

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

FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**Tandem Diabetes Care, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

3841  
(Primary Standard Industrial  
Classification Code Number)

20-4327508  
(I.R.S. Employer  
Identification Number)

11045 Roselle Street  
San Diego, California 92121  
(858) 366-6900

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐

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

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of<br>Securities to be Registered | Proposed<br>Maximum<br>Aggregate<br>Offering Price(1) | Amount of<br>Registration Fee(2) |
|-------------------------------------------------------|-------------------------------------------------------|----------------------------------|
| Common Stock, \$0.001 par value per share             | \$                                                    | \$                               |

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

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

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

Subject to Completion  
Preliminary Prospectus dated \_\_\_\_\_, 2013

PROSPECTUS

Shares



Common Stock

This is the initial public offering of Tandem Diabetes Care, Inc. We are selling \_\_\_\_\_ shares of our common stock.

We expect the public offering price to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. Currently, no public market exists for the shares. We have applied to list our common stock on the NASDAQ Global Market under the symbol “TNDM.”

We are an “emerging growth company” under the federal securities laws and will be subject to reduced public company reporting requirements. For additional information, see “Prospectus Summary—Implications of Being an Emerging Growth Company.”

**Investing in the common stock involves risks that are described in the “[Risk Factors](#)” section beginning on page 10 of this prospectus.**

|                                  | Per Share | Total    |
|----------------------------------|-----------|----------|
| Public offering price            | \$ _____  | \$ _____ |
| Underwriting discount            | \$ _____  | \$ _____ |
| Proceeds, before expenses, to us | \$ _____  | \$ _____ |

The underwriters may also exercise their option to purchase up to an additional \_\_\_\_\_ shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

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

The shares will be ready for delivery on or about \_\_\_\_\_, 2013.

BofA Merrill Lynch

Deutsche Bank Securities

Piper Jaffray

Stifel

The date of this prospectus is \_\_\_\_\_, 2013.

# t:slim®

Insulin Pump

touch simplicity™



(Actual Size)

 **TANDEM®**  
DIABETES CARE





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In considering whether to purchase shares of common stock in this offering, you should rely only on the information contained in this prospectus and any free writing prospectus we file with the Securities and Exchange Commission, or SEC. We and the underwriters have not authorized anyone to provide any information different from that contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock.

## TRADEMARKS

Our trademark portfolio contains seven pending U.S. trademark applications and seven pending foreign trademark applications, as well as 13 trademark registrations, including four U.S. trademark registrations and nine foreign trademark registrations. All other trademarks or trade names referred to in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

## INVESTORS OUTSIDE THE UNITED STATES

Neither we nor any of the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of shares of our common stock and the distribution of this prospectus outside of the United States.

## **MARKET AND INDUSTRY DATA AND FORECASTS**

Certain market and industry data and forecasts included in this prospectus were obtained from independent market research, industry publications and surveys, governmental agencies and publicly available information. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying assumptions relied upon therein. Similarly, independent market research and industry forecasts, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. Forecasts are particularly likely to be inaccurate, especially over long periods of time. While we are not aware of any misstatements regarding the market or industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" beginning on page 10 of this prospectus.

## PROSPECTUS SUMMARY

*This prospectus summary highlights certain information appearing elsewhere in this prospectus. As this is a summary, it does not contain all of the information that you should consider before making a decision to invest in our common stock. You are encouraged to carefully read this entire prospectus, including the information provided under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes, before investing in our common stock.*

*Unless otherwise stated in this prospectus, references to “Tandem,” “we,” “us,” “our” or “the Company” refer to Tandem Diabetes Care, Inc.*

### Overview

We are a medical device company with an innovative approach to the design, development and commercialization of products for people with insulin-dependent diabetes. We designed and commercialized our flagship product, the t:slim Insulin Delivery System, or t:slim, based on our proprietary technology platform and unique consumer-focused approach. Our technology platform features our patented Micro-Delivery Technology, easy-to-navigate software architecture, vivid color touchscreen and a micro-USB connection that supports both a rechargeable battery and t:connect, our data management application. Leveraging this platform, we develop products to address unmet needs of people in all segments of the large and growing insulin-dependent diabetes market. Our innovative, consumer-focused approach is driven by our extensive market research as we believe the user is the primary decision maker when purchasing an insulin pump. We also apply the science of human factors to our design and development process, which optimizes a user’s ability to successfully operate a device or system in its intended environment.

We developed t:slim to offer the specific features that people with insulin-dependent diabetes seek in a next-generation insulin pump. We designed it to have the look and feel of a modern consumer electronic device, such as a smartphone. It is the first and only insulin pump to feature a high resolution, color touchscreen. It is also the slimmest and smallest durable insulin pump currently on the market, and can easily and discreetly fit into a pocket, while still carrying a cartridge with 300 units of insulin. The touchscreen and intuitive software architecture make it easy to use, learn and teach, and to update the software without requiring any hardware changes.

Our target market consists of approximately 2.5 million people in the United States who require daily administration of insulin, including all people with type 1 diabetes and people with type 2 diabetes who are insulin-dependent.

The U.S. Food and Drug Administration, or FDA, cleared t:slim in November 2011, making it one of the first insulin pumps to be cleared under the FDA’s Infusion Pump Improvement Initiative. We commenced commercial sales of t:slim in the United States in the third quarter of 2012. For the year ended December 31, 2012, our sales were \$2.5 million. For the six months ended June 30, 2013, our sales were \$11.0 million. Since the launch of t:slim, the number of units shipped has increased each quarter, and we have shipped approximately 3,200 pumps as of June 30, 2013.

We believe we have an opportunity to rapidly increase sales both by expanding our sales and marketing infrastructure and by further penetrating and expanding the insulin pump therapy market by addressing the product and technology shortcomings of existing insulin therapies. Since the commercialization of t:slim, a significant number of our customers have converted from multiple daily injection, or MDI, to t:slim for their insulin therapy.

Our headquarters and our manufacturing facility are located in San Diego, California and we employed 270 people as of June 30, 2013.



## The Market

Diabetes is a chronic, life-threatening disease for which there is no known cure. The disease is caused when the pancreas does not produce enough insulin or the body cannot effectively use the insulin it produces. Insulin is a life-sustaining hormone that allows cells in the body to absorb glucose from blood and convert it to energy. As a result, a person with diabetes cannot utilize the glucose properly and it continues to accumulate in the blood. If not closely monitored and properly treated, diabetes can lead to serious medical complications, including damage to various tissues and organs, seizures, coma and death.

The International Diabetes Federation, or IDF, estimates that in 2012 more than 371 million people had diabetes worldwide and that by 2030, this will increase to 552 million people worldwide. According to the National Diabetes Information Clearinghouse, or NDIC, in 2011 approximately 25.8 million people in the United States had diabetes.

Our target market consists of approximately 2.5 million people who require daily administration of insulin in the United States, which includes approximately 1.5 million people with type 1 diabetes and approximately 1.0 million people with type 2 diabetes who are insulin-dependent. Throughout this prospectus, we refer to people with type 1 diabetes and people with type 2 diabetes who are insulin-dependent as people with insulin-dependent diabetes.

There are two primary therapies practiced by people with insulin-dependent diabetes, insulin injections and insulin pumps, each of which is designed to supplement or replace the insulin-producing function of the pancreas. Insulin injections are often referred to as multiple daily injection, or MDI, and involve the use of syringes or insulin pens to inject insulin into the person's body. Insulin pumps are used to perform what is often referred to as continuous subcutaneous insulin infusion, or insulin pump therapy, and typically use a programmable device and an infusion set to administer insulin into the person's body.

According to JDRE, more than 400,000 people with type 1 diabetes in the United States use an insulin pump, or approximately 27% of the type 1 diabetes population. According to industry estimates, approximately 50,000 people with type 2 diabetes in the United States use an insulin pump, or approximately 2% of the type 2 diabetes population who are insulin-dependent. There are approximately 30,000 people in the United States who begin using insulin pump therapy each year, representing an 7% annual increase in pump use. In 2012, the U.S. insulin pump market was approximately \$1.2 billion.

We believe that the distinct advantages and increased awareness of insulin pump therapy as compared to other available insulin therapies will continue to generate demand for insulin pump devices and accessories. We also believe that the adoption of insulin pump therapy would be even greater if not for the significant and fundamental perceived shortcomings of insulin pumps currently available, which we refer to as traditional pumps.

## The Opportunity

Based on our market research and statistical analysis, we believe that the limited adoption of insulin pump therapy by people with insulin-dependent diabetes is largely due to the significant and fundamental perceived shortcomings of traditional pumps currently available. These shortcomings include:

**Antiquated style.** While consumer electronic devices have rapidly evolved in form and function over the past decade, traditional pumps have not achieved similar advances. Our market research has shown that traditional insulin pump users frequently report being embarrassed by the style of their traditional pump.

**Bulky size.** Our market research has shown that consumers view traditional pumps as large, bulky and inconvenient to carry or wear, especially when compared to modern consumer electronic devices, such as smartphones. The size of the pump further contributes to users being embarrassed by the pump.

**Difficult to learn and teach.** Traditional pumps often rely on complicated and outdated technology and are not intuitive to operate. Our research has shown that it can take several days to competently learn how to use traditional pumps, leading to frustration, frequent mistakes and additional training, each of which may discourage adoption.

**Complicated to use.** Traditional pumps are designed with linear software menus, which require the user to follow display screens sequentially, limiting their ability to access information within workflows or easily return to the starting point. Our research has shown that the complicated nature of the process can lead to confusion, frustration and fear of making mistakes with the pump.

**Pump mechanism limitations.** Traditional pumps utilize a mechanical syringe and plunger mechanism to deliver insulin limiting miniaturization. Our research has shown that the fear of adverse health events due to technical malfunction related to traditional pump mechanism limitations deters the adoption of insulin pump therapy.

We believe that these shortcomings of traditional pumps have greatly limited the adoption of pump therapy. By addressing these issues, there is a meaningful opportunity to not only address the concerns and unmet needs of traditional insulin pump users, but also to motivate eligible MDI users to adopt pump therapy.

### **Our Solution**

We developed our proprietary technology platform using a consumer-focused approach by first utilizing extensive market research to ascertain what consumers want, and then designing products to meet those demands. Our development process applies the science of human factors, which optimizes a user's ability to successfully operate a device or system in its intended environment through an iterative process involving user testing and design refinement. This approach has resulted in products that provide users with the distinct product features they seek. We believe this approach is fundamentally different from the traditional medical device development process. Our products, technology platform and consumer-focused approach are intended to address the unmet needs of traditional insulin pump users and the concerns that have discouraged pump-eligible MDI users from adopting pump therapy. Specifically, our solution addresses the shortcomings of traditional pumps identified through our market research. Our solution includes:

**Contemporary style.** We designed our flagship product, t:slim, to have the look and feel of a modern consumer electronic device, such as a smartphone. Relying on significant consumer input and feedback during the development process, we believe t:slim's aesthetically-pleasing, modern design addresses the embarrassing appearance-related concerns of insulin pump users.

**Compact size.** t:slim is the slimmest and smallest durable insulin pump on the market. With its narrow profile, which is similar to many smartphones, t:slim can easily and discreetly fit into a pocket. Based on extensive consumer input during development, we believe t:slim addresses both the embarrassment and functionality concerns related to the size and inconvenience of carrying a traditional pump.

**Easy to learn and teach.** Our technology platform allows for the use of a vivid touchscreen and easy-to-navigate software architecture, which provide users simple access to the key functions of t:slim directly from the Home Screen. Insulin pump users can quickly learn how to efficiently navigate t:slim's software, thereby enabling healthcare providers to spend less time teaching a person how to use the pump and more time on improving management of their diabetes.

**Intuitive to use.** Similar to what is found in modern consumer electronic devices, the embedded software displayed on our vivid touchscreen features intuitive and commonly interpreted colors, language, icons and feedback. Our software also features numerous shortcuts, including a simple way to return to the Home Screen and view critical information for therapy management. We believe these features will allow users to more efficiently manage their diabetes without fear or frustration.

**Next generation pump mechanism.** Our Micro-Delivery Technology is unique compared to traditional pumps. Our technology allows us to reduce the size of the device as compared to traditional pumps and is capable of delivering the smallest increment of insulin to users of any pump currently available.

We believe our technology platform will allow our products to further penetrate and expand the insulin pump therapy market by addressing the specific product and technology limitations that have been raised by people with diabetes, their caregivers and healthcare providers through our market research and iterative human factors based design process. We also believe our product platform provides us with the opportunity to address unmet needs in the insulin-dependent diabetes market related to limitations with current devices, including with respect to increased insulin volume capacity, integrated continuous glucose monitoring, or CGM, solutions, further device miniaturization and multiple hormone delivery capabilities.

#### **t:slim Insulin Delivery System**

The t:slim Insulin Delivery System is comprised of the t:slim pump, its disposable cartridge and an infusion set. t:slim's vivid, full color touchscreen is made of high-grade, shatter-resistant glass and provides users the ability to enter commands directly, rather than scrolling through a list of numbers and screens. We designed the streamlined, user-friendly interface to facilitate rapid access to the features people use most. The interface also includes an options menu that provides quick and intuitive navigation to key insulin management features, pump settings, cartridge loading and use history. t:slim also features a Home Screen button that immediately returns the user to the Home Screen, which displays important administrative features.

#### **Our Strategy**

Our goal is to significantly expand and further penetrate the insulin-dependent diabetes market and become the leading provider of insulin pump therapy. Specifically, we intend to pursue the following business strategies:

**Advance our platform of innovative, consumer-focused products to address the unmet needs of people in all segments of the insulin-dependent diabetes market.** We believe that our proprietary technology platform allows us to provide the most sophisticated and intuitive insulin pump therapy products on the market. We intend to leverage this platform to expand our product offerings to address people in all segments of the large and growing insulin-dependent diabetes market.

**Invest in our consumer-focused approach.** We believe that our consumer-focused approach to product design, marketing and customer care is a key differentiator. This approach allows us to add the product features most requested by people with insulin-dependent diabetes, thereby affording the consumer the opportunity to more efficiently manage their diabetes. We will continue to apply the science of human factors throughout the design, development and continuous improvement of our products to optimize the consumer's ability to utilize our products.

**Promote awareness of our products to consumers, their caregivers and healthcare providers.** Our products were specifically designed to address the shortcomings of currently available technologies that have limited the adoption of insulin pump therapy. By promoting awareness of our products, we believe that we will attract users of other pump therapies and MDI to our products.

**Expand our sales and marketing infrastructure to drive adoption of our products.** Our sales and marketing infrastructure is scalable, and we will continue to invest in the expansion of this infrastructure to increase our access to people with diabetes, their caregivers and healthcare providers. We believe that investment in our sales and marketing infrastructure will drive continued adoption of our products and significantly increase our revenues.

**Broaden third-party payor coverage for our products in the United States.** We believe that third-party reimbursement is an important determinant in driving consumer adoption. We intend to add third-party payors as we broaden our sales and marketing focus.

***Leverage our manufacturing operations to achieve cost and production efficiencies.*** We manufacture our products at our headquarters in San Diego, California. We utilize a semi-automated manufacturing process for our pump products and a fully-automated manufacturing process for our disposable cartridges. We intend to reduce our product costs and drive operational efficiencies by leveraging this scalable, flexible manufacturing infrastructure.

#### **Selected Risk Factors**

Our business is subject to numerous risks and uncertainties of which you should be aware before you decide to invest in our common stock. These risks may prevent us from achieving our business objectives, and may adversely affect our business, financial condition, results of operations and prospects. These risks are discussed in greater detail in the section entitled “Risk Factors” beginning on page 10 of this prospectus. Some of these risks include:

- We have incurred significant operating losses since inception and cannot assure that we will achieve profitability;
- We currently rely on sales of t:slim to generate our revenue. The failure of t:slim to achieve and maintain significant market acceptance or any factors that negatively impact sales of this product may adversely affect our business, financial condition and operating results;
- Failure to secure or retain adequate coverage or reimbursement for t:slim by third-party payors could adversely affect our business, financial condition and operating results;
- We operate in a very competitive industry and if we are unable to compete successfully against our existing or potential competitors, many of whom have greater resources than we have, our sales and operating results may be negatively affected;
- Competitive products or other technological breakthroughs for the monitoring, treatment or prevention of diabetes may render our products obsolete;
- If we are unable to maintain and expand our sales, marketing and clinical infrastructure, we may not be able to increase our sales to meet our forecasts;
- Our sales and marketing efforts are dependent on independent distributors who are free to market products that are competitive with t:slim;
- If we are unable to maintain or expand our network of independent distributors, our sales may be negatively affected;
- We have a limited operating history and may face difficulties encountered by companies early in their commercialization in new and rapidly evolving markets;
- Manufacturing risks may adversely affect our ability to manufacture products and could reduce our gross margins and negatively affect our operating results;
- Our ability to protect our intellectual property and proprietary technology is uncertain; and
- Our products and operations are subject to extensive governmental regulation and failure to comply with applicable requirements would cause our business to suffer.

#### **Implications of Being an Emerging Growth Company**

As a company with less than \$1.0 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. An

emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we are permitted to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations;
- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions for up to five years subsequent to the effective date of this registration statement or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company upon the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) December 31 of the fiscal year that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, or the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter and we have been publicly reporting for at least 12 months or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

We may choose to take advantage of some but not all of these reduced burdens. We have taken advantage of reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different from the information you receive from our competitors that are public companies, or other public companies in which you have made an investment.

### **Corporate Information**

We were incorporated in Colorado in January 2006 and reincorporated in Delaware in January 2008. Our principal executive offices are located at 11045 Roselle Street, San Diego, California 92121. The telephone number of our principal executive office is (858) 366-6900. Our website is [www.tandemdiabetes.com](http://www.tandemdiabetes.com). The information on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be a part of this prospectus or in deciding whether to purchase our common stock.

### **The Offering**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Tandem Diabetes Care, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Common Stock offered by us:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Common Stock to be outstanding immediately after this offering:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Option to purchase additional shares:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | The underwriters have an option to purchase a maximum of additional shares of common stock from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Use of proceeds:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | We estimate that we will receive net proceeds from this offering of approximately \$      million, or \$      million if the underwriters fully exercise their option to purchase additional shares, assuming an initial public offering price of \$      , the midpoint of the range of prices set forth on the cover of this prospectus and after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to expand our sales and marketing infrastructure, to fund additional research and development activities, to expand our manufacturing capabilities, and for working capital and other general corporate purposes. For additional information, see “Use of Proceeds.” |
| Risk factors:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Investing in our common stock involves risks. See the section entitled “Risk Factors” beginning on page 10 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Proposed NASDAQ symbol:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | “TNDM”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| The number of shares of our common stock to be outstanding after this offering is based upon shares of common stock outstanding as of June 30, 2013, and excludes:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <ul style="list-style-type: none"><li>• 455,487 shares of common stock issuable upon exercise of outstanding warrants as of June 30, 2013, at a weighted average exercise price of \$0.01 per share;</li><li>• 2,390,586 shares of preferred stock issuable upon exercise of outstanding warrants as of June 30, 2013, at a weighted-average exercise price of \$4.40 per share, which will be converted into warrants to purchase an aggregate of 2,390,586 shares of our common stock, at a weighted average exercise price of \$4.40 per share, upon closing of this offering;</li><li>• 3,831,085 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock under our 2006 Stock Incentive Plan, or the 2006 Plan, as of June 30, 2013, at a weighted average exercise price of \$1.07 per share (of which options to acquire 359,346 shares of common stock are vested as of June 30, 2013);</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

- shares of common stock reserved for future grant or issuance under our 2013 Stock Incentive Plan, or the 2013 Plan, which will become effective in connection with this offering;
- shares of common stock reserved for future grant or issuance under the 2013 Employee Stock Purchase Plan, or the ESPP, which will become effective in connection with this offering; and
- shares subject to the underwriters' option to purchase additional shares.

Except as otherwise indicated, the information in this prospectus does not give effect to a reverse stock split of our outstanding common stock to be effected immediately prior to this offering and assumes:

- the sale of all shares of common stock offered by this prospectus other than the shares subject to the underwriters' option to purchase additional shares;
- the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering;
- the automatic conversion upon the closing of this offering of all shares of our preferred stock to 22,031,600 shares of our common stock;
- the automatic conversion upon the closing of this offering of all warrants to purchase shares of preferred stock into warrants to purchase an aggregate of 2,390,586 shares of our common stock at a weighted average exercise price of \$4.40 per share; and
- no options, warrants or shares of common stock were issued after June 30, 2013 and no outstanding options or warrants were exercised after June 30, 2013.

### Summary Financial Data

The following table sets forth our summary financial data for the periods indicated. We derived the summary financial data presented below for the years ended December 31, 2011 and 2012 from our audited financial statements included elsewhere in this prospectus. We derived the summary financial data presented below as of June 30, 2013 and for the six months ended June 30, 2012 and 2013 from our unaudited financial statements included elsewhere in this prospectus.

The following summary financial data should be read in conjunction with, and is qualified in its entirety by reference to, “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of future operating results and our interim results are not necessarily indicative of results for a full year.

