.A. (WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PROVISIONS THEREOF) INCLUDING, BUT NOT LIMITED TO, ARTICLE 5 OF THE UNIFORM COMMERCIAL CODE AS IN EFFECT ON THE DATE OF ISSUANCE OF THIS LETTER OF CREDIT.

FORM AND CONTENTS ACCEPTED BY:

(SIGNATURE -MUST BE THE SAME AS THAT ON LETTER OF CREDIT APPLICATION)

AUTHORIZED SIGNATURE FOR

_____

APPLICANT

ANNEX 1
(FORM OF SIGHT DRAFT)

DATE:

AGGREGATE AMOUNT: U.S. DOLLARS _____

TO: [NAME OF ISSUER]

AT SIGHT OF THIS DRAFT, PAY TO THE ORDER OF OURSELVES, THE AGGREGATE AMOUNT OF U.S. DOLLARS (INSERT DOLLAR AMOUNT IN WORDS) DRAWN UNDER [NAME OF ISSUER] STANDBY IRREVOCABLE TRANSFERABLE LETTER OF CREDIT NO. DATED

[BENEFICIARY]

BY: (SIGNATURE)
(PRINT NAME AND TITLE)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-200145) of Nevro Corp. of our report dated March 18, 2015 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers, LLP
San Jose, California
March 18, 2015

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)

I, Michael DeMane, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nevro Corp.;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: March 18, 2015

/s/ Michael DeMane
Michael DeMane
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)

I, Andrew H. Galligan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Nevro Corp.;

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

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

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

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: March 18, 2015

/s/ Andrew H. Galligan
Andrew H. Galligan
Vice President of Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Annual Report of Nevro Corp. (the "Company") on Form 10-K for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission (the "Report"), Michael DeMane, Chief Executive Officer of the Company, and Andrew H. Galligan, Vice President of Finance and Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 18, 2015

/s/ Michael DeMane
Michael DeMane
Chief Executive Officer
(principal executive officer)

/s/ Andrew H. Galligan
Andrew H. Galligan
Vice President of Finance and Chief Financial Officer
(principal financial and accounting officer)