#### Statement of Operations Data:

| (in thousands, except share and per share data)                                                      | Years Ended December 31, |             | Six Months Ended June 30, |             |
|------------------------------------------------------------------------------------------------------|--------------------------|-------------|---------------------------|-------------|
|                                                                                                      | 2011                     | 2012        | 2012                      | 2013        |
|                                                                                                      |                          |             | (Unaudited)               |             |
| Sales                                                                                                | \$ —                     | \$ 2,475    | \$ —                      | \$ 10,986   |
| Cost of Sales                                                                                        | —                        | 3,823       | —                         | 8,540       |
| Gross profit                                                                                         | —                        | (1,348)     | —                         | 2,446       |
| Operating expenses:                                                                                  |                          |             |                           |             |
| Selling, general and administrative                                                                  | 15,951                   | 22,691      | 10,263                    | 18,208      |
| Research and development                                                                             | 8,261                    | 9,009       | 4,910                     | 5,081       |
| Total operating expense                                                                              | 24,212                   | 31,700      | 15,173                    | 23,289      |
| Operating loss                                                                                       | (24,212)                 | (33,048)    | (15,173)                  | (20,843)    |
| Total other income (expense), net                                                                    | (1,298)                  | 33          | (1,775)                   | (5,621)     |
| Net loss and comprehensive loss                                                                      | \$ (25,510)              | \$ (33,015) | \$ (16,948)               | \$ (26,464) |
| Net loss per share, basic and diluted:                                                               | \$ (79.98)               | \$ (90.56)  | \$ (47.66)                | \$ (31.63)  |
| Weighted average shares used to compute basic and diluted net loss per share:                        | 318,947                  | 364,585     | 355,577                   | 836,731     |
| Pro forma net loss per share, basic and diluted (unaudited):                                         |                          |             |                           |             |
| Weighted average shares used to compute pro forma net loss per share, basic and diluted (unaudited): |                          |             |                           |             |

#### Balance Sheet Data:

| (in thousands)              | As of June 30, 2013 |                                         |
|-----------------------------|---------------------|-----------------------------------------|
|                             | Actual              | Pro Forma<br>As Adjusted<br>(Unaudited) |
| Cash and cash equivalents   | \$ 30,133           |                                         |
| Working capital             | \$ 29,211           |                                         |
| Property and equipment, net | \$ 9,037            |                                         |
| Total assets                | \$ 59,227           |                                         |
| Notes payable               | \$ 29,292           |                                         |
| Convertible preferred stock | \$ 140,637          |                                         |
| Total stockholders’ deficit | \$ (131,486)        |                                         |



## RISK FACTORS

*An investment in our common stock involves risks. You should consider carefully the risks described below, together with all of the other information included in this prospectus, before investing in our common stock. If any of the following risks actually occur, our business, financial condition, operating results and prospects could suffer. In that case, the trading price of our common stock may decline and you might lose all or part of your investment. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business, financial condition, operating results and prospects. Certain statements below are forward-looking statements. For additional information, see “Cautionary Note Regarding Forward-Looking Statements.”*

### **Risks Relating to Our Business and our Industry**

***We have incurred significant operating losses since inception and cannot assure you that we will achieve profitability.***

Since our inception in January 2006 we have incurred a significant net loss. As of December 31, 2012, we had an accumulated deficit of \$106.1 million, and as of June 30, 2013, we had an accumulated deficit of \$132.5 million. To date, we have financed our operations primarily through sales of our preferred stock, a debt financing with Capital Royalty Partners, and limited sales of our products. We have devoted substantially all of our resources to the research and development of our products, the commercial launch of our products, the development of a sales and marketing team and the assembly of a management team to manage our business.

We began commercial sales of t:slim in the third quarter of 2012. Beginning in the first quarter of 2013, we have been able to manufacture and sell t:slim at a cost and in volumes sufficient to allow us to achieve a positive gross margin. For the six months ended June 30, 2013, our gross profit was \$2.4 million. However, although we have achieved a positive gross margin, we still operate at a substantial net loss and expect that we will continue to do so for at least the next several years.

To implement our business strategy we need to, among other things, grow our sales and marketing infrastructure to increase sales of our products, fund ongoing research and development activities, expand our manufacturing capabilities, and obtain regulatory clearance or approval to commercialize our products currently under development. We expect our expenses to increase significantly as we pursue these objectives. The extent of our future operating losses and the timing of profitability are highly uncertain, especially given that we only recently began to commercialize t:slim, which makes forecasting our sales more difficult. Any additional operating losses will have an adverse effect on our stockholders’ equity, and we cannot assure you that we will ever be able to achieve or sustain profitability.

***We currently rely on sales of t:slim to generate our revenue. The failure of t:slim to achieve and maintain significant market acceptance, and any factors that negatively impact sales of this product, may adversely affect our business, financial condition and operating results.***

Our only revenue-generating commercial product is t:slim, which we introduced to the market in the third quarter of 2012. We expect to continue to derive a significant portion of our revenue from the sale of this product and the related disposable insulin cartridges. In order for us to sell t:slim to people with insulin-dependent diabetes, we must convince them, their caregivers and healthcare providers that it is an attractive alternative to competitive products for the treatment of diabetes, including traditional insulin pump products and MDI therapies, as well as alternative insulin treatment methodologies. Market acceptance and adoption of t:slim depends on educating people with diabetes, as well as their caregivers and healthcare providers, as to the distinct features, ease-of-use, positive lifestyle impact, and other perceived benefits of t:slim as compared to competitive

products. If we are not successful in convincing existing and potential customers of the benefit of t:slim, or if we are not able to achieve the support of caregivers and healthcare providers for t:slim, our sales may decline or we may fail to increase our sales in line with our forecasts.

Sales of t:slim may be negatively impacted by many factors, including:

- the failure of t:slim to achieve wide acceptance among people with insulin-dependent diabetes, their caregivers, insulin-prescribing healthcare providers, third-party payors and key opinion leaders in the diabetes treatment community;
- problems arising from the expansion of our manufacturing capabilities, or destruction, loss, or temporary shutdown of our manufacturing facility;
- lack of evidence supporting the safety, ease-of-use or other perceived benefits of t:slim over competitive products or other currently available insulin treatment methodologies;
- perceived risks associated with the use of t:slim or similar products or technologies generally;
- changes in reimbursement rates or policies relating to t:slim or similar products or technologies by third-party payors;
- claims that t:slim, or any component thereof, infringes on patent rights or other intellectual property rights of third-parties;
- adverse regulatory or legal actions relating to t:slim or similar products or technologies;
- the introduction of competitive products and the rate of acceptance of those products as compared to t:slim; and
- results of clinical studies relating to t:slim or similar competitive products.

If any one or more of these factors arise, we may fail to achieve sales at or above our projected amounts. If our sales do not meet projected amounts, we may fail to meet our strategic objectives, and our business, financial condition and operating results could be materially and adversely affected.

***Failure to secure or retain adequate coverage or reimbursement for t:slim by third-party payors could adversely affect our business, financial condition and operating results.***

We have derived nearly all of our revenue from the sale of t:slim in the United States and expect to continue to do so for the next several years. A substantial portion of the purchase price of t:slim is typically paid for by third-party payors, including private insurance companies, preferred provider organizations and other managed care providers. Future sales of t:slim will be limited unless our customers can continue to rely on third-party payors to pay for all or part of the cost to purchase t:slim. Continued access to adequate coverage and reimbursement for t:slim by third-party payors is essential to the acceptance of our products by customers.

Many third-party payors use coverage decisions and payment amounts determined by the Centers for Medicare and Medicaid Services, or CMS, which administers the U.S. Medicare program, as guidelines in setting their coverage and reimbursement policies. Future action by CMS or other government agencies may diminish payments for our products. In addition, those third-party payors that do not follow the CMS guidelines may adopt different coverage and reimbursement policies for our products, which could also diminish payments for t:slim.

We currently have contracts establishing reimbursement for t:slim with 35 national and regional third-party payors in the United States. While we anticipate entering into additional contracts with third-party payors,

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we cannot guarantee that we will succeed in doing so or that the reimbursement contracts that we are able to negotiate will enable us to sell our products on a profitable basis. In addition, contracts with third-party payors generally can be modified or terminated by the third-party payor without cause and with little or no notice to us. Moreover, compliance with the administrative procedures or requirements of third-party payors may result in delays in processing approvals by those third-party payors for customers to obtain coverage for t:slim. Failure to secure or retain adequate coverage or reimbursement for t:slim by third-party payors, or delays in processing approvals by those payors, could result in the loss of sales, which could have a material adverse effect on our business, financial condition and operating results.

Furthermore, the healthcare industry in the United States is increasingly focused on cost containment as government and private insurers seek to control healthcare costs by imposing lower payment rates and negotiating reduced contract rates with third-party payors. If third-party payors deny coverage or reduce their current levels of payment, or if our production costs increase faster than increases in reimbursement levels, we may be unable to sell t:slim on a profitable basis.

***We operate in a very competitive industry and if we fail to compete successfully against our existing or potential competitors, many of whom have greater resources than we have, our sales and operating results may be negatively affected.***

The medical device industry is intensely competitive, subject to rapid change and highly sensitive to the introduction of new products or technologies, or other activities of industry participants. t:slim competes directly with a number of traditional insulin pumps as well as other methods for the treatment of diabetes. Many of our existing and potential competitors are major medical device companies that are either publicly traded companies or divisions or subsidiaries of publicly traded companies. For instance, Medtronic MiniMed, a division of Medtronic, Inc., has been the market leader for many years and has the majority share of the traditional insulin pump market in the United States. Other significant traditional insulin pump suppliers in the United States include Animas Corporation, a division of Johnson & Johnson, Roche Diagnostics, a division of F. Hoffman-La Roche Ltd., and Insulet Corporation.

These competitors also enjoy several competitive advantages over us, including:

- greater financial and human resources for sales and marketing, and product development;
- established relationships with healthcare providers and third-party payors;
- established reputation and name recognition among healthcare providers and other key opinion leaders in the diabetes industry;
- in some cases, an established base of long-time customers;
- products supported by long-term clinical data;
- larger and more established distribution networks;
- greater ability to cross-sell products or provide incentives to healthcare providers to use their products; and
- more experience in conducting research and development, manufacturing, clinical trials, and obtaining regulatory approval or clearance.

For these and other reasons, we may not be able to compete successfully against our current or potential future competitors. As a result, we may fail to meet our strategic objectives and forecasted budget, and our business, financial condition and operating results could be materially and adversely affected.

***Competitive products or other technological breakthroughs for the monitoring, treatment or prevention of diabetes may render our products obsolete.***

Our ability to achieve our strategic objectives will depend, among other things, on our ability to develop and commercialize products for the treatment of diabetes that offer distinct features, are easy-to-use, receive adequate coverage and reimbursement from third-party payors, and are more appealing than available alternatives. Our primary competitors, as well as a number of other companies, medical researchers and existing pharmaceutical companies are pursuing new delivery devices, delivery technologies, sensing technologies, procedures, drugs and other therapies for the monitoring, treatment and prevention of diabetes. Any technological breakthroughs in diabetes monitoring, treatment or prevention could reduce the potential market for t:slim or render t:slim obsolete altogether, which would significantly reduce our sales.

Because of the size of the insulin-dependent diabetes market, we anticipate that companies will continue to dedicate significant resources to developing competitive products. The frequent introduction by competitors of products that are or claim to be superior to our products may create market confusion that may make it difficult to differentiate the benefits of our products over competitive products. In addition, the entry of multiple new products may lead some of our competitors to employ pricing strategies that could adversely affect the pricing of our products. If a competitor develops a product that competes with or is perceived to be superior to t:slim, or if a competitor employs strategies that place downward pressure on pricing within our industry, our sales may decline significantly or may not increase in line with our forecasts, either of which would materially adversely affect our business, financial condition and operating results.

***If we are unable to expand our sales, marketing and clinical infrastructure, we may fail to increase our sales to meet our forecasts.***

Because we began commercialization of t:slim in the third quarter of 2012, we have only limited experience marketing and selling our products as well as training new customers on the use of t:slim. We derive nearly all of our revenue from the sale of t:slim and we expect that this will continue for the next several years unless and until we receive regulatory clearance or approval for other products currently in development. As a result, our financial condition and operating results are and will continue to be highly dependent on the ability of our sales representatives to adequately promote, market and sell t:slim and the ability of our diabetes educators to train new customers on the use of t:slim. If our sales and marketing representatives or diabetes educators fail to achieve their objectives, our sales could decrease or may not increase at levels that are in line with our forecasts.

A key element of our business strategy is the continued expansion of our sales, marketing and clinical infrastructure to drive adoption of our products, as well as our team of diabetes educators that trains new customers on the use of t:slim. We have rapidly increased the number of sales, marketing and clinical personnel employed by us since the initial commercial launch of t:slim. However, we have faced considerable challenges in quickly growing our sales, marketing and clinical force over the past 12 months, including with respect to recruiting, training and assimilation of new territories and accounts. We expect to continue to face significant challenges as we manage and grow our sales, marketing and clinical infrastructure and work to retain the individuals who make up those networks. If any of our sales, marketing or clinical representatives were to leave us, our sales could be adversely affected. If a sales, marketing or clinical representative were to depart and be retained by one of our competitors, we may fail to prevent them from helping competitors solicit business from our existing customers, which could further adversely affect our sales. In addition, if we are not able to recruit and retain a network of diabetes educators, we may not be able to successfully train new customers on the use of t:slim, which could delay new sales and harm our reputation.

As we increase our sales, marketing and clinical expenditures with respect to existing or planned products, we will need to further expand the reach of our sales, marketing and clinical networks. Our future success will depend largely on our ability to continue to hire, train, retain and motivate skilled sales, marketing and clinical representatives with significant industry-specific knowledge in various areas, such as diabetes

treatment techniques and technologies, as well as the competitive landscape for our products. New hire sales representatives require training and take time to achieve full productivity. If we fail to train new hires adequately, or if we experience high turnover in our sales force in the future, we cannot be certain that new hires will become as productive as may be necessary to maintain or increase our sales. In addition, the expansion of our sales, marketing and clinical personnel will continue to place significant burdens on our management team.

If we are unable to expand our sales, marketing and clinical capabilities, we may not be able to effectively commercialize our existing or planned products, or enhance the strength of our brand, either of which could result in the failure of our sales to increase in line with our forecasts.

***Our sales and marketing efforts are dependent on independent distributors who are free to market products that compete with t:slim. If we are unable to maintain or expand our network of independent distributors, our sales may be negatively affected.***

For the six months ended June 30, 2013, approximately 66% of our sales were generated through 25 independent distributors. While we expect that the percentage of our sales generated from independent distributors will decrease over time as we enter into contracts with additional third party payors, we believe that a meaningful percentage of our sales will continue to be generated by independent distributors for the foreseeable future. None of our independent distributors has been required to sell our products exclusively and each of them may freely sell the products of our competitors. Our distributor agreements generally have one year initial terms with automatic one-year renewal terms, and are terminable in connection with a party's material breach.

Some of our independent distributors account for a significant portion of our sales volume. For the six months ended June 30, 2013, our three largest independent distributors comprised approximately 29% of our sales. If any of our key independent distributors were to cease to distribute our products, our sales could be adversely affected. In such a situation, we may need to seek alternative independent distributors or increase our reliance on our other independent distributors or our direct sales representatives, which may not prevent our sales from being adversely affected. Additionally, to the extent that we enter into additional arrangements with independent distributors to perform sales, marketing, or distribution services, the terms of the arrangements could cause our product margins to be lower than if we directly marketed and sold our products.

***Our ability to grow our revenue depends in part on retaining a high percentage of our customer base.***

A key to maintaining and growing our revenue is the retention of a high percentage of our customers due to the significant revenue generated from ongoing purchases of disposable insulin cartridges. In addition, t:slim is designed and tested to remain effective for four years and a satisfied customer may consider purchasing another product from us when the time comes to replace the pump. We have developed retention programs aimed at customers, their caregivers and healthcare providers, which include training specific to t:slim, ongoing support by sales and clinical employees and 24/7 technical support and customer service. If demand for our products fluctuates as a result of the introduction of competitive products, changes in reimbursement policies, manufacturing problems, perceived safety issues with our or competitors' products, the failure to secure regulatory clearance or approvals, or for other reasons, our ability to attract and retain customers could be harmed. The failure to retain a high percentage of our customers would negatively impact our revenue growth and may have a material adverse effect on our business, financial condition and operating results.

***If important assumptions about the potential market for our products are inaccurate, or if we have failed to understand what people with insulin-dependent diabetes are seeking in an insulin pump, our business and operating results may be adversely affected.***

Our business strategy was developed based on a number of important assumptions brought forth by key marketing and sales management personnel who have spent decades working with the key competitors in the insulin pump business about the diabetes industry in general, and the insulin-dependent diabetes market in

particular, any one or more of which may prove to be inaccurate. We believe that the benefits of insulin pump therapy as compared to other common insulin treatment alternatives will continue to drive growth in the market for insulin pump therapy. However, each of these trends is uncertain and limited sources exist to obtain reliable market data. The actual incidence of diabetes, and the actual demand for our products or competitive products, could differ materially from our projections if our assumptions are incorrect. In addition, our strategy of focusing exclusively on the insulin-dependent diabetes market may limit our ability increase sales or achieve profitability.

Another key element of our business strategy is utilizing market research to understand what people with diabetes are seeking to improve their diabetes therapy management. This strategy underlies our entire product design, marketing and customer support approach and is the basis on which we developed t:slim. However, our market research is based on interviews, focus groups and online surveys involving people with insulin-dependent diabetes, their caregivers and healthcare providers that represent only a small percentage of the overall insulin-dependent diabetes market. As a result, the responses we received may not be reflective of the broader market and may not provide us accurate insight into the desires of people with insulin-dependent diabetes. In addition, understanding the meaning and significance of the responses received during our market research necessarily requires that certain analysis be conducted and certain conclusions be drawn. We may not be able perform an analysis that yields meaningful results, or the conclusions we draw from the analysis could be misleading. Moreover, even if our market research has allowed us to better understand the features consumers are seeking in an insulin pump to improve management of their diabetes therapy, there can be no assurance that consumers will actually purchase our products or that our competitors will not develop products with similar features.

***We have a limited operating history and may face difficulties encountered by companies early in their commercialization in competitive and rapidly evolving markets.***

We commenced operations in 2006 and began commercializing t:slim in the third quarter of 2012. Accordingly, we have a limited operating history upon which to evaluate our business and forecast our future sales and operating results. In assessing our business prospects, you should consider the various risks and difficulties frequently encountered by companies early in their commercialization in competitive and rapidly evolving markets, particularly companies that develop and sell medical devices. These risks include our ability to:

- implement and execute our business strategy;
- expand and improve the productivity of our sales and marketing infrastructure to grow sales of our existing and proposed products;
- increase awareness of our brand and build loyalty among people with insulin-dependent diabetes, their caregivers and healthcare providers;
- manage expanding operations;
- expand our manufacturing capabilities, including increasing production of current products efficiently and adapting our manufacturing facilities to the production of new products;
- respond effectively to competitive pressures and developments;
- enhance our existing products and develop proposed products;
- obtain regulatory clearance or approval to commercialize proposed products and enhance our existing products;
- perform clinical trials with respect to our existing products and proposed products; and

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- attract, retain and motivate qualified personnel in various areas of our business.

Due to our limited operating history, we may not have the institutional knowledge or experience to be able to effectively address these and other risks that may face our business. In addition, we may not be able to develop insights into trends that could emerge and negatively affect our business and may fail to respond effectively to those trends. As a result of these or other risks, we may not be able to execute key components of our business strategy, and our business, financial condition and operating results may suffer.

***Manufacturing risks may adversely affect our ability to manufacture products and could reduce our gross margins and negatively affect our operating results.***

Our business strategy depends on our ability to manufacture our current and proposed products in sufficient quantities and on a timely basis so as to meet consumer demand, while adhering to product quality standards, complying with regulatory requirements and managing manufacturing costs. We are subject to numerous risks relating to our manufacturing capabilities, including:

- delays or disruptions caused by quality or reliability defects from a product component that we source from a third party supplier;
- our inability to secure key product components in a timely manner, in sufficient quantities or on commercially reasonable terms;
- our failure to increase production of products to meet demand;
- our inability to modify production lines to enable us to efficiently produce future products or implement changes in current products in response to regulatory requirements;
- difficulty identifying and qualifying alternative suppliers for components in a timely manner; and
- potential damage to or destruction of our manufacturing equipment or manufacturing facility.

These risks are likely to be exacerbated by our limited experience with our current products and manufacturing processes.

As demand for our products increases, we will have to invest additional resources to purchase components, hire and train employees, and enhance our manufacturing processes. If we fail to increase our production capacity efficiently, our sales may not increase in line with our forecasts and our operating margins could fluctuate or decline. In addition, although we expect some of our products in development to share product features and components with t:slim, manufacturing of these products may require the modification of our production lines, the hiring of specialized employees, or the development of new manufacturing technologies. It may not be possible for us to manufacture these products at a cost or in quantities sufficient to make these products commercially viable.

***We depend on a limited number of third-party suppliers for certain components, and the loss of any of these suppliers, or their inability to provide us with an adequate supply of materials, could harm our business.***

We rely on third-party suppliers to supply components of t:slim. For example, we rely on plastic injection molding companies to provide plastic molded components, electronic manufacturing suppliers to provide electronic assemblies, and machining companies to provide machined mechanical components. For our business strategy to be successful, our suppliers must be able to provide us with components in sufficient

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quantities, in compliance with regulatory requirements and quality control standards, in accordance with agreed upon specifications, at acceptable costs and on a timely basis. Increases in our product sales, whether forecasted or unanticipated, could strain the ability of our suppliers to deliver an increasingly large supply of components in a manner that meets these various requirements.

We do not have long-term supply agreements with most of our suppliers and, in many cases, we make our purchases on a purchase order basis. Under most of our supply agreements, we have no obligation to buy any given quantity of products, and our suppliers have no obligation to manufacture for us or sell to us any given quantity of products. As a result, our ability to purchase adequate quantities of our products may be limited. Additionally, our suppliers may encounter problems during manufacturing for a variety of reasons, including damage to or destruction of their manufacturing equipment or facilities. If we fail to obtain sufficient quantities of high quality components to meet demand on a timely basis, we could lose customer orders, our reputation may be harmed and our business could suffer.

We generally use a small number of suppliers for our products. Depending on a limited number of suppliers exposes us to risks, including limited control over pricing, availability, quality and delivery schedules. Moreover, due to the recent commercialization of our products and the limited amount of our sales to date, we do not have long-standing relationships with our manufacturers and may not be able to convince suppliers to continue to make components available to us unless there is demand for such components from their other customers. As a result, there is a risk that certain components could be discontinued and no longer available to us. We have in the past been, and we may in the future be, required to make significant “last time” purchases of component inventory that is being discontinued by the manufacturer to ensure supply continuity. If any one or more of our suppliers cease to provide us with sufficient quantities of components in a timely manner or on terms acceptable to us, we would have to seek alternative sources of supply. Because of factors such as the proprietary nature of our products, our quality control standards and regulatory requirements, we cannot quickly engage additional or replacement suppliers for some of our critical components. Failure of any of our suppliers to deliver products at the level our business requires would limit our ability to meet our sales commitments, which could harm our reputation and could have a material adverse effect on our business. We may also have difficulty obtaining similar components from other suppliers that are acceptable to the U.S. Food and Drug Administration, or FDA, or other regulatory agencies, and the failure of our suppliers to comply with strictly enforced regulatory requirements could expose us to regulatory action including warning letters, product recalls, termination of distribution, product seizures or civil penalties. It could also require us to cease using the components, seek alternative components or technologies and modify our products to incorporate alternative components or technologies, which could result in a requirement to seek additional regulatory approvals. Any disruption of this nature or increased expenses could harm our commercialization efforts and adversely affect our operating results.

***We operate primarily at a facility in a single location, and any disruption at this facility could adversely affect our business and operating results.***

Our principal offices are located in three contiguous buildings in San Diego, California. Substantially all of our operations are conducted at this location, including our manufacturing processes, research and development activities, customer and technical support, and management and administrative functions. In addition, substantially all of our inventory of component supplies and finished goods is held at this location. We take precautions to safeguard our facility, including insurance, back-up generators, health and safety protocols and off-site storage of computer data. However, vandalism, terrorism or a natural or other disaster, such as an earthquake, fire or flood, could damage or destroy our manufacturing equipment or our inventory of component supplies or finished goods, cause substantial delays in our operations, result in the loss of key information, and cause us to incur additional expenses. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may have a material adverse effect on our business, financial condition and operating results.



***If we do not enhance our product offerings through our research and development efforts, we may fail to effectively compete or become profitable.***

In order to increase our sales and our market share in the insulin-dependent diabetes market, we must enhance and broaden our product offerings in response to the evolving demands of people with insulin-dependent diabetes and healthcare providers, as well as competitive pressures and technologies. We may not be successful in developing, obtaining regulatory approval for, or marketing our proposed products. In addition, notwithstanding our market research efforts, our future products may not be accepted by consumers, their caregivers, healthcare providers or third-party payors who reimburse consumers for our products. The success of any proposed product offerings will depend on numerous factors, including our ability to:

- identify the product features that people with insulin-dependent diabetes, their caregivers and healthcare providers are seeking in an insulin pump and successfully incorporate those features into our products;
- develop and introduce proposed products in sufficient quantities and in a timely manner;
- offer products at a price that is competitive with other products then available;
- adequately protect our intellectual property and avoid infringing upon the intellectual property rights of third-parties;
- demonstrate the safety and efficacy of proposed products; and
- obtain the necessary regulatory approvals for proposed products.

If we fail to generate demand by developing products that incorporate features requested by consumers, their caregivers or healthcare providers, or if we do not obtain regulatory clearance or approval for proposed products in time to meet market demand, we may fail to generate sales sufficient to achieve or maintain profitability. We have in the past experienced, and we may in the future experience, delays in various phases of product development and commercial launch, including during research and development, manufacturing, limited release testing, marketing and customer education efforts. Any delays in our anticipated product launches may significantly impede our ability to successfully compete in our markets. In particular, such delays could cause customers to delay or forego purchases of our products, or to purchase our competitors' products. Even if we are able to successfully develop proposed products when anticipated, these products may not produce sales in excess of the costs of development, and they may be quickly rendered obsolete by changing consumer preferences or the introduction by our competitors of products embodying new technologies or features.

***The safety and efficacy of our products is not supported by long-term clinical data, which could limit sales, and our products could cause unforeseen negative effects.***

The product we currently market in the United States has received pre-market clearance under Section 510(k) of the U.S. Federal Food, Drug, and Cosmetic Act, or FDCA. This process is shorter and typically requires the submission of less supporting documentation than other FDA approval processes and does not always require long-term clinical studies. As a result, we currently lack the breadth of published long-term clinical data supporting the safety and efficacy of our products and the benefits they offer that might have been generated in connection with other approval processes. For these reasons, people with insulin-dependent diabetes and healthcare providers may be slower to adopt or recommend our products, we may not have comparative data that our competitors have or are generating, and we may be subject to greater regulatory and product liability risks. Further, future studies or clinical experience may indicate that treatment with our products is not superior to treatment with competitive products. Such results could slow the adoption of our products and significantly

reduce our sales, which could prevent us from achieving our forecasted sales targets or achieving or sustaining profitability. Moreover, if future results and experience indicate that our products cause unexpected or serious complications or other unforeseen negative effects, we could be subject to mandatory product recalls, suspension or withdrawal of FDA clearance or approval, significant legal liability or harm to our business reputation.

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

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

Additionally, we may not be in a position to exercise sole decision making authority regarding the transaction or arrangement, which could create the potential risk of creating impasses on decisions, and our collaborators may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals. It is possible that conflicts may arise with our collaborators, such as conflicts concerning the achievement of performance milestones, or the interpretation of significant terms under any agreement, such as those related to financial obligations or the ownership or control of intellectual property developed during the collaboration. If any conflicts arise with our current or future collaborators, they may act in their self-interest, which may be adverse to our best interest, and they may breach their obligations to us. In addition, we have limited control over the amount and timing of resources that our current collaborators or any future collaborators devote to our collaborators' or our future products. Disputes between us and our collaborators may result in litigation or arbitration which would increase our expenses and divert the attention of our management. Further, these transactions and arrangements are contractual in nature and may be terminated or dissolved under the terms of the applicable agreements and, in such event, we may not continue to have rights to the products relating to such transaction or arrangement or may need to purchase such rights at a premium.

For example, we have entered into a development and commercialization agreement with DexCom, Inc., or DexCom, which affords us the right to incorporate the DexCom G4 PLATINUM Continuous Glucose Monitor into t:sensor. This agreement provides us with a non-exclusive, fully paid, non-transferable and non-sublicensable license to such system during the term of the agreement. This agreement runs until February 1, 2015, with automatic one-year renewals. The license granted under the agreement covers the United States and other territories as may be added from time to time. Subject to payments of certain of the non-terminating party's development expenses, the agreement may be terminated by either party without cause. Termination of this agreement could require us to redesign the t:sensor pump and attempt to integrate an alternative continuous glucose monitoring, or CGM, system into our t:sensor pumps, which would require significant development and regulatory activities that might delay the launch and commercialization of this product or, following its launch, might not be completed in time to prevent an interruption in the availability of our t:sensor pumps to our customers. For additional information, see "Business—Research and Development."

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***We may seek to grow our business through acquisitions of complementary products or technologies, and the failure to manage acquisitions, or the failure to integrate them with our existing business, could have a material adverse effect on our business, financial condition and operating results.***

From time to time, we may consider opportunities to acquire other products or technologies that may enhance our product platform or technology, expand the breadth of our markets or customer base, or advance our business strategies. Potential acquisitions involve numerous risks, including:

- problems assimilating the acquired products or technologies;
- issues maintaining uniform standards, procedures, controls and policies;
- unanticipated costs associated with acquisitions;
- diversion of management's attention from our existing business;
- risks associated with entering new markets in which we have limited or no experience; and
- increased legal and accounting costs relating to the acquisitions or compliance with regulatory matters.

We have no current commitments with respect to any acquisition. We do not know if we will be able to identify acquisitions we deem suitable, whether we will be able to successfully complete any such acquisitions on favorable terms or at all, or whether we will be able to successfully integrate any acquired products or technologies. Our potential inability to integrate any acquired products or technologies effectively may adversely affect our business, operating results and financial condition.

***If there are significant disruptions in our information technology systems, our business, financial condition and operating results could be adversely affected.***

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage sales and marketing data, accounting and financial functions, inventory management, product development tasks, research and development data, customer service and technical support functions. Our information technology systems are vulnerable to damage or interruption from earthquakes, fires, floods and other natural disasters, terrorist attacks, attacks by computer viruses or hackers, power losses, and computer system or data network failures. In addition, t:connect, our cloud-based data management application, is hosted by a third-party service provider whose security and information technology systems are subject to similar risks.

The failure of our or our service providers' information technology systems to perform as we anticipate or our failure to effectively implement new information technology systems could disrupt our entire operation or adversely affect our software products and could result in decreased sales, increased overhead costs, and product shortages, all of which could have a material adverse effect on our reputation, business, financial condition and operating results.

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

Our rapid growth has placed, and we expect that it will continue to place, a significant strain on our management team and on our financial resources. For example, between December 31, 2012 and June 30, 2013 our employee base increased approximately 40%. Failure to manage our growth effectively could cause us to misallocate management or financial resources, and result in losses or weaknesses in our infrastructure, which could materially adversely affect our business. Additionally, our anticipated growth will increase the demands

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placed on our suppliers, resulting in an increased need for us to manage our suppliers and monitor for quality assurance. Any failure by us to manage our growth effectively could have an adverse effect on our ability to achieve our business objectives.

***We depend on the knowledge and skills of our senior management and other key employees, and if we are unable to retain and motivate them or recruit additional qualified personnel, our business may suffer.***

We have benefited substantially from the leadership and performance of our senior management, as well as certain key employees. For example, our chief executive officer, as well as other key members of management, have experience successfully scaling an early stage medical device company to achieve profitability. Our success will depend on our ability to retain our current management and key employees, and to attract and retain qualified personnel in the future. Competition for senior management and key employees in our industry is intense and we cannot guarantee that we will be able to retain our personnel or attract new, qualified personnel. The loss of the services of certain members of our senior management or key employees could prevent or delay the implementation and completion of our strategic objectives, or divert management's attention to seeking qualified replacements. Each member of senior management as well as our key employees may terminate employment without notice and without cause or good reason. The members of our senior management are not subject to non-competition agreements. Accordingly, the adverse effect resulting from the loss of certain members of senior management could be compounded by our inability to prevent them from competing with us.

In addition, the sale of t:slim is logistically complex, requiring us to maintain an extensive sales, marketing and clinical infrastructure consisting of sales representatives, clinical diabetes educators and customer support personnel. We face considerable challenges in recruiting, training, managing, motivating and retaining the members of these teams, including managing geographically dispersed efforts. These challenges are exacerbated by the fact that our strategic plan requires us to rapidly grow our sales, marketing and clinical infrastructure in order to generate demand for our products. If we fail to maintain and further grow a dedicated team of sales and marketing and clinical personnel, we could fail to take advantage of an opportunity to enhance brand recognition and grow sales, and our business, financial condition and operating results could be adversely affected.

***If we are found to have violated laws protecting the confidentiality of patient health information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.***

There are a number of federal and state laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the U.S. Department of Health and Human Services, or HHS, promulgated patient privacy rules under the Health Insurance Portability and Accountability Act of 1996, or HIPAA. These privacy rules protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information and limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. If we or any of our service providers are found to be in violation of the promulgated patient privacy rules under HIPAA, we could be subject to civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and operating results.

### **Risks Related to our Financial Results and Need for Financing**

***We will need to generate significant sales to achieve profitable operations.***

We intend to increase our operating expenses substantially in connection with the continued growth of our sales and marketing infrastructure, our ongoing research and development activities, the expansion of our manufacturing capabilities, and the commensurate development of our management and administrative functions.

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We will need to generate significant sales to achieve profitability, and we might not be able to do so. Even if we do generate significant sales, we might not be able to achieve, sustain or increase profitability on a quarterly or annual basis in the future. If our sales grow more slowly than we have forecasted, or if our operating expenses exceed our expectations, our financial performance and results of operations will be adversely affected.

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

At June 30, 2013, we had \$30.1 million in cash and cash equivalents. We believe that our available cash, proceeds from this offering, cash available under our term loan agreement and proceeds from the exercise of options will be sufficient to satisfy our liquidity requirements for at least the next 18 months, except in the event that we determine to accelerate repayment of outstanding term debt. However, the continued growth of our business, including the expansion of our sales and marketing infrastructure, research and development activities, and manufacturing capabilities, will significantly increase our expenses. In addition, the amount of product sales is uncertain and may not be in line with our forecasts. As a result, we may be required to seek additional funds in the future. Our future capital requirements will depend on many factors, including:

- the revenue generated by sales of t:slim and any other future products that we may develop and commercialize;
- the costs associated with expanding our sales and marketing infrastructure;
- the expenses we incur in maintaining our manufacturing facility and adding further manufacturing equipment and capacity;
- the cost associated with developing and commercializing our proposed products or technologies;
- the cost of obtaining and maintaining regulatory clearance or approval for our current or future products;
- the cost of ongoing compliance with regulatory requirements;
- expenses we incur in connection with potential litigation or governmental investigations;
- the cost associated with making anticipated or unanticipated capital expenditures; and
- unanticipated general and administrative expenses.

Our ability to raise additional capital may also be adversely impacted by current economic conditions, including the ongoing effects of the recent recession and continuing economic uncertainty. As a result of these and other factors, we do not know whether additional capital will be available when needed, or on terms favorable to us or our stockholders.

We may in the future seek additional funds from public or private offerings of our capital stock, borrowings under credit lines or other sources. If we issue equity or debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. In addition, if we raise additional funds through collaborations, licensing, joint ventures, strategic alliances, partnership arrangements or other similar arrangements, it may be necessary to relinquish valuable rights to our potential future products or proprietary technologies, or grant licenses on terms that are not favorable to us.

If we are unable to raise additional capital, we may not be able to expand our sales and marketing infrastructure, enhance our current products or develop new products, take advantage of future opportunities, or respond to competitive pressures, changes in supplier relationships, or unanticipated changes in customer demand. Any of these events could adversely affect our ability to achieve our strategic objectives, which could have a material adverse effect on our business, financial condition and operating results.

***Our operating results may fluctuate significantly from quarter to quarter.***

We began commercial sales of t:slim in the third quarter of 2012. Although we have a very limited operating history, there has been and there may continue to be meaningful variability in our operating results among quarters, as well as within each quarter. Our operating results, and the variability of these operating results, will be affected by numerous factors, including:

- our ability to increase sales of t:slim and to commercialize and sell our future products, and the number of our products sold in each quarter;
- acceptance of our products by people with insulin-dependent diabetes, their caregivers, healthcare providers and third-party payors;
- the pricing of our products and competitive products, and the effect of third-party coverage and reimbursement policies;
- our ability to establish and grow an effective sales and marketing infrastructure;
- the amount of, and the timing of the payment for, insurance deductibles required to be paid by our customers and potential customers under their existing insurance plans;
- interruption in the manufacturing or distribution of our products;
- seasonality and other factors affecting the timing of purchases of our products;
- timing of new product offerings, acquisitions, licenses or other significant events by us or our competitors;
- results of clinical research and trials on our existing and future products;
- the ability of our suppliers to timely provide us with an adequate supply of components that meet our requirements;
- regulatory clearance or approvals affecting our products or those of our competitors; and
- the timing of revenue recognition associated with our product sales pursuant to applicable accounting standards.

As a result of our limited operating history, and due to the complexities of the industry in which we operate, it will be difficult for us to forecast demand for our current or future products with any degree of certainty, which means it will be difficult for us to forecast our sales. In addition, we will be significantly increasing our operating expenses as we expand our business. Accordingly, we may experience substantial variability in our operating results from quarter to quarter, including unanticipated quarterly losses. If our quarterly or annual operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly or annual fluctuations in our operating results may, in turn, cause the price of our common stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

***We may not be able to generate sufficient cash to service our indebtedness, which currently consists of our credit facility with Capital Royalty Partners.***

As of June 30, 2013, we owed an aggregate of \$30 million to Capital Royalty Partners pursuant to a term loan agreement. Under the agreement, we have the ability to draw up to an additional \$15 million in the

event certain milestones are achieved. Our ability to make scheduled payments or to refinance our debt obligations depends on numerous factors, including the amount of our cash reserves and our actual and projected financial and operating performance. These amounts and our performance are subject to certain financial and business factors, as well prevailing economic and competitive conditions, some of which may be beyond our control. We cannot assure you that we will maintain a level of cash reserves or cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our existing or future indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, or that these actions would permit us to meet our scheduled debt service obligations.

***Our existing term loan agreement contains restrictive and financial covenants that may limit our operating flexibility.***

Our existing term loan agreement with Capital Royalty Partners contains certain restrictive covenants that limit our ability to incur additional indebtedness and liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements or enter into various specified transactions. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the term loan agreement. The agreement also contains certain financial covenants, including minimum revenue and cash balance requirements. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest under the agreement. Furthermore, there is no guarantee that future working capital, borrowings or equity financing will be available to repay or refinance the amounts outstanding under the agreement.

***Prolonged negative economic conditions could adversely affect us, our customers and suppliers, which could harm our financial condition.***

We are subject to the risks arising from adverse changes in general economic and market conditions. Uncertainty remains in the U.S. economy as it continues to recover from a severe economic recession. The U.S. economy continues to experience market volatility, difficulties in the financial services sector, diminished liquidity and availability of credit, reduced property values, concerns regarding inflation, increases in the cost of commodities, continuing high unemployment rates, reduced consumer spending and consumer confidence, and continuing economic uncertainties. The economic turmoil and the uncertainty about future economic conditions could negatively impact our existing and potential customers, adversely affect the financial ability of health insurers to pay claims, adversely impact our expenses and ability to obtain financing of our operations, and cause delays or other problems with key suppliers. We cannot predict the timing or impact of the recovery from this economic uncertainty.

Healthcare spending in the United States has been, and is expected to continue to be, negatively affected by the recent recession and continuing economic uncertainty. For example, patients who have lost their jobs or healthcare coverage may no longer be covered by an employer-sponsored health insurance plan, and patients reducing their overall spending may eliminate healthcare-related purchases. The recent recession and continuing economic uncertainty has also impacted the financial stability of many private health insurers. As a result, we believe that some insurers are scrutinizing insurance claims more rigorously and delaying or denying reimbursement more often. Since the sale of t:slim generally depends on the availability of third-party reimbursement, any delay or decline in reimbursement will adversely affect our sales.

**Risks Related to our Intellectual Property and Potential Litigation**

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

We rely primarily on patent, trademark and trade secret laws, as well as confidentiality and non-disclosure agreements, to protect our proprietary technologies. As of June 30, 2013, our patent portfolio

consisted of approximately 17 issued U.S. patents and 51 pending U.S. patent applications. Of these, our issued U.S. patents expire between approximately 2021 and 2031. We are also seeking patent protection for our proprietary technology in Europe, Japan, China, Canada, Australia and other countries and regions throughout the world. We also have seven pending U.S. trademark applications and seven pending foreign trademark applications, as well as 13 trademark registrations, including four U.S. trademark registrations and nine foreign trademark registrations.

We have applied for patent protection relating to certain existing and proposed products and processes. Currently, two of our issued U.S. patents as well as various pending U.S. and foreign patent applications relate to the structure and operation of our pumping mechanism and are therefore particularly important to the functionality of our products. If we fail to timely file a patent application in any jurisdiction, we may be precluded from doing so at a later date. Furthermore, we cannot assure you that any of our patent applications will be approved in a timely manner or at all. The rights granted to us under our patents, and the rights we are seeking to have granted in our pending patent applications, may not be meaningful or provide us with any commercial advantage. In addition, those rights could be opposed, contested or circumvented by our competitors, or be declared invalid or unenforceable in judicial or administrative proceedings. The failure of our patents to adequately protect our technology might make it easier for our competitors to offer the same or similar products or technologies. Even if we are successful in receiving patent protection for certain products and processes, our competitors may be able to design around our patents or develop products that provide outcomes which are comparable to ours without infringing on our intellectual property rights. Due to differences between foreign and U.S. patent laws, our patented intellectual property rights may not receive the same degree of protection in foreign countries as they would in the United States. Even if patents are granted outside the United States, effective enforcement in those countries may not be available.

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

We have entered into confidentiality agreements and intellectual property assignment agreements with our officers, employees, temporary employees and consultants regarding our intellectual property and proprietary technology. In the event of unauthorized use or disclosure or other breaches of those agreements, we may not be provided with meaningful protection for our trade secrets or other proprietary information.

If a competitor infringes upon one of our patents, trademarks or other intellectual property rights, enforcing those patents, trademarks and other rights may be difficult and time consuming. Patent law relating to the scope of claims in the industry in which we operate is subject to rapid change and constant evolution and, consequently, patent positions in our industry can be uncertain. Even if successful, litigation to defend our patents and trademarks against challenges or to enforce our intellectual property rights could be expensive and time consuming and could divert management's attention from managing our business. Moreover, we may not have sufficient resources or desire to defend our patents or trademarks against challenges or to enforce our intellectual property rights. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may 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 valuable. The occurrence of any of these events may have a material adverse effect on our business, financial condition and operating results.



***The medical device industry is characterized by patent litigation, and we could become subject to litigation that could be costly, result in the diversion of management's time and efforts, or require us to pay damages.***

Our success will depend in part on not infringing the patents or violating the other proprietary rights of third-parties. Significant litigation regarding patent rights exists in our industry. Our competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make and sell our products. The large number of patents, the rapid rate of new patent issuances, and the complexities of the technology involved increase the risk of patent litigation.

In the future, we could receive communications from various industry participants alleging our infringement of their intellectual property rights. Any potential intellectual property litigation could force us to do one or more of the following:

- stop selling our products or using technology that contains the allegedly infringing intellectual property;
- incur significant legal expenses;
- pay substantial damages to the party whose intellectual property rights we are allegedly infringing;
- redesign those products that contain the allegedly infringing intellectual property; or
- attempt to obtain a license to the relevant intellectual property from third-parties, which may not be available on reasonable terms or at all.

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 diabetes market increases, the possibility of intellectual property infringement claims against us increases.

***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.***

Many of our employees were previously employed at other medical device companies, including those that are our direct competitors or could potentially be our direct competitors. In some cases, those employees joined our company recently. We may be subject to claims that we, or our employees, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these former employers or competitors. In addition, we have been and may in the future be subject to allegations that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement. Litigation may be necessary to defend against these claims. Even if we successfully defend against these claims, litigation could cause us to incur substantial costs, and could place a significant strain on our financial resources, divert the attention of management from our core business and harm our reputation. If our defense to those claims fails, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. We cannot guarantee that this type of litigation will not continue, and any future litigation or the threat thereof may adversely affect our ability to hire additional direct sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize proposed products, which could have an adverse effect on our business, financial condition and operating results.

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

Our business exposes us to potential product liability claims that are inherent in the design, manufacture, testing and sale of medical devices. We could become the subject of product liability lawsuits alleging that component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information resulted in an unsafe condition, injury or death to customers. In addition, the misuse of our products or the failure of customers to adhere to operating guidelines could cause significant harm to customers, including death, which could result in product liability claims. Product liability lawsuits and claims, safety alerts or product recalls, with or without merit, could 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, harm our reputation and adversely affect our ability to attract and retain customers, any of which could have a material adverse effect on our business, financial condition and operating results.

Although we maintain third-party product liability insurance coverage, it is possible that claims against us may exceed the coverage limits of our insurance policies. Even if any product liability loss is covered by an insurance policy, these policies typically have substantial deductibles for which we are responsible. Product liability claims in excess of applicable insurance coverage could have a material adverse effect on our business, financial condition and operating results. In addition, any product liability claim brought against us, with or without merit, could result in an increase of our product liability insurance premiums. Insurance coverage varies in cost and can be difficult to obtain, and we cannot guarantee that we will be able to obtain insurance coverage in the future on terms acceptable to us or at all.

### **Risks Related to our Legal and Regulatory Environment**

***Our products and operations are subject to extensive governmental regulation, and failure to comply with applicable requirements could cause our business to suffer.***

The medical device industry is regulated extensively by governmental authorities, principally the FDA and corresponding state regulatory agencies. The regulations are very complex and are subject to rapid change and varying interpretations. Regulatory restrictions or changes could limit our ability to carry on or expand our operations or result in higher than anticipated costs or lower than anticipated sales. The FDA and other U.S. governmental agencies regulate numerous elements of our business, including:

- product design and development;
- pre-clinical and clinical testing and trials;
- product safety;
- establishment registration and product listing;
- labeling and storage;
- marketing, manufacturing, sales and distribution;
- pre-market clearance or approval;
- servicing and post-market surveillance;
- advertising and promotion; and
- recalls and field safety corrective actions.

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Before we can market or sell a new regulated product or a significant modification to an existing product in the United States, we must obtain either clearance under Section 510(k) of the FDCA or approval of a pre-market approval, or PMA, application from the FDA, unless an exemption from pre-market review applies. In the 510(k) clearance process, the FDA must determine that a proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device, with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. The PMA pathway requires an applicant to demonstrate the safety and effectiveness of the device based on extensive data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. Products that are approved through a PMA application generally need FDA approval before they can be modified. Similarly, some modifications made to products cleared through a 510(k) may require a new 510(k). The process of obtaining regulatory clearances or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances or approvals on a timely basis, or at all for our proposed products.

We received pre-market clearance for t:slim under Section 510(k) of the FDCA in November 2011. We obtained 510(k) clearance for t:connect in February 2013. If the FDA requires us to go through a more rigorous examination for future products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our sales to decline or to not increase in line with our forecasts. In addition, the FDA may determine that future products will require the more costly, lengthy and uncertain PMA process.

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

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

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

Any delay in, or failure to receive or maintain, clearance or approval for our products under development could prevent us from generating revenue from these products or achieving profitability. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could dissuade some customers from using our products and adversely affect our reputation and the perceived safety and efficacy of our products.

Failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as fines, civil penalties, injunctions, warning letters, recalls of products, delays in the introduction of products into the market, refusal of the FDA or other regulators to grant future clearances or approvals, and the suspension or withdrawal of existing approvals by the FDA or other regulators. Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, financial condition and operating results.

Furthermore, we may evaluate international expansion opportunities in the future. If we expand our operations outside of the United States, we will become subject to various additional regulatory and legal requirements under the applicable laws and regulations of the international markets we enter. These additional regulatory requirements may involve significant costs and expenditures and, if we are not able to comply with any such requirements, our international expansion and business could be significantly harmed.

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

Any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, requires a new 510(k) clearance or, possibly, a PMA. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. If the FDA disagrees with our determination and requires us to submit new 510(k) notifications or PMAs for modifications to our previously cleared or approved products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties.

Furthermore, the FDA's ongoing review of the 510(k) program may make it more difficult for us to modify our previously cleared products, either by imposing stricter requirements on when a new 510(k) for a modification to a previously cleared product must be submitted, or applying more onerous review criteria to such submissions.

***If we or our third-party suppliers fail to comply with the FDA's good manufacturing practice regulations, this could impair our ability to market our products in a cost-effective and timely manner.***

We and our third-party suppliers are required to comply with the FDA's Quality System Regulation, or QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products. The FDA audits compliance with the QSR through periodic announced and unannounced inspections of manufacturing and other facilities. The FDA may impose inspections or audits at any time. If we or our suppliers have significant non-compliance issues or if any corrective action plan that we or our suppliers propose in response to observed deficiencies is not sufficient, the FDA could take enforcement action against us. Any of the foregoing actions could have a material adverse effect on our reputation, business, financial condition and operating results.

***A recall of our products, or the discovery of serious safety issues with our products, could have a significant negative impact on us.***

The FDA has 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, financial condition and operating results, which could impair our ability to produce our products in a cost-effective and timely manner.

Further, under the FDA's medical device reporting, or MDR, regulations, we are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Repeated product malfunctions may result in a voluntary or involuntary product recall, which could divert managerial and financial resources, impair our ability to manufacture our products in a cost-effective and timely manner and have an adverse effect on our reputation, financial condition and operating results.

Any adverse event involving our products could result in future voluntary corrective actions, such as recalls or customer notifications, or regulatory agency action, which could include inspection, mandatory recall or other enforcement action. 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.

***Our failure to comply with U.S. federal and state fraud and abuse laws, including anti-kickback laws and other U.S. federal and state anti-referral laws, could have a material, adverse impact on our business.***

There are numerous U.S. federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Our relationships with healthcare providers and other third-parties are subject to scrutiny under these laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state healthcare programs, including the Medicare, Medicaid and Veterans Administration health programs.

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

- the federal healthcare programs' Anti-Kickback Law, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- the federal Health Insurance Portability and Accountability Act of 1996, which created federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the Federal Trade Commission Act and similar laws regulating advertisement and consumer protections; and
- foreign and U.S. state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Further, the recently enacted Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Affordability Reconciliation Act, or, collectively, the PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity can now be found guilty under the PPACA without actual knowledge of the statute or specific intent to violate it. In addition, the PPACA provides that 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 false claims statutes. Possible sanctions for violation of these anti-kickback laws include monetary fines, civil and criminal penalties, exclusion from Medicare and Medicaid programs and forfeiture of amounts collected in violation of those prohibitions. Any violations of these laws, or any action against us for violation of these laws, even if we successfully defend against it, could result in a material adverse effect on our reputation, business, financial condition and operating results.

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

The scope and enforcement of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal or state regulatory authorities might challenge our current or future activities under these laws. Any of these challenges could have a material adverse effect on our reputation, business, financial condition and operating results. Any state or federal regulatory review of us, regardless of the outcome, would be costly and time-consuming. Additionally, we cannot predict the impact of any changes in these laws, whether or not retroactive.

***We may be liable if we engage in the off-label promotion of our products.***

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of the off-label use of our products. Healthcare providers may use our products off-label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our promotional materials or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine and criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could result in substantial damage awards against us and harm our reputation.

***Legislative or regulatory healthcare reforms may make it more difficult and costly for us to obtain regulatory clearance or approval of our products.***

Recent political, economic and regulatory influences are subjecting the healthcare industry to fundamental changes. The sales of our products depend in part on the availability of coverage and reimbursement from third-party payors such as government health administration authorities, private health insurers, health maintenance organizations and other healthcare-related organizations. Both the Federal and state governments in the United States continue to propose and pass new legislation and regulations designed to contain or reduce the cost of healthcare. This legislation and regulation may result in decreased reimbursement for medical devices, which may further exacerbate industry-wide pressure to reduce the prices charged for medical devices. This could harm our ability to market our products and generate sales.

In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our products. Delays in receipt of or failure to receive regulatory clearances or approvals for our proposed products would have a material adverse effect on our business, financial condition and operating results.

Federal and state governments in the United States have recently enacted legislation to overhaul the nation's healthcare system. While the goal of healthcare reform is to expand coverage to more individuals, it also involves increased government price controls, additional regulatory mandates and other measures designed to constrain medical costs. The PPACA substantially changes the way healthcare is financed by both governmental and private insurers, encourages improvements in the quality of healthcare items and services and significantly impacts the medical device industries. Among other things, the PPACA:

- establishes a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research;
- implements payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models; and

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- creates an independent payment advisory board that will submit recommendations to reduce Medicare spending if projected Medicare spending exceeds a specified growth rate.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. Most recently, on August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, creates the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year which commenced in 2013. The uncertainties regarding the ultimate features of the PPACA and other healthcare reform initiatives and their enactment and implementation may have an adverse effect on our customers' purchasing decisions regarding our products. In the coming years, additional changes could be made to governmental healthcare programs that could significantly impact the success of our products. Cost control initiatives could decrease the price that we receive for our products. At this time, we cannot predict which, if any, additional healthcare reform proposals will be adopted, when they may be adopted or what impact they, or the PPACA, may have on our business and operations, and any of these impacts may be adverse on our operating results and financial condition.

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

The PPACA imposes, among other things, an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States beginning in 2013. Under these provisions, the Congressional Research Service predicts that the total cost to the medical device industry may be up to \$20 billion over the next decade. While we do not believe that t:slim is currently subject to this tax, future products that we manufacture, produce or import may be subject to this tax. The financial impact this tax may have on our business is unclear and there can be no assurance that our business will not be materially adversely affected by it.

### **Risks Related to our Common Stock**

#### ***Because of their significant stock ownership, certain of our executive officers, directors and principal stockholders will be able to exert control over us and our significant corporate decisions.***

Based on an aggregate of 22,413,236 shares of our common stock outstanding as of June 30, 2013, after giving effect to the automatic conversions of our preferred stock into shares of our common stock as a result of this offering as discussed elsewhere in this prospectus, as of June 30, 2013, our executive officers and directors, and holders of more than 5% of our outstanding common stock on an as-converted basis, and their affiliates beneficially owned, in the aggregate, the vast majority of the voting power of our outstanding common stock. For additional information, see "Principal Stockholders."

Upon completion of this offering, our executive officers and directors, and holders of more than 5% of our outstanding common stock on an as-converted basis, and their affiliates, will continue to hold approximately % of the voting power of our outstanding capital stock. As a result, these persons, acting together, will have the ability to significantly influence or determine the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation, or sale of all or substantially all of our assets.

The interests of the aforementioned stockholders might not coincide with the interests of the other holders of our capital stock. This concentration of ownership may reduce the value of our common stock by, among other things:

- delaying, deferring or preventing a change in control of our company;

- impeding a merger, consolidation, takeover or other business combination involving our company; or
- causing us to enter into transactions or agreements that are not in the best interests of all stockholders.

***Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could reduce our stock price and prevent our stockholders from replacing or removing our current management.***

Our amended and restated certificate of incorporation and bylaws contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Some of these provisions:

- authorize the issuance of preferred stock with powers, preferences and rights that may be senior to our common stock, which can be created and issued by the board of directors without prior stockholder approval;
- provide for the adoption of a staggered board of directors whereby the board is divided into three classes each of which has a different three-year term;
- provide that the number of directors shall be fixed by the board;
- prohibit our stockholders from filling board vacancies;
- provide for the removal of a director only with cause and then by the affirmative vote of the holders of a majority of the outstanding shares;
- prohibit stockholders from calling special stockholder meetings;
- prohibit stockholders from acting by written consent without holding a meeting of stockholders;
- require the vote of at least two-thirds of the outstanding shares to approve amendments to the certificate of incorporation or bylaws; and
- require advance written notice of stockholder proposals and director nominations.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our amended and restated certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including a merger, tender offer or proxy contest involving our company. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline.

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

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue shares of our preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, as shares of preferred stock in series, and to establish from time to time the number of shares to be included in



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each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these additional series of preferred stock may be senior to or on parity with our common stock, and the issuance of such shares in the future may reduce the value of our common stock.

***We may be unable to utilize our federal net operating loss carryforwards to reduce our income taxes as a result of this offering.***

As of December 31, 2012, we have federal net operating loss, or NOL, carryforwards of approximately \$82.5 million. In general, if there is an “ownership change” with respect to our company, as defined under Section 382 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, the utilization of our NOL carryforwards may be subject to substantial limitations imposed by the Code, and similar state provisions. In general, an ownership change occurs whenever there is a shift in ownership of our company by more than 50% by one or more 5% stockholders over a specified time period. As a result of the current offering of our common stock, the utilization of the NOL carryforwards may be subject to the substantial limitations imposed by Section 382 of the Code, and similar state provisions. Accordingly, if we earn net taxable income, our ability to use net operating loss carryforwards to offset U.S. federal taxable income may become subject to limitations, which could potentially result in increases in our future tax liabilities.

***We do not intend to pay cash dividends.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, pursuant to the term loan agreement with Capital Royalty Partners, we are precluded from paying any cash dividends. Accordingly, you may have to sell some or all of your shares of our common stock in order to generate cash flow from your investment. You may not receive a gain on your investment when you sell shares and you may lose the entire amount of the investment.

***Our management team may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.***

Our management will have considerable discretion in the application of the net proceeds that we receive from this offering. We expect to use the net proceeds from this offering primarily for the continued expansion of our sales and marketing infrastructure, our ongoing research and development activities, and the growth of our manufacturing capabilities. We intend to use the remaining proceeds for working capital and general corporate purposes. We do not have any specific uses of the net proceeds planned. These net proceeds may be used for corporate purposes that do not favorably affect our financial condition or result of operations. In addition, until we use the net proceeds, they may be placed in investments that do not produce income or that lose value.

***There is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity.***

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which interest in our company will lead to the development of an active trading market on the NASDAQ Global Market or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of your shares of common stock, and the value of those shares might be materially impaired. The initial public offering price for our common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price you paid in this offering.

***We are an “emerging growth company” and we do not know whether the reduced disclosure requirements and relief from certain other significant obligations that are applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not “emerging growth companies.” These exemptions include the following:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- exemptions from the requirements to hold 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, which could result in a reduction in the price of our common stock.

***The requirements of being a public company will increase our costs and may strain our resources and distract our management.***

We have historically operated our business as a private company. As a public company, we will face increased legal, accounting, administrative and other costs and expenses that we have not previously incurred as a private company. After the completion of this offering, we will be subject to the reporting requirements of the Exchange Act and the rules and regulations implemented by the SEC thereunder. We will also be subject to numerous other laws that impose significant disclosure and governance requirements on public companies, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. In addition, we will be subject to the rules of the Public Company Accounting Oversight Board and the NASDAQ Stock Market, each of which imposes additional reporting, governance and other obligations on public companies.

As a public company, we will be required to:

- prepare and distribute periodic reports, proxy statements, and other stockholder communications in compliance with federal securities laws and the listing rules of the NASDAQ Stock Market;
- expand the roles and duties of our board of directors and committees thereof, and potentially retain and compensate advisers retained by the board or those committees;
- institute more comprehensive financial reporting and disclosure compliance functions;
- involve and retain to a greater degree outside counsel and accountants in the activities listed above;
- establish new internal policies, including those relating to trading in our securities and disclosure controls and procedures;
- comply with the Sarbanes-Oxley Act of 2002, in particular Section 404 and Section 302; and
- comply with certain disclosure and governance requirements set forth in the Dodd-Frank Act.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. A number of these requirements will require us to carry out activities we have not performed previously and complying with these requirements may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, and operating results. We also expect that it will be difficult and expensive to maintain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

***Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting for so long as we are an "emerging growth company."***

Under existing SEC rules and regulations, we will be required to disclose changes made in our internal control over financial reporting on a quarterly basis and management will be required to assess the effectiveness of our controls annually. However, under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 until we are no longer an "emerging growth company." We could be an "emerging growth company" for up to five years.

***Our internal control over financial reporting does not currently meet the standards required by Section 404 of the Sarbanes-Oxley Act of 2002, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.***

As a privately held company, we have not been required to maintain internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404(a) of the Sarbanes-Oxley Act of 2002. We anticipate that we will be required to meet these standards in the course of preparing our financial statements in the future. Additionally, once we are no longer an "emerging growth company," our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting on an annual basis. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States, or GAAP. We are currently in the process of reviewing, documenting and testing our internal control over financial reporting, but we are not currently in compliance with, and we cannot be certain when we will be able to implement the requirements of Section 404(a). We may encounter problems or delays in implementing any changes necessary to make a favorable assessment of our internal control over financial reporting. In addition, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation in connection with the attestation provided by our independent registered public accounting firm. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls, investors could lose confidence in our financial information and the price of our common stock could decline.

***The price of our common stock might fluctuate significantly, and you could lose all or part of your investment.***

Volatility in the market price of our common stock may prevent you from being able to sell your shares of our common stock at or above the price you paid for your shares. The trading price of our common stock may be volatile and subject to wide price fluctuations in response to various factors, including:

- actual or anticipated fluctuations in our quarterly financial and operating results;

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- perceptions about the market acceptance of our products and the recognition of our brand;
- overall performance of the equity markets;
- introduction of proposed products, or announcements of significant contracts, licenses or acquisitions, by us or our competitors;
- legislative, political or regulatory developments;
- issuance of securities analysts' reports or recommendations;
- additions or departures of key personnel;
- threatened or actual litigation and government investigations;
- sale of shares of our common stock by us or members of our management; and
- general economic conditions.

These and other factors might cause the market price of our common stock to fluctuate substantially, which may negatively affect the liquidity of our common stock. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies across many industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Accordingly, the price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price.

Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and harm our business, operating results and financial condition.

### ***Future sales, or the perception of future sales, of shares of our common stock could materially reduce the market price of our common stock.***

Upon completion of this offering, our outstanding capital stock will consist of                      shares of our common stock, after giving effect to the automatic conversion of all outstanding shares of our Series A preferred stock, Series B preferred stock, Series C preferred stock and Series D preferred stock. Moreover, upon completion of this offering, there will be outstanding options to purchase an aggregate of 3,831,085 shares of our common stock at a weighted average exercise price of \$1.07 per share and outstanding warrants to purchase an aggregate of 2,846,073 shares of our common stock at a weighted average exercise price of \$3.70 per share, and an aggregate of                      shares of our common stock reserved for future grant or issuance under the 2013 Plan and the ESPP. All shares of our common stock sold in this offering will be freely tradable without restriction under the Securities Act of 1933, as amended, or the Securities Act, except for any shares that are held or acquired by our affiliates, as that term is defined in the Securities Act.

In connection with this offering, each of our executive officers and directors, and most of our stockholders, warrant holders and option holders, have entered into lock-up agreements that prevent the sale of shares of our common stock or securities convertible into or exchangeable for, or that represent the right to receive, shares of our common stock for 180 days after the date of this prospectus, except with the prior written

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consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. All of the shares of our common stock outstanding as of the date of this prospectus may be sold in the public market by existing stockholders 180 days after the date of this prospectus, subject to applicable limitations imposed under federal securities laws. For additional information, see “Shares Eligible for Future Sale.”

Following the completion of this offering, stockholders holding approximately 22,260,823 shares of our common stock, including shares issued upon conversion of our preferred stock, will have the right, subject to various conditions and limitations, to include their shares in registration statements relating to our securities. In addition, these holders are entitled to piggyback registration rights with respect to the registration under the Securities Act of shares of our common stock. Shares of common stock sold under these registration statements can be freely sold in the public market. In the event registration rights are exercised and a large number of shares of common stock are sold in the public market, those sales could reduce the trading price of our common stock. For additional information, see “Description of Capital Stock—Registration Rights.”

In the future, we also may issue our securities if we need to raise additional capital. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of the then-outstanding shares of our common stock.

***The dilutive effect of our warrants could have an adverse effect on the future market price of our common stock or otherwise adversely affect the interests of our common stockholders.***

Upon completion of this offering, there will be outstanding warrants to purchase an aggregate of 2,846,073 shares of our common stock at a weighted average exercise price of \$3.70 per share. These warrants likely will be exercised if the market price of the shares of our common stock equals or exceeds the warrant exercise price. To the extent such warrants are exercised, additional shares of our common stock will be issued, which would dilute the ownership of existing stockholders. Further, if these warrants are exercised at any time in the future at a price lower than the book value per share of our common stock, existing stockholders could suffer substantial dilution of their investment, which dilution could increase in the event the warrant exercise price is lowered.

***The purchase price of our common stock might not reflect its value, and you may be diluted as a result of this offering and future equity issuances.***

Based on the initial public offering price of \$                      per share, the midpoint of the range of prices shown on the cover page of this prospectus, investors purchasing common stock in this offering will immediately be diluted. The net tangible book value per share of our common stock will be reduced by \$                      from the offering price. Investors purchasing in this offering will contribute approximately                      % of the total amount invested by stockholders since our inception (gross of estimated expenses of this offering), but will only own approximately                      % of the shares of our common stock outstanding on an as-converted basis. Additionally, the exercise of outstanding options or warrants and future equity issuances, including future public offerings or future private placements of equity securities and any additional shares of our common stock issued in connection with acquisitions, will result in further dilution to investors.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including in the sections entitled “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains estimates and forward-looking statements. Our estimates and forward-looking statements are based on our management’s current assumptions and expectations of future events and trends, which affect or may affect our business, strategy, operations or financial performance. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous known and unknown risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in this prospectus, may adversely and materially affect our results as indicated in forward-looking statements. You should read this prospectus and the documents that we have filed as exhibits to the registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different and worse from what we expect.

All statements other than statements of historical fact are forward-looking statements. The words “believe,” “may,” “might,” “could,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan” and similar words are intended to identify estimates and forward-looking statements.

Our estimates and forward-looking statements may be influenced by one or more of the following factors:

- our history of operating losses and uncertainty regarding our ability to achieve profitability;
- the failure of t:slim to achieve and maintain significant market acceptance and factors negatively affecting sales of t:slim;
- our failure to secure or retain adequate coverage or reimbursement for t:slim by third-party payors;
- our inability to operate in a very competitive industry and compete successfully against many competitors that have greater resources than we do;
- our inability to expand our sales and marketing infrastructure;
- our inability to maintain or expand our network of independent distributors;
- our inability to retain a high percentage of our customer base;
- any inaccuracies in our assumptions about the insulin-dependent diabetes market;
- any difficulties encountered by us as a result of our being a company early in its commercialization;
- manufacturing risks, including damage to facilities or equipment and failure to efficiently increase production to meet demand;
- our dependence on limited source suppliers and our inability to obtain components for our products;
- our inability to protect our intellectual property and proprietary technology; and
- our failure to comply with the applicable governmental regulations to which our products and operations are subject.

Other sections of this prospectus include additional factors that could adversely impact our business, strategy, operations or financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk

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factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or review any estimate and forward-looking statement because of new information, future events or other factors. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC, after the date of this prospectus. See “Where You Can Find Additional Information.” Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this prospectus might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements when making an investment decision.

## USE OF PROCEEDS

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

A \$1.00 increase (decrease) in the assumed public offering price of \$ \_\_\_\_\_ per share would increase (decrease) our expected net proceeds from this offering by approximately \$ \_\_\_\_\_ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. We also may increase or decrease the number of shares we are offering. An increase of 1,000,000 shares in the number of shares offered by us would increase the net proceeds to us from this offering by approximately \$ \_\_\_\_\_ million after deducting the underwriting discount and estimated offering expenses payable by us, assuming the assumed initial public offering price of \$ \_\_\_\_\_ per share remains the same. Conversely, a decrease of 1,000,000 shares in the number of shares offered by us would decrease the net proceeds to us from this offering by approximately \$ \_\_\_\_\_ million after deducting the underwriting discount and estimated offering expenses payable by us, assuming the assumed initial public offering price of \$ \_\_\_\_\_ per share remains the same.

We currently anticipate that we will use a portion of the net proceeds received by us to expand our sales and marketing infrastructure, to fund additional research and development activities and to expand our manufacturing capabilities. We expect that the balance will be used for working capital and other general corporate purposes. Our expected use of the net proceeds from this offering is based upon our present plans and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual use of proceeds will vary depending on numerous factors, including the factors described under the heading “Risk Factors” beginning on page 10 of this prospectus. As a result, management will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of the net proceeds.

Pending the use of the net proceeds of this offering, we intend to invest the net proceeds in high-quality, short-term interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.



## **DIVIDEND POLICY**

We have never declared or paid any cash dividends on our common stock. At the present time, we have no plans to declare or pay any dividends and intend to retain all of our future earnings, if any, generated by our operations for the development and growth of our business. Any future decision to pay dividends will be made by our board of directors in its sole discretion and will depend upon our results of operations, financial condition, capital requirements and other factors that our board of directors deems relevant in its informed business judgment. Investors should not purchase our common stock with the expectation of receiving cash dividends. In addition, the terms of our credit facility restrict our ability to pay dividends. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness.”

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2013:

- on an actual basis;
- a pro forma basis to give effect to the following:
  - the conversion of all our outstanding preferred stock as of June 30, 2013 into an aggregate of 22,031,600 shares of our common stock upon closing of this offering, and the conversion of all outstanding preferred stock warrants into warrants to purchase an aggregate of 2,390,586 shares of our common stock upon closing of this offering; and
  - the effectiveness of our amended and restated certificate of incorporation prior to the closing of this offering; and
- on a pro forma as adjusted basis, reflecting the pro forma adjustments discussed above and to give effect to the sale of \_\_\_\_\_ shares of common stock by us at an offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the range of prices set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us.

The pro forma information below is illustrative only and our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table in conjunction with “Use of Proceeds,” “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this prospectus.

Since June 30, 2013, there has been no material change to our capitalization.

| (in thousands, except share awards and par value)                                                                                                                                                                                                                             | As of June 30, 2013 |                          |                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------|-----------------------------|
|                                                                                                                                                                                                                                                                               | Actual              | Pro Forma<br>(unaudited) | Pro Forma<br>as<br>Adjusted |
| Cash and cash equivalents                                                                                                                                                                                                                                                     | \$ 30,133           |                          |                             |
| Notes payable                                                                                                                                                                                                                                                                 | 29,292              |                          |                             |
| Preferred stock warrant liability                                                                                                                                                                                                                                             | 5,579               |                          |                             |
| Series A preferred stock, par value \$0.001; 115,281 shares authorized, 115,281 issued and outstanding actual;<br>no shares authorized, issued and outstanding pro forma and pro forma as adjusted                                                                            | 2,479               |                          |                             |
| Series B preferred stock, par value \$0.001; 361,299 shares authorized, 361,299 issued and outstanding actual;<br>no shares authorized, issued and outstanding pro forma and pro forma as adjusted                                                                            | 12,802              |                          |                             |
| Series C preferred stock, par value \$0.001; 1,197,963 shares authorized, 1,187,736 issued and outstanding<br>actual; no shares authorized, issued and outstanding pro forma and pro forma as adjusted                                                                        | 52,099              |                          |                             |
| Series D preferred stock, par value \$0.001; 19,436,040 shares authorized, 16,689,352 issued and outstanding<br>actual; no shares authorized, issued and outstanding pro forma and pro forma as adjusted                                                                      | 73,257              |                          |                             |
| Preferred stock, par value \$0.001; no shares authorized, issued and outstanding actual; _____ shares<br>authorized and no shares issued and outstanding pro forma and pro forma as adjusted                                                                                  | —                   |                          |                             |
| Common stock, par value \$0.001; 26,490,000 shares authorized, 381,636 shares issued and outstanding actual;<br>_____ shares authorized, _____ shares issued and outstanding pro forma; _____ shares<br>authorized, _____ shares issued and outstanding pro forma as adjusted | 0                   |                          |                             |
| Additional paid-in capital                                                                                                                                                                                                                                                    | 1,031               |                          |                             |
| Accumulated deficit                                                                                                                                                                                                                                                           | (132,517)           |                          |                             |
| Total stockholders’ deficit                                                                                                                                                                                                                                                   | \$(131,486)         |                          |                             |
| Total capitalization                                                                                                                                                                                                                                                          | \$ 44,022           | \$                       | \$                          |

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A \$1.00 increase (decrease) in the assumed initial public offering price of \$            per share would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$            million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. An increase of 1,000,000 shares in the number of shares offered by us would increase our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$            million, assuming the assumed initial public offering price of \$            per share remains the same. Conversely, a decrease of 1,000,000 shares in the number of shares offered by us would decrease our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$            million, assuming the assumed initial public offering price of \$            per share remains the same.

The table set forth above is based on the number of shares of our common stock and preferred stock outstanding as of June 30, 2013. This table excludes:

- 455,487 shares of common stock issuable upon exercise of outstanding warrants as of June 30, 2013, at a weighted average exercise price of \$0.01 per share;
- 2,390,586 shares of preferred stock issuable upon exercise of outstanding warrants as of June 30, 2013, at a weighted-average exercise price of \$4.40 per share, which will be converted into warrants to purchase an aggregate of 2,390,586 shares of our common stock, at a weighted average exercise price of \$4.40 per share, upon closing of this offering;
- 3,831,085 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock under the 2006 Plan, as of June 30, 2013, at a weighted average exercise price of \$1.07 per share (of which options to acquire 359,346 shares of common stock are vested as of June 30, 2013);
- shares of common stock reserved for future grant or issuance under the 2013 Plan, which will become effective in connection with this offering;
- shares of common stock reserved for future grant or issuance under the ESPP, which will become effective in connection with this offering; and
- shares subject to the underwriters' option to purchase            additional shares.

## DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock upon completion of this offering. Our historical net tangible book value (deficit) as of June 30, 2013 was \$(134.3) million, or \$(352.02) per share of our common stock. Historical net tangible book value (deficit) per share is determined by dividing the number of our outstanding shares of common stock into our total tangible assets (total assets less intangible assets) less total liabilities.

On a pro forma basis, after giving effect to the conversion of all outstanding shares of our preferred stock into 22,031,600 shares of our common stock immediately prior to consummation of this offering, our net tangible book value at June 30, 2013 would have been \$            million, or \$            per share of our common stock.

Investors purchasing in this offering will incur immediate and substantial dilution. After giving effect to the sale of common stock offered in this offering assuming an initial public offering price of \$            per share, which is the mid-point of the range of prices set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2013 would have been \$            million, or \$            per share of our common stock. This represents an immediate increase in pro forma net tangible book value of \$            per share to existing stockholders, and an immediate dilution of \$            per share to investors purchasing in this offering.

The following table illustrates this per share dilution:

|                                                                                                                                                                                                                                       |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Assumed initial public offering price per share                                                                                                                                                                                       | \$         |
| Historical net tangible book value (deficit) per share as of June 30, 2013                                                                                                                                                            | \$(352.02) |
| Pro forma increase in net tangible book value per share attributable to the conversion of all outstanding shares of our preferred stock into 22,031,600 shares of our common stock immediately prior to consummation of this offering | 352.30     |
| Pro forma net tangible book value per share June 30, 2013                                                                                                                                                                             | 0.28       |
| Increase in pro forma net tangible book value per share attributable to investors purchasing in this offering                                                                                                                         |            |
| Pro forma as adjusted net tangible book value per share after this offering                                                                                                                                                           |            |
| Dilution per share to investors purchasing in this offering                                                                                                                                                                           | \$         |

The following table summarizes, on the pro forma as adjusted basis described above as of June 30, 2013, the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and by investors purchasing in this offering at an assumed initial public offering price of \$            per share, before deducting the underwriting discount and estimated offering expenses payable by us.

|                                            | Shares Purchased |         | Total Consideration |         | Average Price<br>Per Share |
|--------------------------------------------|------------------|---------|---------------------|---------|----------------------------|
|                                            | Number           | Percent | Amount              | Percent |                            |
| Existing stockholders before this offering |                  | %       | \$                  | %       | \$                         |
| Investors purchasing in this offering      |                  |         |                     |         |                            |
| Total                                      |                  | 100.0%  | \$                  | 100.0%  |                            |

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A \$1.00 increase or decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase or decrease our pro forma as adjusted net tangible book value per share by \$ \_\_\_\_\_ and the dilution per share to new investors in this offering by \$ \_\_\_\_\_, assuming the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same. An increase or decrease of 1,000,000 shares in the number of shares of common stock offered by us at the assumed public offering price would increase or decrease our pro forma as adjusted net tangible book value per share after this offering by \$ \_\_\_\_\_ per share and the dilution per share to new investors in this offering by \$ \_\_\_\_\_, assuming the assumed initial public offering price of \$ \_\_\_\_\_ remains the same.

Except as otherwise indicated, the discussion and tables above assume no exercise of the underwriters' option to purchase additional shares and no exercise of any outstanding options or warrants. If the underwriters exercise their option to purchase additional shares in full, the number of shares of common stock held by existing stockholders will be reduced to \_\_\_\_\_ % of the total number of shares of common stock to be outstanding upon consummation of this offering, and the number of shares of common stock held by investors purchasing in this offering will be increased to \_\_\_\_\_ shares or \_\_\_\_\_ % of the total number of shares of common stock to be outstanding upon consummation of this offering.

The table above excludes the following shares:

- 455,487 shares of common stock issuable upon exercise of outstanding warrants as of June 30, 2013, at a weighted average exercise price of \$0.01 per share;
- 2,390,586 shares of preferred stock issuable upon exercise of outstanding warrants as of June 30, 2013, at a weighted-average exercise price of \$4.40 per share, which will be converted into warrants to purchase an aggregate of 2,390,586 shares of our common stock, at a weighted average exercise price of \$4.40 per share, upon closing of this offering;
- 3,831,085 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock under the 2006 Plan, as of June 30, 2013, at a weighted average exercise price of \$1.07 per share (of which options to acquire 359,346 shares of common stock are vested as of June 30, 2013);
- \_\_\_\_\_ shares of common stock reserved for future grant or issuance under the 2013 Plan, which will become effective in connection with this offering;
- \_\_\_\_\_ shares of common stock reserved for future grant or issuance under the ESPP, which will become effective in connection with this offering; and
- shares subject to the underwriters' option to purchase \_\_\_\_\_ additional shares.

Our option holders and warrant holders may exercise the above referenced options and warrants in the future or we may make future grants under the above referenced plans. In addition, we may choose to raise additional capital through the sale of equity or convertible debt securities due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that any of these options or warrants are exercised, new options or shares of common stock are issued under the 2013 Plan or the ESPP or we issue additional shares of common stock or other equity securities in the future, there will be further dilution to investors purchasing in this offering.

## SELECTED FINANCIAL DATA

You should read the selected financial data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and the related notes included elsewhere in this prospectus. The selected financial data presented below under the heading “Statements of Operations Data” for the years ended December 31, 2011 and 2012 and the selected financial data presented below under the heading “Balance Sheet Data” as of December 31, 2011 and 2012 have been derived from our audited financial statements included elsewhere in this prospectus. The selected financial data presented below under “Statements of Operations Data” for the six months ended June 30, 2013 and 2012 and the selected financial data presented below under the heading “Balance Sheet Data” as of June 30, 2013 have been derived from our unaudited financial statements included elsewhere in this prospectus. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period and our interim results are not necessarily indicative of results for a full year.

### Statement of Operations Data:

| (in thousands, except share and per share data)                                                      | Years Ended<br>December 31, |             | Six Months Ended<br>June 30, |             |
|------------------------------------------------------------------------------------------------------|-----------------------------|-------------|------------------------------|-------------|
|                                                                                                      | 2011                        | 2012        | 2012                         | 2013        |
|                                                                                                      |                             |             | (Unaudited)                  |             |
| Sales                                                                                                | \$ —                        | \$ 2,475    | \$ —                         | \$ 10,986   |
| Cost of Sales                                                                                        | —                           | 3,823       | —                            | 8,540       |
| Gross profit                                                                                         | —                           | (1,348)     | —                            | 2,446       |
| Operating expenses:                                                                                  |                             |             |                              |             |
| Selling, general and administrative                                                                  | 15,951                      | 22,691      | 10,263                       | 18,208      |
| Research and development                                                                             | 8,261                       | 9,009       | 4,910                        | 5,081       |
| Total operating expense                                                                              | 24,212                      | 31,700      | 15,173                       | 23,289      |
| Operating loss                                                                                       | (24,212)                    | (33,048)    | (15,173)                     | (20,843)    |
| Total other income (expense), net                                                                    | (1,298)                     | 33          | (1,775)                      | (5,621)     |
| Net loss and comprehensive loss                                                                      | \$ (25,510)                 | \$ (33,015) | \$ (16,948)                  | \$ (26,464) |
| Net loss per share, basic and diluted                                                                | \$ (79.98)                  | \$ (90.56)  | \$ (47.66)                   | \$ (31.63)  |
| Weighted average shares used to compute basic and diluted net loss per share:                        | 318,947                     | 364,585     | 355,577                      | 836,731     |
| Pro forma net loss per share, basic and diluted (unaudited):                                         |                             |             |                              |             |
| Weighted average shares used to compute pro forma net loss per share, basic and diluted (unaudited): |                             |             |                              |             |

### Balance Sheet Data:

| (in thousands)              | As of December 31, |              | As of June 30, |
|-----------------------------|--------------------|--------------|----------------|
|                             | 2011               | 2012         | 2013           |
|                             |                    |              | (Unaudited)    |
| Cash and cash equivalents   | \$ 8,657           | \$ 17,163    | \$ 30,133      |
| Working capital             | \$ (6,876)         | \$ 10,762    | \$ 29,211      |
| Property and equipment, net | \$ 4,171           | \$ 8,989     | \$ 9,037       |
| Total assets                | \$ 13,978          | \$ 39,817    | \$ 59,227      |
| Notes payable               | \$ 12,857          | \$ 4,203     | \$ 29,292      |
| Convertible preferred stock | \$ 67,930          | \$ 124,638   | \$ 140,637     |
| Total stockholders’ deficit | \$ (71,295)        | \$ (106,052) | \$ (131,486)   |

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

*The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. You should review the section entitled "Risk Factors" beginning on page 10 of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements.*

### Overview

We are a medical device company with an innovative approach to the design, development and commercialization of products for people with insulin-dependent diabetes. We designed and commercialized our flagship product, the t:slim Insulin Delivery System, or t:slim, based on our proprietary technology platform and unique consumer-focused approach. Our technology platform features our patented Micro-Delivery Technology, easy-to-navigate embedded software architecture, vivid color touchscreen and a micro-USB connection that supports both a rechargeable battery and t:connect, our data management application. Leveraging this platform, we develop products to address unmet needs of people in all segments of the large and growing insulin-dependent diabetes market. Our innovative, consumer-focused approach is driven by our extensive market research as we believe the user is the primary decision maker when purchasing an insulin pump. We also apply the science of human factors to our design and development process, which optimizes a user's ability to successfully operate a device or system in its intended environment.

The FDA cleared t:slim in November 2011. We commenced commercial sales of t:slim in the United States in the third quarter of 2012. For the year ended December 31, 2012, our sales were \$2.5 million. For the six months ended June 30, 2013, our sales were \$11.0 million. We consider the number of units shipped per quarter to be an important metric for managing our business. Since the launch of t:slim, the number of units shipped has increased each quarter, and we have shipped approximately 3,200 pumps as of June 30, 2013.

We believe we can achieve profitability because our proprietary technology platform will allow us to maximize efficiencies in the development, production and sales of our products. By leveraging our core technology, we believe we can develop and bring to market products rapidly and greatly reduce our design and development costs. We continue to increase production volume, reducing the per unit production cost for the t:slim pump and its disposable cartridge. Further, due to shared product design features, our production system is adaptable to new products and we intend to leverage our shared manufacturing infrastructure to reduce our product costs and drive operational efficiencies. By expanding our product offerings to address people in all segments of the large and growing insulin-dependent diabetes market, we believe we can increase the productivity of our sales force, thereby improving our operating margin.

From inception through June 30, 2013, we have primarily financed our operations through private preferred equity financings and, to a lesser extent, debt financings. We expect to continue to incur net losses for the next several years and may require additional capital through equity financings and debt financings in order to fund our operations to a level of revenues adequate to support our cost structure. We have experienced consecutive quarterly revenue growth since the commercial launch of t:slim in the third quarter of 2012, while incurring quarterly operating losses since our inception. Our operating results may fluctuate on a quarterly or annual basis in the future and our growth or operating results may not be consistent with predictions made by securities analysts. We may not be able to achieve profitability in the future. For additional information about the risks and uncertainties associated with our business, see the section entitled "Risk Factors" beginning on page 10 of this prospectus.

## **Components of Results of Operations**

### ***Sales***

We commenced commercial sales of t:slim in the United States in the third quarter of 2012. The t:slim Insulin Delivery System is comprised of the t:slim pump, its disposable cartridge and an infusion set. Our primary customers are people with insulin-dependent diabetes. Similar to other durable medical equipment, the primary payor is generally third-party insurance carriers and the customer is usually responsible for any medical insurance plan copay or co-insurance requirements. Additionally, our products are sold to national and regional distributors on a non-exclusive basis. These distributors are generally providers of medical equipment and supplies to individuals with diabetes.

We anticipate our sales will increase as we expand our sales and marketing infrastructure, increase awareness of our products and broaden third party reimbursement for our products. We also expect that our sales will fluctuate on a quarterly basis in the future due to a variety of factors, including seasonality and the impact of the buying patterns of our distributors and other customers. We believe that our sales are subject to seasonal fluctuation due to the impact of annual deductible and coinsurance requirements associated with most medical insurance plans utilized by our individual customers and the individual customers of our distributors. Our sales may also be influenced by the summer vacation period. Accordingly, we expect sequential growth of sales from the third quarter to the fourth quarter to be relatively higher than for other quarter-to-quarter growth, and we also expect sequential growth of sales from the fourth quarter to the first quarter to be relatively lower than for other quarter-to-quarter growth.

### ***Cost of Sales***

We manufacture the t:slim pump and its disposable cartridge at our manufacturing facility in San Diego, California. Infusion sets and t:slim accessories are manufactured by third-party suppliers. Cost of sales includes raw materials, labor costs, manufacturing overhead expenses and reserves for expected warranty costs, scrap and inventory obsolescence. Due to our relatively low production volumes of the t:slim pump and its disposable cartridge, compared to our potential capacity for those products, the majority of our per unit costs are manufacturing overhead expenses. These expenses include quality assurance, manufacturing engineering, material procurement, inventory control, facilities, equipment and information technology and operations supervision and management.

We expect our overall gross margin, which is calculated as sales less cost of sales for a given period divided by sales, to fluctuate in future periods as a result of the changing percentage of products sold to distributors versus directly to individual customers, changing mix of products sold with different gross margins, changes in our manufacturing processes or costs and increased manufacturing output. Any new products that we sell in the future may change our future gross margins. Manufacturing inefficiencies will also impact our gross margins, which we may experience as we attempt to manufacture our products on a larger scale, change our manufacturing capacity or output, and adjust to expanding our manufacturing facilities.

### ***Selling, General and Administrative***

We expect our selling, general and administrative, or SG&A, expenses, to increase as our business expands. Our SG&A expenses primarily consist of salary, fringe benefits and share-based compensation for our executive, financial, marketing, sales, business development, regulatory affairs and administrative functions. Other significant expenses include product demonstration samples, trade show expenses, professional fees for contracted clinical diabetes educators, outside legal counsel, independent auditors and other outside consultants, insurance, facilities and information technologies expenses.



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### **Research and Development**

We expect our research and development, or R&D, expenses, to increase as we initiate and advance our development projects. Our R&D activities primarily consist of engineering and research programs associated with our products under development as well as R&D activities associated with our core technologies and processes. R&D expenses are primarily related to employee compensation, including salary, fringe benefits, share-based compensation and temporary employee expenses. We also incur significant expenses for supplies, development prototypes, outside design and testing services and milestone payments under our development and commercialization agreement with DexCom.

### **Other Income and Expenses**

Our other income and expenses primarily consist of interest expense and amortization of debt discount associated with term loan agreements and convertible notes payable, and the change in the fair value of outstanding common and preferred stock warrants. At June 30, 2013, there was \$30 million outstanding under our term loan with Capital Royalty Partners, which accrued interest at a rate of 14% per annum.

### **Results of Operations**

| <u>(in thousands except percentages)</u> | <b>Year Ended<br/>December 31,</b> |                    | <b>Six Months Ended<br/>June 30,</b> |                    |
|------------------------------------------|------------------------------------|--------------------|--------------------------------------|--------------------|
|                                          | <b>2011</b>                        | <b>2012</b>        | <b>2012</b>                          | <b>2013</b>        |
|                                          |                                    |                    | <b>(Unaudited)</b>                   |                    |
| Sales                                    | \$ —                               | \$ 2,475           | \$ —                                 | \$ 10,986          |
| Cost of sales                            | —                                  | 3,823              | —                                    | 8,540              |
| Gross profit                             | —                                  | (1,348)            | —                                    | 2,446              |
| Gross margin                             | —                                  | (54%)              | —                                    | 22%                |
| Operating expenses:                      |                                    |                    |                                      |                    |
| Selling, general and administrative      | 15,951                             | 22,691             | 10,263                               | 18,208             |
| Research and development                 | 8,261                              | 9,009              | 4,910                                | 5,081              |
| Total operating expenses                 | 24,212                             | 31,700             | 15,173                               | 23,289             |
| Operating loss                           | (24,212)                           | (33,048)           | (15,173)                             | (20,843)           |
| Other income (expense), net:             |                                    |                    |                                      |                    |
| Interest and other income                | 14                                 | 2                  | 2                                    | 1                  |
| Interest and other expense               | (542)                              | (2,525)            | (1,373)                              | (2,338)            |
| Change in fair value of stock warrants   | (770)                              | 2,556              | (404)                                | (3,284)            |
| Total other income (expense), net:       | (1,298)                            | 33                 | (1,775)                              | (5,621)            |
| Net loss and comprehensive loss          | <u>\$ (25,510)</u>                 | <u>\$ (33,015)</u> | <u>\$ (16,948)</u>                   | <u>\$ (26,464)</u> |

### **Comparison of Six Months Ended June 30, 2013 and 2012**

**Sales.** We began selling our products in the third quarter of 2012. Sales for the six months ended June 30, 2013 were \$11.0 million. There were no sales for the six months ended June 30, 2012. The commercialization of the t:slim pump and related pump supplies and accessories initially involved a sales force of limited size. During the first half of 2013, we expanded our sales force to 34 sales representatives, plus additional sales management, field clinical specialists and customer support personnel. For the six months ended June 30, 2013, approximately 66% of our sales were made to distributors. As the percentage of our sales sold to distributors decreases, we expect our average selling price to increase.

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*Cost of Sales and Gross Profit.* Our cost of sales for the first six months of 2013 was \$8.5 million resulting in gross profit of \$2.4 million. The gross margin for the first six months of 2013 was 22%. There were no costs of sales for the six months ended June 30, 2012. We have experienced, and may continue to experience, unanticipated decreases in productivity and other losses due to inefficiencies relating to the scale-up of manufacturing capacity and reliance on outside suppliers for key components in the manufacture of our products. This could continue to result in lower than expected manufacturing output and higher than expected product costs.

*Selling, General and Administrative Expenses.* SG&A expenses increased 77% to \$18.2 million for the six months ended June 30, 2013 from \$10.3 million for the same period of 2012. At June 30, 2013, our headcount for sales, general and administrative functions totaled 170 employees, compared with 82 at June 30, 2012. The increase in SG&A expenses was primarily associated with increased costs as we begin selling our products in the third quarter of 2012 and the continued expansion of our commercial operations during the first half of 2013. Employee-related expenses for our sales, general and administrative functions increased \$6.3 million during the first half of 2013 relative to the same period during 2012.

We expect SG&A expenses to increase in 2013 as compared to 2012 as we continue to increase our sales, marketing, clinical education, technical service and general administration resources to build our direct sales, distribution and administrative infrastructure in the United States. We also expect other non-employee-related costs, including sales and marketing program activities for our new products, outside services and accounting and general legal costs to increase as our overall operations grow. The timing of these increased expenditures and their magnitude are primarily dependent on the commercial success and sales growth of our products, as well as on the timing of any new product launches and our assessment of resources to address new market segments within the diabetes industry. In addition, we expect to incur increased SG&A expenses in connection with our becoming a public company, which may increase further when we are no longer able to rely on the “emerging growth company” exemption we are afforded under the JOBS Act.

*Research and Development Expenses.* R&D expenses increased 3% to \$5.1 million for the six months ended June 30, 2013 from \$4.9 million for the same period of 2012. The increase in R&D expenses for the first half of 2013 consisted primarily of an increase of \$0.8 million in employee-related expenses, as well as an increase of \$0.4 million in supplies and facilities expenses, offset by a \$1.0 million decrease in collaboration milestone payments. We expect our R&D expenses to increase in 2013 as compared to 2012 as we continue to advance our t:flex and t:sensor development projects. We also have potential milestone-based payments totaling \$2.0 million that could be paid to DexCom under our development and commercialization agreement.

*Other Income (Expense).* Other income (expense) increased to (\$5.6) million for the six months ended June 30, 2013 from (\$1.8) million for the same period of 2012. Interest and other expense for the first six months of 2013 was primarily associated with the term loan agreement we executed with Capital Royalty Partners in December 2012, under which we can draw up to \$45 million at a rate of 14% per annum, payable on a quarterly basis. In January 2013, \$30 million was drawn under the agreement. Interest and other expense for the six months ended June 30, 2012 related to convertible notes payable to certain stockholders at a rate of 8% per annum that were converted to Series D preferred stock in August 2012, and interest paid on a \$5 million loan from Silicon Valley Bank entered into in March 2012 at a rate ranging from 7.5% to 10% per annum. We used proceeds from the Capital Royalty Partners loan to repay all amounts outstanding under the Silicon Valley Bank loan in January 2013.

The increase in fair value of the stock warrants was \$3.3 million for the six months ended June 30, 2013 compared to an increase of \$0.4 million for the same period of 2012. The change was due to the revaluation of the fair value of the common and preferred stock warrants.

### **Comparison of Year Ended December 31, 2012 and 2011**

*Sales.* We began selling our products in the third quarter of 2012. Sales for 2012 were \$2.5 million. There were no sales for 2011.

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*Cost of Sales and Gross Profit.* Our cost of sales for 2012 was \$3.8 million resulting in gross loss of \$1.3 million. The gross margin for 2012 was (54%). There were no costs of sales for 2011. The negative gross margin in 2012 resulted primarily from the initial scale up of manufacturing where our initial fixed and variable overhead costs were allocated to small sales volume and manufacturing output.

*Selling, General and Administrative Expenses.* SG&A expenses increased 42% to \$22.7 million for 2012 from \$16.0 million for 2011. At December 31, 2012, our headcount for sales, general and administrative functions totaled 79 employees, compared with 45 at December 31, 2011. The increase in SG&A expenses was primarily related to increased costs associated with the August 2012 initiation of commercial operations that included the establishment of a sales force, customer and technical support functions and marketing personnel and programs. During 2012, employee-related expenses increased \$3.9 million and facilities and information technologies expense related to the selling, general and administrative functions increased \$1.3 million. Additionally, we expensed \$1.8 million relating to the acquisition of patent rights for non-commercialized products.

*Research and Development Expenses.* R&D expenses increased 9% to \$9.0 million for 2012 from \$8.3 million for 2011. The increase in R&D expenses for 2012 was primarily due to a \$1.0 million milestone payment under a collaborative agreement.

*Other Income (Expense).* Other income (expense) increased to \$33,000 for 2012 from (\$1.3) million for 2011. Interest and other expense for 2012 was primarily related to interest associated with convertible notes payable to certain stockholders at a rate of 8% per annum that were converted to Series D preferred stock in August 2012, and interest paid on a \$5 million loan from Silicon Valley Bank entered into in March 2012 at a rate ranging from 7.5% to 10% per annum. Interest and other expense for 2011 was primarily related to interest associated with the convertible notes issued in August 2011, which were subsequently converted to Series D preferred stock in August 2012.

The decrease in fair value of the stock warrants was \$2.6 million for 2012 compared to an increase of \$0.8 million for 2011. The change was due to the revaluation of the fair value of the preferred stock warrants.

### **Liquidity and Capital Resources**

At June 30, 2013, we had \$30.1 million in cash and cash equivalents. We believe that our available cash, proceeds from this offering, cash available under our term loan agreement and proceeds from the exercise of options will be sufficient to satisfy our liquidity requirements for at least the next 18 months, except in the event that we determine to accelerate repayment of outstanding term debt. We expect that our sales performance and the resulting operating income or loss, as well as the status of each of our new product development programs, will significantly impact our cash management decisions. We have utilized, and may continue to utilize, debt arrangements with debt providers and financial institutions to finance our operations. Factors such as interest rates and available cash will impact our decision to continue to utilize debt arrangements as a source of cash.

Historically, our sources of cash have included private placements of equity securities, debt arrangements, and cash generated from operations, primarily from the collection of accounts receivable resulting from sales. Our historical cash outflows have primarily been associated with cash used for operating activities such as the purchase and growth of inventory, expansion of our sales and marketing and R&D activities and other working capital needs; the acquisition of intellectual property; and expenditures related to equipment and improvements used to increase our manufacturing capacity, and improve our manufacturing efficiency and for overall facility expansion.

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The following table shows a summary of our cash flows for the years ended December 31, 2011 and 2012, and the six months ended June 30, 2012 and 2013:

| (in thousands)                  | Year Ended<br>December 31, |                 | Six Months<br>Ended June 30, |                  |
|---------------------------------|----------------------------|-----------------|------------------------------|------------------|
|                                 | 2011                       | 2012            | 2012                         | 2013             |
|                                 |                            |                 | (Unaudited)                  |                  |
| Net cash provided by (used in): |                            |                 |                              |                  |
| Operating activities            | \$ (21,547)                | \$ (33,471)     | \$ (14,936)                  | \$ (23,976)      |
| Investing activities            | 5,879                      | (5,529)         | (1,384)                      | (1,916)          |
| Financing activities            | 13,179                     | 47,506          | 8,244                        | 38,862           |
| Total                           | <u>\$ (2,489)</u>          | <u>\$ 8,506</u> | <u>\$ (8,076)</u>            | <u>\$ 12,970</u> |

*Operating activities.* The increase in net cash used in operating activities for the 2011 and 2012 periods presented was primarily associated with increased costs associated with the initiation of commercial operations in August 2012 and, for the 2013 period, with continued expansion during the first half of 2013. Our employee headcount, employee-related expenses and working capital needs, including accounts receivable and inventory, increased significantly as a result of our initiation of commercial operations.

*Investing activities.* Net cash provided by investing activities in 2011 was primarily related to the sale of securities used to fund our other operating activities. Net cash used in investing activities for the other periods was primarily related to the purchase of capital equipment and the acquisition or licensing of patents.

*Financing activities.* Net cash provided by financing activities for the periods presented related primarily to the issuance of convertible notes payable and Series D preferred stock at various dates between August 2012 and April 2013, as well as the execution and drawdown of cash under term loan agreements.

Our liquidity position and capital requirements are subject to a number of factors. For example, our cash inflow and outflow may be impacted by the following:

- fluctuations in gross margins and negative operating margins;
- our ability to generate sales; and
- fluctuations in working capital.

Our primary short-term capital needs, which are subject to change, include expenditures related to:

- support of our commercialization efforts related to our current and future products;
- improvements in our manufacturing capacity and efficiency;
- new research and product development efforts;
- payment of quarterly interest due under our term debt agreement;
- the acquisition of equipment and other fixed assets;
- facilities expansion needs; and
- potential up-front, milestone or reimbursement of costs payments under R&D collaborations.

If cash generated from operations is insufficient to satisfy our working capital and capital expenditure requirements, we may be required to sell additional equity or debt securities or obtain additional credit facilities.

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Additional capital, if needed, may not be available on satisfactory terms, if at all. Furthermore, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may include restrictive covenants. For a discussion of other factors that may impact our future liquidity and capital funding requirements, see “Risk Factors—Risks Related to our Financial Results and Need for Financing” beginning on page 21 of this prospectus.

### **Indebtedness**

#### ***Capital Royalty Partners Term Loan***

In December 2012, we executed a term loan agreement with Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P., together, Capital Royalty Partners, providing us access to up to \$45 million under the arrangement, of which \$30 million was available in January 2013, and an additional amount up to \$15 million is available upon our achievement of a revenue-based milestone if achieved during 2013. Subject to our achievement of the revenue-based milestone, we can elect to draw any amount between \$8 million and \$15 million at our discretion. In January 2013, \$30 million was drawn under the agreement, the proceeds of which were used to repay all amounts outstanding under our \$5 million loan from Silicon Valley Bank. As of June 30, 2013, we did not have the ability to draw the additional amount. The loan accrues interest at an annual rate of 14%. Interest-only payments are due quarterly at March 31, June 30, September 30 and December 31 of each year during 2013 and 2014. Thereafter, in addition to interest accrued during the period, quarterly payments must also include an amount equal to the outstanding principal at December 31, 2014 divided by the remaining number of quarters prior to the maturity of the loan, which is December 31, 2017. If we achieve the revenue milestone, the interest only payment period would be extended to December 31, 2015, and thereafter, in addition to interest accrued during the period, the quarterly payments must also include an amount equal to the outstanding principal at December 31, 2015 divided by the remaining number of quarters prior to the end of the term of the loan. While interest on the loan is accrued at 14% per annum, we may elect to make interest-only payments at 11.5% per annum. If we make such an election, the unpaid interest is added to the principal of the loan and is subject to accruing interest. We have not elected to utilize this loan feature. The agreement provides for prepayment fees of 5% of the outstanding balance of the loan if the loan is repaid prior to April 1, 2014. The prepayment fee is reduced 1% per year for each subsequent year until maturity. The loan is collateralized by all of our assets. Additionally, the terms of the term loan agreement contain various affirmative and negative covenants. Among them, we must attain minimum annual revenues of \$25 million in 2013, \$50 million in 2014, \$75 million in 2015 and \$100 million thereafter. At December 31, 2012 and June 30, 2013, we were in compliance with all of the covenants. We expect to meet the minimum annual revenue covenant of \$25 million in 2013.

#### ***Silicon Valley Bank Revolving Line of Credit***

In January 2013, we entered into an amended loan agreement with Silicon Valley Bank, making available a two year revolving line of credit in the amount up to the lesser of \$1.5 million or 75% of eligible accounts receivable. Once we achieve a revenue-based milestone we have the ability to increase the line of credit limit to 75% of eligible accounts receivable. Interest-only payments at a rate of 6% per annum are payable monthly through the maturity date 24 months from the initial borrowing. Loans drawn under the agreement are secured by our eligible accounts receivable and proceeds therefrom. Additionally, the terms of the revolving line of credit contain various affirmative and negative covenants. There were no amounts outstanding under this line of credit as of December 31, 2012 and June 30, 2013.

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### Contractual Obligations & Commitments

The following table summarizes our long-term contractual obligations as of December 31, 2012. Subsequent to this date, we entered into the term loan agreement with Capital Royalty Partners. For additional information, see “—Indebtedness.”

| (in thousands)                                                     | Payments Due by Period |                  |                 |                 |                   |
|--------------------------------------------------------------------|------------------------|------------------|-----------------|-----------------|-------------------|
|                                                                    | Total                  | Less than 1 year | 1-3 years       | 3-5 years       | More than 5 years |
| Operating lease obligation relating to our facility <sup>(1)</sup> | \$ 7,447               | \$ 1,628         | \$ 3,337        | \$ 2,482        | \$ —              |
| Silicon Valley Bank term loan, including interest <sup>(2)</sup>   | 4,653                  | 4,653            | —               | —               | —                 |
| License fees                                                       | 4,000                  | 2,000            | 2,000           | —               | —                 |
| Firm purchase commitments                                          | 1,200                  | 1,200            | —               | —               | —                 |
| Total contractual obligations                                      | <u>\$17,300</u>        | <u>\$ 9,481</u>  | <u>\$ 5,337</u> | <u>\$ 2,482</u> | <u>\$ —</u>       |

- (1) We currently lease approximately 66,000 square feet for office, manufacturing and laboratory space in San Diego, California under an operating lease that expires in May 2017.
- (2) In March 2012, we entered into a \$5 million term loan with Silicon Valley Bank to finance our working capital and capital expenditure needs. The loan was to be repaid in 24 equal monthly installments. In conjunction with the Capital Royalty Partners term loan closing in January 2013, all principal, interest due and pre-payment fee amounts due under the Silicon Valley Bank term loan were paid by us.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

### Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. Our cash and cash equivalents include cash in readily available checking and money market accounts, as well as a certificate of deposit. These securities are not dependent on interest rate fluctuations that may cause the principal amount of these assets to fluctuate. Additionally, the interest rate on our Capital Royalty Partners term loan, is fixed and not subject to changes in market interest rates.

### Related Parties

For a description of our related party transactions, see “Certain Relationships and Related Party Transactions.”

### Critical Accounting Policies Involving Management Estimates and Assumptions

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our financial statements. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about our financial condition and results of operations that are not readily apparent from other sources. Actual results may differ from these estimates.

While our significant accounting policies are more fully described in Note 1 to our financial statements included in this prospectus, we believe that the following accounting policies to be most critical to the judgments and estimates used in the preparation of our financial statements.

### ***Revenue Recognition***

Our revenue is generated from the sales in the United States of the t:slim pump, disposable cartridges and infusion sets to individual customers and third-party distributors that re-sell our product to diabetes insulin-dependent diabetes customers. We are paid directly by customers who use our products, distributors and third party-payors.

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred and title passed, the price is fixed or determinable, and collectability is reasonably assured. These criteria are applied as follows:

- The evidence of an arrangement generally consists of contractual arrangements with distributors or direct customers.
- Transfer of title and risk and rewards of ownership are passed upon shipment of the pump to distributors or upon delivery to the customer.
- The selling prices are fixed and agreed upon based on the contracts with distributors, the customer and contracted insurance payors, if applicable. For sales to customers associated with insurance providers for whom we do not have a contract with, we recognize revenue upon collection of cash at which time the price is determinable. We do not offer rebates to our distributors and customers.
- We consider the overall creditworthiness and payment history of the distributor, customer and the contracted payor in concluding whether collectability is reasonably assured.

Prior to the first quarter of 2013, t:slim sales were recorded as deferred revenue until our 30-day right of return expired because we did not have sufficient history to be able to reasonably estimate returns. At December 31, 2012, we had \$1.9 million recorded as deferred revenue. Beginning in the first quarter of 2013, we began recognizing t:slim revenue when all the revenue recognition criteria above are met, as we established sufficient history in order to reasonably estimate product returns. As a result of this change, we recorded a one-time adjustment during six months ended June 30, 2013, to recognize previously deferred revenue and cost of sales of \$1.9 million and \$1.1 million, respectively.

#### *Revenue Recognition for Arrangements with Multiple Deliverables*

We consider the deliverables in our product offering as separate units of accounting and recognize deliverables as revenue upon delivery only if (i) the deliverable has standalone value and (ii) if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is probable and substantially controlled by us. We allocate consideration to the separate units of accounting, unless the undelivered elements were deemed perfunctory and inconsequential. We use the relative selling price method, in which allocation of consideration is based on vendor-specific objective evidence, or VSOE, if available, third-party evidence, or TPE, or if VSOE and TPE are not available, management's best estimate of a standalone selling price, or ESP, for the undelivered elements.

In February 2013, the FDA cleared t:connect, our cloud-based data management application, which is made available upon purchase by t:slim customers. This service is deemed an undelivered element at the time of the t:slim sale. Because we have neither VSOE nor TPE for this deliverable, the allocation of revenue is based on our ESP. We establish our ESP based on estimated cost to provide such services, including consideration for a reasonable profit margin and corroborated by comparable market data. We allocate fair value based on management's ESP to this element at the time of sale and are recognizing the revenue over the four year hosting period. At June 30, 2013, \$65,000 was recorded as deferred revenue for the t:connect hosting service. All other undelivered elements at the time of sale are deemed inconsequential or perfunctory.

#### *Product Returns*

We offer a 30-day right of return for our t:slim customers from the date of shipment, provided a physician's confirmation of the medical reason for the return is received. Estimated return allowances for sales returns are based on

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historical return quantities as compared to t:slim pump shipments in the same period. The return rate is then applied to the sales of the period to establish a reserve at the end of the period. The return rates used in the reserve are adjusted for known or expected changes in the marketplace when appropriate. As of December 31, 2012, we lacked sufficient historical data to establish an estimated return allowance and as such we deferred our t:slim sales of \$1.9 million that were subject to return as of that date. Our allowances for sales returns at June 30, 2013 was \$0.1 million. Actual product returns have not differed materially from estimated amounts reserved.

### ***Warranty Reserve***

We provide a four-year warranty on the t:slim pump to our end user customers and may replace any pumps that do not function in accordance with the product specifications. Additionally, we offer a six month warranty on t:slim cartridges and infusion sets. Estimated warranty costs are recorded at the time of shipment. We estimate warranty costs based on the current product cost, actual experience and expected failure rates from test studies we performed in conjunction with the clearance of our product with the FDA to support the longevity and reliability of t:slim. We evaluate the reserve quarterly and make adjustments when appropriate. At December 31, 2012 and June 30, 2013, the warranty reserve was \$0.3 million and \$0.7 million, respectively. Actual warranty costs have not differed materially from estimate amounts reserved.

### ***Inventory Reserve***

We periodically review inventories for potential impairment based on quantities on hand, expectations of future use, judgments based on quality control testing data and assessments of the likelihood of scrapping or obsoleting certain inventories.

### ***Capitalized Intellectual Property***

We capitalize costs associated with the purchase or licensing of patents associated with our commercialized products. We review our capitalized patent costs periodically to determine that they have future value and an alternative future use. We evaluate costs related to patents that we are not actively pursuing and write off any such costs. We amortize patent costs over their estimated useful lives of 10 years, beginning with the date the patents are issued or acquired.

In July 2012, we entered into an agreement pursuant to which we were granted certain rights to patents and patent applications. Included in these rights are patents related to our commercialized products as well as patents that relate to our products in development or future products. As consideration for these rights, we agreed to pay \$5.0 million in license fees and a percentage of any associated sublicense revenues we may receive. As of June 30, 2013, we have paid \$1.5 million of the \$5.0 million in license fees. To determine the fair value of the licensed and purchased intellectual property, we utilized an independent third-party valuation specialist who applied a combination of royalty-relief and cost valuation approaches depending on the type of the patents. For the group of patents related to the commercialized products, we utilized the relief from royalty approach. Significant inputs in the valuation model included our projected revenues, estimated weighted average cost of capital, risk premium associated with the asset, and current market comparable royalty rates. For the patents associated with products in development, the cost approach was applied which utilized the costs associated with the filing and issuance of the patent to estimate the patent's fair value. We used the relative fair values to allocate the purchase price between the two groups of patents. The fair value associated with the patents related to the commercialized products of \$3.2 million was capitalized and is amortized over the weighted average patent remaining life of 10 years. The fair value associated with the rest of the patents of \$1.8 million was expensed at the time of the contract execution and is recorded in the SG&A expenses line item in the statement of operations.

### ***Stock-Based Compensation***

We account for stock-based compensation by measuring and recognizing compensation expense for all stock-based payments made to employees and directors using an option pricing model for determining grant date



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fair values. We use the straight-line single option method to recognize compensation cost to reporting periods over each optionee's requisite service period, which is generally the vesting period. We estimate the fair value of our stock-based awards to employees and directors using the Black-Scholes option pricing model. The Black-Scholes model requires the input of subjective assumptions, including the risk-free interest rate, expected dividend yield, expected volatility, expected term and the fair value of the underlying common stock on the date of grant, among other inputs.

The assumptions used in the Black-Scholes option pricing model are as follows:

|                          | Year ended December 31, |       | Six Months ended June 30, |       |
|--------------------------|-------------------------|-------|---------------------------|-------|
|                          | 2011                    | 2012  | 2012                      | 2013  |
| Risk-free interest rate  | 1.6%                    | 1.1%  | 1.1%                      | 0.9%  |
| Expected dividend yield  | 0.0%                    | 0.0%  | 0.0%                      | 0.0%  |
| Expected volatility      | 69.7%                   | 70.2% | 70.2%                     | 75.9% |
| Expected term (in years) | 6.0                     | 6.0   | 6.0                       | 5.6   |

### **Common Stock Value**

We are required to estimate the fair value of the common stock underlying our stock-based awards when performing the fair value calculations using the Black-Scholes option pricing model. The fair value of the common stock underlying our stock-based awards was determined on each grant date by our board of directors, with input from management. All options to purchase shares of our common stock are intended to be granted with an exercise price per share no less than the fair value per share of our common stock underlying those options on the date of grant, based on the information known to us on the date of grant. Our assessments of the fair value of our common stock were done using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants, or AICPA, Audit and Accounting Practice Aid Series: Valuation of Privately Held Company Equity Securities Issued as Compensation, or the AICPA Practice Guide. In addition, our board of directors considered various objective and subjective factors to determine the fair value of our common stock, including: the conclusions of contemporaneous valuations of our common stock by an independent third-party valuation specialist, external market conditions affecting the medical device industry, trends within the medical device industry, the superior rights and preferences of our preferred stock relative to our common stock at the time of each grant, our results of operations and financial position, our stage of development and business strategy, our ability to commercialize our product, the lack of an active public market for our common and our preferred stock, and the likelihood of achieving a liquidity event such as an initial public offering, or IPO, or sale of our company in light of prevailing market conditions.

Our board of directors utilized an independent third-party valuation specialist to prepare valuation reports in accordance with the guidelines in the AICPA Practice Guide. These guidelines prescribe certain valuation approaches for setting the value of an enterprise, such as the cost, market and income approaches, and various methodologies for allocating the value of an enterprise to common stock, such as the option pricing method, or OPM, current value method, and probability-weighted expected return method. The enterprise valuation approaches and methodologies used by our third-party valuation specialists are further described below.

#### *Valuation approaches.*

- *Discounted Cash Flow Method, or DCF.* The discounted cash flow method estimates the value of the business by discounting the estimated future cash flows available for distribution after funding internal needs to present value.
- *Guideline Company Method.* The guideline public company market approach estimates the value of a business by comparing a company to similar publicly-traded companies. When selecting the comparable companies to be used for the market approaches under this method, our third-party

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valuation specialist focused on companies within the medical device industry. The mix of comparable companies was reviewed at each valuation date to assess whether to add or delete companies.

- *Guideline Transaction Method.* The guideline transaction market approach estimates the value of a business based on valuations from selected mergers and acquisitions transactions for companies with similar characteristics.

The cost approach establishes the value of an enterprise based on the cost of reproducing or replacing the property less depreciation and functional or economic obsolescence, if present. The cost approach was not utilized in the valuations.

### *Allocation of Enterprise Value.*

- *Option pricing method, or OPM.* Under the OPM, shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each class of equity. The values of the preferred and common stock are inferred by analyzing these options.
- *Hybrid method.* the hybrid method is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future enterprise values, considering various exit strategies, as well as the economic and control rights of each share class.

The key subjective factors and assumptions used in our valuations primarily consisted of: (i) the selection of the appropriate valuation model, (ii) the selection of the appropriate market comparable transactions, (iii) the selection of the appropriate comparable publicly-traded companies, (iv) the financial forecasts utilized to determine future cash balances and necessary capital requirements, (v) the probability and timing of the various possible liquidity events, (vi) the estimated weighted average cost of capital and (vii) the discount for lack of marketability of our common stock.

At each valuation date, we used our then current budget or forecast, as approved by our board of directors, to determine our estimated financing needs and forecasted cash balances for each exit scenario and exit date. We then estimated the probability and timing of each potential liquidity event based on management's best estimate taking into consideration all available information as of the valuation date, including the stage of development and commercialization of our product, our expected near-term and long-term funding requirements, and an assessment of the current financing and medical device industry environments at the time of the valuation.

### *Discussion of Specific Valuation Inputs*

Over time, a combination of factors caused changes in the fair value of our common stock. The following summarizes the changes in value from January 1, 2012 to June 30, 2013 and the major factors that caused each change. We completed a 1 for 20 reverse stock split on July 17, 2012, and the following discussion reflects the effect of such split on options granted prior to such date.

*January 2012 through July 2012.* In November 2011, we received FDA clearance to market t:slim. Although we had received FDA clearance, there were still significant obstacles to our ability to successfully launch our product. Specifically, we lacked appropriate financial resources to begin commercial activities in a medical device industry that is intensely competitive, subject to rapid change and significantly affected by new product introductions. In addition, most of our competitors have greater resources than we do, which may make it more difficult for us to achieve significant market share and we may not secure or retain adequate coverage or reimbursement for our product by third-parties. However, we anticipated securing significant financial resources and commercially launching t:slim in July 2012 with a large sales force. This information was utilized when applying the DCF Method and an OPM allocation method to our common stock as it continued to be too speculative

to determine the potential liquidity options that might become available to us without proven market acceptance of our product. As a result of the developments in our business and applying the common stock valuation methodology described above, the fair value of our common stock was \$15.00 per share for option grants in January 2012, February 2012 and March 2012 based on the December 31, 2011 third-party valuation report.

*August 2012 through April 2013.* In July 2012, we revised our product launch strategy to initially launch t:slim in August 2012 with a smaller sales force than planned earlier in 2012. As a result, the DCF analysis was materially impacted. Also, in July 2012, our board of directors approved a 1 for 20 reverse stock split of our common and preferred stock. In August 2012, we completed an offering of 13,033,563 shares Series D preferred stock that resulted in the infusion of \$30.9 million in net proceeds and the conversion of outstanding 2011 and 2012 convertible notes with a principal and interest balance totaling \$26.4 million. The offering significantly diluted all holders of previous series of preferred stock and holders of common stock. Further dilution of the common stock occurred with subsequent closings of the Series D preferred stock in November 2012 and April 2013. We began shipping our products in August 2012 and began focused selling efforts in October 2012. We began to have better insight into the market's acceptance of our product and expanded our sales force during the first half of 2013. On April 1, 2013, we completed a final close of our Series D preferred stock and obtained a third-party valuation report that, after considering the impact of the Series D preferred stock financing, applied the DCF Method and an OPM allocation method to determine the fair value of our common stock, which was determined to be \$0.66 per share. In May 2013, we began to evaluate the probability and timing of our next financing, including a potential IPO. This resulted in a change in valuation methodology from the OPM allocation method to the hybrid method. The fair value of our common stock as of March 31, 2013 was reassessed based on three potential scenarios to arrive at a concluded common stock value—non-IPO or stay private, early IPO and late IPO. The non-IPO or stay private scenario was weighted at 70%, the early IPO scenario at 20% and the late IPO scenario at 10%. The applied discount for lack of marketability was 30% in the non-IPO or stay private scenario, 19% in the early IPO scenario and 19% in the late IPO scenario in determining the value of our common stock as of March 31, 2013. As a result of the new developments in our business, the Series D preferred financing completed on April 1, 2013 and the application of the new common stock valuation methodology described above, the fair value of our common stock was determined to be \$2.96 per share as of March 31, 2013 based on a July 31, 2013 third-party valuation report that was made retroactive to March 31, 2013. From our March 31, 2013 to our April 23, 2013 grant date the fair value of our common stock remained materially consistent as we did not have any material operational or development milestones that would cause material changes in our overall enterprise value. Accordingly, for grants made in April 2013, we used a valuation of \$0.66 per share because formal discussions of a potential IPO had not begun until after such meeting and the retroactive valuation report was not received until July 31, 2013.

*May 2013 through June 2013.* From May 2013 to June 2013, the same Hybrid method valuation methodology was used. The fair value of our common stock beginning on May 1, 2013 was based on three potential scenarios to arrive at a concluded common stock value – non-IPO or stay private, early IPO and late IPO. The non-IPO or stay private scenario was weighted at 50%, the early IPO scenario at 40% and the late IPO scenario at 10%. The applied discount for lack of marketability was 30% in the non-IPO or stay private scenario, 19% in the early IPO scenario and 19% in the late IPO scenario in determining the value of our common stock as of June 30, 2013. For grants made in June 2013, we determined the fair value of the common stock to be \$0.66 per share based on the most recent independent valuation report. Subsequently, we received an independent valuation report on July 31, 2013 that retroactively determined the fair value of our common stock at June 30, 2013 to be \$3.78 per share.

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### *Summary of Stock Option Grants*

The following table compares the originally determined value (exercise price) and reassessed value for all option grants from January 1, 2012 to June 30, 2013:

| <u>Grant Date</u>      | <u>Number of<br/>Shares Subject to<br/>Options<br/>Granted<sup>(1)</sup></u> | <u>Exercise Price<br/>per Share<sup>(1)</sup></u> | <u>Reassessed Estimated<br/>Fair Value of<br/>Common Stock per<br/>Share at Date of<br/>Grant<sup>(1)(2)</sup></u> | <u>Intrinsic Value<br/>per Share at<br/>Date of<br/>Grant<sup>(1)</sup></u> |
|------------------------|------------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 1/30/12                | 15,000                                                                       | \$ 15.00                                          | \$ 15.00                                                                                                           | \$ 0.00                                                                     |
| 2/1/12                 | 1,100                                                                        | \$ 15.00                                          | \$ 15.00                                                                                                           | \$ 0.00                                                                     |
| 3/1/12                 | 9,600                                                                        | \$ 15.00                                          | \$ 15.00                                                                                                           | \$ 0.00                                                                     |
| 7/1/12 <sup>(3)</sup>  | 0                                                                            | \$ 15.00                                          | \$ 15.00                                                                                                           | \$ 0.00                                                                     |
| 4/23/13 <sup>(4)</sup> | 2,499,000                                                                    | \$ 0.66                                           | \$ 2.96                                                                                                            | \$ 2.30                                                                     |
| 6/25/13 <sup>(5)</sup> | 0                                                                            | \$ 0.66                                           | \$ 3.78                                                                                                            | \$ 3.12                                                                     |
| 6/27/13                | 135,000                                                                      | \$ 0.66                                           | \$ 3.78                                                                                                            | \$ 3.12                                                                     |

- (1) We completed a 1 for 20 reverse stock split on July 17, 2012, and options granted prior to such date reflect the effect of the reverse stock split.
- (2) In connection with the preparation of the financial statements necessary for inclusion in the registration statement related to this offering, we reassessed the estimated fair value of our common stock for financial reporting purposes. When we performed reassessment valuation analyses for the grant dates above, we concluded that stock options granted had exercise prices equal to the then estimated fair value of common stock at the date of grant, except for stock options granted on April 23, 2013, June 25, 2013 and June 27, 2013, which had exercise prices different from the reassessed fair value of the common stock at the date of grant. We used this fair value reassessment to determine stock-based compensation expense which is recorded in our financial statements.
- (3) This grant excludes options to purchase 3,000 shares of common stock, which were outstanding for legal purposes but not for accounting purposes, because the recipients of these options were not notified of the terms of the grants as of June 30, 2013.
- (4) This grant excludes options to purchase 922,300 shares of common stock, which were outstanding for legal purposes but not for accounting purposes, because the recipients of these options were not notified of the terms of the grants as of June 30, 2013.
- (5) This grant excludes options to purchase 48,100 shares of common stock, which were outstanding for legal purposes but not for accounting purposes, because the recipients of these options were not notified of the terms of the grants as of June 30, 2013.

Total stock-based compensation expense included in the statements of operations was allocated as follows (in thousands):

|                                     | <u>Years Ended<br/>December 31,</u> |               | <u>Six Months Ended<br/>June 30,</u> |               |
|-------------------------------------|-------------------------------------|---------------|--------------------------------------|---------------|
|                                     | <u>2011</u>                         | <u>2012</u>   | <u>2012</u>                          | <u>2013</u>   |
| Cost of sales                       | \$ —                                | \$ 68         | \$ 32                                | \$ 67         |
| Selling, general and administrative | 163                                 | 116           | 63                                   | 508           |
| Research and development            | 90                                  | 62            | 37                                   | 69            |
| Total                               | <u>\$ 253</u>                       | <u>\$ 246</u> | <u>\$ 132</u>                        | <u>\$ 644</u> |

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At December 31, 2012 and June 30, 2013, the total unamortized stock-based compensation expense of approximately \$0.3 million and \$6.3 million, respectively, is to be recognized over the stock options' remaining vesting terms of approximately 2.2 years and 2.2 years, respectively.

Based on the assumed initial public offering price of \_\_\_\_\_ per share, the intrinsic value of stock options outstanding as of June 30, 2013 would be \_\_\_\_\_ million, of which \_\_\_\_\_ million and \_\_\_\_\_ million would have been related to stock options that were vested and unvested, respectively, at that date.

### **Warrant Liabilities**

We have issued freestanding warrants to purchase shares of common stock and convertible preferred stock in connection with the issuance of convertible notes payable in 2011 and 2012. We account for these warrants as a liability in the financial statements because either we did not have enough authorized shares to satisfy potential exercise of the common stock warrants and the number of shares to be issued upon their exercise was outside the control of our company or because the underlying instrument into which the warrants are exercisable, Series C or Series D preferred stock, contain deemed liquidation provisions that are outside of the control of our company.

The warrants are recorded at fair value using either the Black-Scholes option pricing model, other binomial valuation model or lattice model, depending on the characteristics of the warrants at the time of the valuation. The fair value of these warrants is re-measured at each financial reporting period with any changes in fair value being recognized as a component of other income (expense) in the accompanying statements of operations and comprehensive loss. We will continue to re-measure the fair value of the warrant liabilities until: (i) exercise, (ii) expiration of the related warrant, or (iii) conversion of the preferred stock underlying the security into common stock in connection with an IPO.

### **JumpStart Our Business Startups Act of 2012 (JOBS Act)**

In April 2012, the JOBS Act, was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an "emerging growth company." As an "emerging growth company," we are electing not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision not to take advantage of the extended transition period is irrevocable. In addition, we are in the process of evaluating the benefits of relying on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an "emerging growth company" we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis) and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our initial public offering or until we no longer meet the requirements of being an "emerging growth company," whichever is earlier.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP. There are also areas in which our management's judgment in selecting any available alternative would not produce a materially different result. Please see our audited financial statements and notes thereto included elsewhere in this prospectus, which contain accounting policies and other disclosures required by GAAP.

## BUSINESS

### Overview

We are a medical device company with an innovative approach to the design, development and commercialization of products for people with insulin-dependent diabetes. We designed and commercialized our flagship product, the t:slim Insulin Delivery System, or t:slim, based on our proprietary technology platform and unique consumer-focused approach. Our technology platform features our patented Micro-Delivery Technology, easy-to-navigate software architecture, vivid color touchscreen and a micro-USB connection that supports both a rechargeable battery and t:connect, our data management application. Leveraging this platform, we develop products to address unmet needs in all segments of the large and growing insulin-dependent diabetes market. Our innovative, consumer-focused approach to product design, marketing and customer support is driven by our extensive market research as we believe the user is the primary decision maker when purchasing an insulin pump. This research has consisted of more than 5,500 responses obtained in interviews, focus groups and online surveys, to understand what people with diabetes, their caregivers and healthcare providers are seeking in order to improve diabetes therapy management. We also apply the science of human factors to our design and development process, which optimizes a user's ability to successfully operate a device or system in its intended environment.

We developed t:slim to offer the specific features that people with insulin-dependent diabetes seek in a next-generation insulin pump. We designed it to have the look and feel of a modern consumer electronic device, such as a smartphone. It is the first and only insulin pump to feature a high resolution, color touchscreen. It is also the slimmest and smallest durable insulin pump currently on the market, and can easily and discreetly fit into a pocket, while still carrying a cartridge with 300 units of insulin. The touchscreen and intuitive software architecture make it easy to use, learn and teach, and to update the software without requiring any hardware changes. Similar to modern consumer electronic devices, t:slim incorporates colors, language, icons and feedback that consumers find intuitive to use. We offer a broad range of accessories allowing users to customize t:slim to their individual lifestyle and sense of style.

According to the NDIC, in 2011 approximately 25.8 million people in the United States had diabetes. Our target market consists of approximately 2.5 million people in the United States who require daily administration of insulin, including all people with type 1 diabetes and people with type 2 diabetes who are insulin-dependent.

The FDA cleared t:slim in November 2011, making it one of the first insulin pumps to be cleared under the FDA's Infusion Pump Improvement Initiative, which is intended to foster the development of safer, more effective infusion pumps and support the safe use of these devices. We commenced commercial sales of t:slim in the United States in the third quarter of 2012. For the year ended December 31, 2012, our sales were \$2.5 million. For the six months ended June 30, 2013, our sales were \$11.0 million. Since the launch of t:slim, the number of units shipped has increased each quarter, and we have shipped approximately 3,200 pumps as of June 30, 2013. We believe we have an opportunity to rapidly increase sales of t:slim by expanding our sales and marketing efforts and by continuing to provide strong customer support. We expanded our sales and clinical organization from 22 people as of September 30, 2012 to approximately 100 as of June 30, 2013.

We believe we have an opportunity to increase sales by further penetrating and expanding the insulin pump therapy market by addressing the product and technology shortcomings of existing insulin therapies that we have identified through our extensive market research. Since the commercialization of t:slim, a significant number of our customers have converted from multiple daily injection, or MDI, to t:slim for their insulin therapy. We also believe we are positioned to address consumers' needs in all segments of the insulin-dependent diabetes market with our development projects in the following areas:

- increased insulin volume capacity targeted to people with greater insulin requirements, in particular those with type 2 diabetes;

- integrated CGM, eliminating the need to carry an additional device;
- reduced size to appeal to people who seek greater flexibility and discretion; and
- multiple hormone delivery through a single system.

Our headquarters and our manufacturing facility are located in San Diego, California and we employed 270 people as of June 30, 2013.

## **The Market**

Diabetes is a chronic, life-threatening disease for which there is no known cure. The disease is caused when the pancreas does not produce enough insulin or the body cannot effectively use the insulin it produces. Insulin is a life-sustaining hormone that allows cells in the body to absorb glucose from blood and convert it to energy. As a result, a person with diabetes cannot utilize the glucose properly and it continues to accumulate in the blood. If not closely monitored and properly treated, diabetes can lead to serious medical complications, including damage to various tissues and organs, seizures, coma and death.

The International Diabetes Federation, or IDF, estimates that in 2012 more than 371 million people had diabetes worldwide and that by 2030, this will increase to 552 million people worldwide. According to the National Diabetes Information Clearinghouse, or NDIC, in 2011 approximately 25.8 million people in the United States had diabetes.

There are two primary types of diabetes:

- Type 1 diabetes is caused by an autoimmune response in which the body attacks and destroys the insulin-producing cells of the pancreas. As a result, the pancreas can no longer produce insulin, requiring patients to administer daily insulin injections to survive. According to the NDIC approximately 1.5 million people have type 1 diabetes in the United States.
- Type 2 diabetes occurs when the body does not produce enough insulin to regulate the amount of glucose in the blood, or cells become resistant to insulin and are unable to use it effectively. Initially, many people with type 2 diabetes attempt to manage their diabetes with improvements in diet, exercise and oral medications. However, as their diabetes advances, some patients progress to daily insulin therapy. According to the NDIC, in the United States approximately 3.4 million people have type 2 diabetes and take insulin. Based on this data, industry estimates suggest that approximately 1.0 million of these people take daily rapid-acting insulin.

Our target market consists of approximately 2.5 million people in the United States who require daily administration of insulin, which includes approximately 1.5 million people with type 1 diabetes and the approximately 1.0 million people with type 2 diabetes who are insulin-dependent. Throughout this prospectus, we refer to people with type 1 diabetes and people with type 2 diabetes who are insulin-dependent as people with insulin-dependent diabetes.

People with insulin-dependent diabetes require intensive insulin therapy to manage their blood glucose levels within a healthy range, which is typically between 70-120 milligrams per deciliter, or mg/dL. Blood glucose levels can be affected by many factors, such as type or quantity of food eaten, illness, stress and exercise. Hypoglycemia, or low blood glucose levels, can cause a variety of long-term effects or complications, including damage to various tissues and organs, seizures, coma or death. Hyperglycemia, or high blood glucose levels, can also cause a variety of long-term effects or complications, including cardiovascular disease and damage to various tissues and organs. It can also cause the emergency condition ketoacidosis, which can result in vomiting, shortness of breath, coma or death.

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There are two primary therapies practiced by people with insulin-dependent diabetes, insulin injections and insulin pumps, each of which is designed to supplement or replace the insulin-producing function of the pancreas. Insulin injections are often referred to as multiple daily injection, or MDI, and involve the use of syringes or insulin pens to inject insulin into the person's body. Insulin pumps are used to perform what is often referred to as continuous subcutaneous insulin infusion, or insulin pump therapy, and typically use a programmable device and an infusion set to administer insulin into the person's body.

MDI therapy involves the administration of a rapid-acting insulin before meals, or bolus insulin, to bring blood glucose levels down into the healthy range. MDI therapy may also require a separate injection of a long-acting insulin, or basal insulin, to control glucose levels between meals; this type of insulin is typically taken once or twice per day. By comparison, insulin pump therapy uses only rapid-acting insulin to fulfill both mealtime (bolus) and background (basal) requirements. Insulin pump therapy allows a person to customize their bolus and basal insulin doses to meet their insulin needs throughout the day, and is intended to more closely resemble the physiologic function of a healthy pancreas.

According to the American Association of Diabetes Educators, insulin pump therapy is considered the "gold standard" of care for people with insulin dependent diabetes. It has been shown to provide people with insulin-dependent diabetes with numerous advantages relative to MDI therapy. The following chart illustrates some of the key advantages and disadvantages of using MDI therapy versus insulin pump therapy:

**Comparison of MDI Therapy vs. Insulin Pump Therapy**

| Therapy                         | Advantages                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Disadvantages                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Multiple Daily Injection or MDI | <ul style="list-style-type: none"><li>• Less training and shorter time to educate</li><li>• Does not tether the user to a device</li><li>• Lower upfront and ongoing supply costs</li><li>• Lower risk of technological malfunction</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"><li>• Requires injections up to seven times per day</li><li>• Delivers insulin less accurately than insulin pumps</li><li>• Results in greater variability in blood glucose levels or less accurate glycemic control</li><li>• Requires more planning around and restrictions regarding meals and exercise</li></ul> |
| Insulin Pump                    | <ul style="list-style-type: none"><li>• Eliminates individual insulin injections</li><li>• Delivers insulin more accurately and precisely than injections</li><li>• Often improves HbA1c, a common measure of blood glucose levels over time</li><li>• Fewer large swings in blood glucose levels</li><li>• Provides greater flexibility with meals, exercise and daily schedules</li><li>• Can improve quality of life</li><li>• Reduces severe low blood glucose episodes</li><li>• Eliminates unpredictable effects of intermediate or long-acting insulin</li><li>• Allows exercise without having to eat large amounts of carbohydrates, as insulin delivery can be adjusted</li></ul> | <ul style="list-style-type: none"><li>• Requires intensive education on insulin pump therapy and management</li><li>• Wearing a pump can be bothersome</li><li>• Can be more costly</li><li>• Risk of diabetic ketoacidosis if the catheter comes out and insulin infusion is interrupted</li></ul>                                                    |



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According to JORE, more than 400,000 people with type 1 diabetes in the United States use an insulin pump, or approximately 27% of the type 1 diabetes population. According to industry estimates, approximately 50,000 people with type 2 diabetes in the United States use an insulin pump, or approximately 2% of the type 2 diabetes population who are insulin-dependent.

There are approximately 30,000 people in the United States who begin using insulin pump therapy each year, representing a 7% annual increase in pump use. In 2012, the U.S. insulin pump market was approximately \$1.2 billion. We believe that the distinct advantages and increased awareness of insulin pump therapy as compared to other available insulin therapies will continue to generate demand for insulin pump devices and accessories. We also believe that the adoption of insulin pump therapy would be even greater if not for the significant and fundamental perceived shortcomings of insulin pumps currently available, which we refer to as traditional pumps.

### **The Opportunity**

The foundation of our consumer-focused approach is market research, through which we seek to better understand the opportunity within the insulin-dependent diabetes market, as well as the reasons why the adoption rate of insulin pump therapy is not greater in light of its benefits when compared to MDI therapy. We have conducted extensive research consisting of more than 5,500 responses obtained from interviews, focus groups and online surveys to understand what people with diabetes, their caregivers and healthcare providers are seeking to improve diabetes therapy management, as we believe the user is the primary decision maker when purchasing an insulin pump. Based on this research and our statistical analysis, we believe that the limited adoption of insulin pump therapy by people with insulin-dependent diabetes is largely due to the significant and fundamental perceived shortcomings of traditional pumps currently available. These shortcomings include:

**Antiquated style.** While consumer electronic devices have rapidly evolved in form and function over the past decade, traditional pumps have not achieved similar advances. Our market research has shown that consumers believe that traditional pumps resemble a pager, as they still feature small, low contrast display screens, push-button interfaces, plastic cases and disposable batteries. Because an insulin pump must be used multiple times throughout the day, often in social settings, its style and appearance are important to users. Our market research has shown that traditional insulin pump users frequently report being embarrassed by the style of their traditional pump. For current MDI users, the style of traditional pumps is often cited as a reason for not adopting pump therapy.

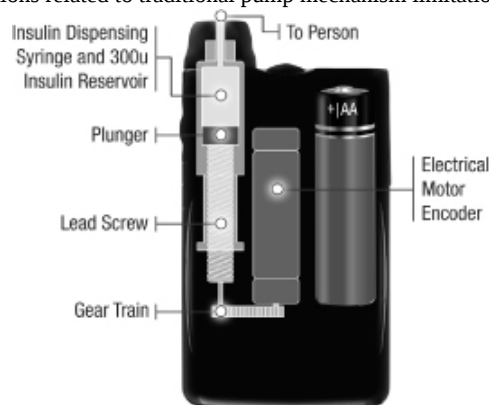
**Bulky size.** Our market research has shown that consumers view traditional pumps as large, bulky and inconvenient to carry or wear, especially when compared to modern consumer electronic devices, such as smartphones. The size of the pump further contributes to users being embarrassed by the pump. This complaint, along with concerns relating to how and where the pump can be utilized due to its size and shape, is frequently cited among users of traditional pumps. For current MDI users, the size is often communicated as a reason for not adopting pump therapy.

**Difficult to learn and teach.** Traditional pumps often rely on complicated and outdated technology and are not intuitive to operate. Our research has shown that it can take several days to competently learn how to use traditional pumps, leading to frustration, frequent mistakes and additional training, each of which may discourage adoption. We believe difficult-to-use traditional pumps result in a higher frequency of calls by the user to the pump manufacturer or their healthcare provider for support. We also believe that the complicated functionality of traditional pumps significantly limits the willingness of healthcare providers to recommend insulin pump therapy to many patients, and limits the number of patients they consider as candidates for insulin pump therapy.

**Complicated to use.** Traditional pumps are designed with linear software menus, which require the user to follow display screens sequentially, limiting their ability to access information within workflows or easily return to the starting point. Most traditional pumps require users to scroll through numerous menus and input

multiple commands to make selections. This process can be time-consuming, and must be performed multiple times per day. Our research has shown that the complicated nature of the process can lead to confusion, frustration and fear of making mistakes with the pump, which in turn can limit the user's willingness to take advantage of advanced therapy features, or even discourage use entirely.

**Pump mechanism limitations.** Traditional pumps utilize a mechanical syringe and plunger mechanism to deliver insulin. This design limits the ability to reduce the size of the pump due to the length and diameter of the syringe and plunger. The design also potentially exposes the user to the unintended delivery of the full volume of insulin within the pump, which can cause hypoglycemia or death. This effect is well-documented and can occur when traditional pumps are elevated above the user's infusion site, referred to as siphoning, or when the user experiences pressure changes during air travel. Our research has shown that the fear of adverse health events due to technical malfunctions related to traditional pump mechanism limitations deters the adoption of insulin pump therapy.



**Traditional Pump Mechanism**

We believe that these shortcomings of traditional pumps have greatly limited the adoption of pump therapy. By addressing these issues, there is a meaningful opportunity to not only address the concerns and unmet needs of traditional insulin pump users, but also to motivate eligible MDI users to adopt pump therapy.

## **Our Solution**

We developed our proprietary technology platform using a consumer-focused approach by first utilizing extensive market research to ascertain what consumers want, and then designing products to meet those demands. Our development process applies the science of human factors, which optimizes a user's ability to successfully operate a device or system in its intended environment through an iterative process involving user testing and design refinement. This approach has resulted in products that provide users with the distinct product features they seek. We believe this approach is fundamentally different than the traditional medical device development process. Our products, technology platform and consumer-focused approach are intended to address the unmet needs of traditional insulin pump users and the concerns that have discouraged pump-eligible MDI users from adopting pump therapy. Specifically, our solution addresses the shortcomings of traditional pumps identified through our market research. Our solution includes:

**Contemporary style.** We designed our flagship product, t:slim, to have the look and feel of a modern consumer electronic device, such as a smartphone. Relying on significant consumer input and feedback during the development process, we believe t:slim's aesthetically-pleasing, modern design addresses the embarrassing appearance-related concerns of insulin pump users. Key product features such as a high-resolution, color touchscreen with shatter-resistant glass, aluminum casing and rechargeable battery, make our product unique in

the insulin pump market. In addition, we designed a broad range of accessories allowing users to customize t:slim to their individual lifestyle and sense of style.



t:slim Insulin Delivery System (Actual Size)

**Compact size.** t:slim is the slimmest and smallest durable insulin pump on the market. With its narrow profile, similar to many smartphones, t:slim can easily and discreetly fit into a pocket. Its size and shape were designed to provide increased flexibility with respect to how and where the pump can be worn. Based on extensive consumer input during development, we believe t:slim addresses both the embarrassment and functionality concerns related to the size and inconvenience of carrying a traditional pump.



**Easy to learn and teach.** Our technology platform allows for the use of a vivid touchscreen and easy-to-navigate software architecture, providing users simple access to the key functions of t:slim directly from the Home Screen. Insulin pump users can quickly learn how to efficiently navigate t:slim's software, thereby enabling healthcare providers to spend less time teaching a person how to use the pump and more time on improving management of their diabetes. We believe these features also allow healthcare providers to more efficiently train people to use our pump and have a higher degree of confidence that users can successfully operate our pump, including its more advanced features. We also believe the ease with which our pump can be learned and taught will help attract current insulin pump users as well as people who may have been frustrated or intimidated by traditional pumps.



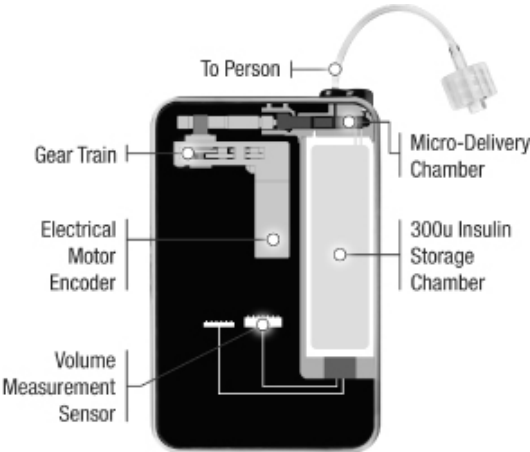
t:slim Insulin Delivery System

**Intuitive to use.** Similar to what is found in modern consumer electronic devices, the embedded software displayed on our vivid touchscreen features intuitive and commonly interpreted colors, language, icons and feedback. Our software also features numerous shortcuts, including a simple way to return to the Home Screen and view critical information for therapy management. These features were designed to enable users to operate their pump with greater confidence and expand the set of functions that they regularly utilize. Users can also execute most tasks in fewer steps than traditional pumps. We believe these features allow users to more efficiently manage their diabetes without fear or frustration.



Quick Access to Pump History

**Next generation pump mechanism.** Our Micro-Delivery Technology is unique compared to traditional pumps. Its miniaturized pumping mechanism draws insulin from a flexible bag within the pump’s cartridge rather than relying on a mechanical syringe and plunger mechanism. The pump is specifically designed to help prevent the unintentional delivery of insulin from the reservoir by limiting the volume of insulin that can be delivered to a person at any one time. Our technology was tested under typical and extreme operating conditions and is designed to last for at least the anticipated four-year life of the pump. Our technology also allows us to reduce the size of the device as compared to traditional pumps and is capable of delivering the smallest increment of insulin to users of any pump currently available.



t:slim Pump Mechanism

We believe our technology platform will allow our products to further penetrate and expand the insulin pump therapy market by addressing the specific product and technology limitations that were raised by people with

diabetes, their caregivers and healthcare providers throughout our market research and iterative human factors-based design process. We also believe our product platform provides us with the opportunity to address unmet needs in the insulin-dependent diabetes market, including with respect to insulin volume capacity, integrated CGM solutions, further device miniaturization and multiple hormone delivery capabilities.

## Our Strategy

Our goal is to significantly expand and further penetrate the insulin-dependent diabetes market and become the leading provider of insulin pump therapy. Specifically, we intend to pursue the following business strategies:

***Advance our platform of innovative, consumer-focused products to address the unmet needs of people in all segments of the insulin-dependent diabetes market.*** We believe that our proprietary technology platform allows us to provide the most sophisticated and intuitive insulin pump therapy products on the market. We intend to leverage this platform to expand our product offerings to address all segments of the large and growing insulin-dependent diabetes market.

***Invest in our consumer-focused approach.*** We believe that our consumer-focused approach to product design, marketing and customer care is a key differentiator. Our extensive market research involving people with diabetes, their caregivers and healthcare providers has driven the design and development of our current products and customer care model. This approach allows us to add the product features most requested by people with insulin-dependent diabetes, thereby affording the consumer the opportunity to more efficiently manage their diabetes. We will continue to apply the science of human factors throughout the design, development and continuous improvement of our products to optimize the consumer's ability to utilize our products. We will continue to invest in our consumer-focused approach throughout our business.

***Promote awareness of our products to consumers, their caregivers and healthcare providers.*** Our products were specifically designed to address the shortcomings of currently available technologies that have limited the adoption of insulin pump therapy. We intend to broaden our direct-to-consumer marketing and promote the benefits of our products through our redesigned website and use of social media tools. We plan to leverage our sales force and clinical specialists to cultivate relationships with diabetes clinics, insulin-prescribing healthcare professionals and other key opinion leaders. By promoting awareness of our products, we believe that we will attract users of other pump therapies and MDI to our products.

***Expand our sales and marketing infrastructure to drive adoption of our products.*** Despite a limited sales force, we have been able to achieve commercial success since our launch. Our sales and marketing infrastructure is scalable, and we will continue to invest in the expansion of this infrastructure to increase our access to people with diabetes, their caregivers and healthcare providers. We believe that investment in our sales and marketing infrastructure will drive continued adoption of our products and significantly increase our revenues.

***Broaden third-party payor coverage for our products in the United States.*** We believe that third-party reimbursement is an important determinant in driving consumer adoption. We have primarily focused on negotiating contracts with private insurers with a presence in the areas where we have concentrated our initial sales and marketing efforts. We intend to add third-party payors as we broaden our sales and marketing focus.

***Leverage our manufacturing operations to achieve cost and production efficiencies.*** We manufacture our products at our headquarters in San Diego, California. We utilize a semi-automated manufacturing process for our pump products and a fully-automated manufacturing process for our disposable cartridges. With our existing production lines, we have the capacity to significantly increase our manufacturing output. We have the capability to easily replicate these production lines within our current facility to further increase our manufacturing capacity. Our production system is also adaptable to new products due to shared product design features. We intend to reduce our product costs and drive operational efficiencies by leveraging this scalable, flexible manufacturing infrastructure.

## Our Technology Platform

Utilizing our unique consumer-focused approach, which is based on our extensive market research and the science of human factors, we have developed an innovative technology platform that is fundamental to the design of our existing products and provides the foundation for development of our future products. The key elements of our platform are:

**Advanced core technology.** Our patented Micro-Delivery Technology is unique compared to traditional pumps. Our miniaturized pumping mechanism allows us to reduce the size of the pump as compared to traditional pumps. Reducing the size of the pumping mechanism also allows us to support various insulin cartridge capacities. It was designed to provide precise dosing as frequently as every five minutes and in increments as small as 0.001 u/hr, or units per hour, as compared to the smallest increment available in traditional pumps, which is 0.025 u/hr. This technology also helps prevent unintentional insulin delivery by limiting the volume of insulin that can be delivered to a person at any one time.

**Easy-to-navigate embedded software architecture.** Our technology platform is based on an iterative human factors design process that results in the intuitive software architecture which features commonly interpreted colors, language, icons and feedback. This allows the user to easily navigate the system and perform necessary functions in fewer steps than traditional pumps, including a one-touch method to return to the Home Screen that facilitates ease of learning, teaching and use. The flexible software architecture also allows easy updates to the software without requiring any hardware changes.

**Vivid color touchscreen.** Our full color touchscreen allows users to access a streamlined, easy-to-use interface. The high-grade, shatter-resistant glass touchscreen provides the user the ability to enter numbers and access features directly, rather than scrolling through numerous screens and options. The touchscreen facilitates safety features that were designed to prevent unintended pump operations. The vivid color touchscreen also supports enhanced visual and tactile feedback.

**Lithium-polymer rechargeable battery technology.** t:slim is the first and only insulin pump to use a rechargeable battery, unlike traditional pumps that rely on disposable batteries. By using a rechargeable battery, we eliminate the risk of losing personal settings associated with replacing batteries. Our lithium-polymer rechargeable battery charges rapidly with a standard micro-USB connection, and a full charge lasts for up to seven days. Users report that they keep their battery powered by charging it for just 10 to 15 minutes each day, often while showering or commuting with the use of the car charger we provide with the pump. Our battery has been tested to last for at least the four-year life of the pump. Our battery also allows for precise and accessible monitoring of the current charge level on the device's Home Screen.

**Compatibility and connectivity.** Our PC- and Mac-compatible, cloud-based data management application, t:connect, provides our insulin pump users a fast, easy and visual way to display therapy management data from t:slim and supported blood glucose meters. Our platform empowers people with diabetes, as well as their caregivers and healthcare providers, to easily and quickly identify meaningful insights and trends, allowing them to fine-tune therapy and lifestyle choices for better control of their diabetes. Additionally, our platform enables rapid data uploads through a micro-USB connection, without interrupting insulin delivery.

## Our Products

We have introduced to the market our flagship product, the t:slim Insulin Delivery System, and t:connect, its companion diabetes management application. These products were cleared by the FDA under its Infusion Pump Improvement Initiative. We believe our unique products address the significant and fundamental shortcomings of traditional pumps and will allow people to manage their diabetes more efficiently and effectively.

## Marketed Products

### *t:slim Insulin Delivery System*

The t:slim Insulin Delivery System is comprised of the t:slim pump, its disposable cartridge and an infusion set. We commercially introduced t:slim in August 2012.



**Cartridge being Inserted into t:slim Pump**

Measuring 2.0 x 3.1 x 0.6 inches, t:slim is the slimmest and smallest durable insulin pump on the market. t:slim has a black aluminum case and chrome trim that give it the look and feel of a modern consumer electronic device, such as a smartphone. t:slim is watertight, with an IPX7 rating, and does not need to be removed for activities such as showering, eliminating potential interruptions in insulin delivery. The device also features a micro-USB connection that supports rapid recharging and connectivity to t:connect, both of which can be performed without disconnecting or interrupting insulin delivery.

t:slim's vivid, full color touchscreen is made of high-grade, shatter-resistant glass and provides users the ability to enter commands directly, rather than scrolling through a list of numbers and screens. We designed the streamlined, user-friendly interface to facilitate rapid access to the features people use most, such as delivering a bolus, viewing insulin on board, viewing insulin cartridge volume and monitoring current pump status and settings. The interface also includes an options menu that provides quick and intuitive navigation to key insulin management features, pump settings, cartridge loading and use history. t:slim also features a Home Screen button that immediately returns the user to the Home Screen where important administrative features including the current battery charge level, a time and date display and an LED indicator for alerts, alarms and reminders are displayed.

t:slim enables the creation of six customizable personal profiles, each supporting up to 16 timed insulin delivery settings. This feature allows users to manage their day-to-day insulin therapy with less effort and interruption. Users can quickly and easily adjust insulin settings based on a number of key factors, including basal rate, correction factor, carbohydrates to insulin ratio and target blood glucose levels.

The other key components of the t:slim Insulin Delivery System are the disposable cartridge and standard infusion set. The cartridge features our proprietary Micro-Delivery Technology and miniaturized pumping mechanism and has a capacity of 300 units of insulin that is typically replaced by a user every three days. We designed t:slim with a standard Luer Lock connector to accommodate flexibility in a user's infusion set choice, thereby enabling a variety of options in cannula materials, adhesive materials, insertion angles and insertion techniques.

We also designed t:slim to support a broad range of accessories allowing users to customize their device to their individual lifestyle and sense of style. We offer a full set of accessories to increase user flexibility and

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willingness to use and carry their insulin pump. These accessories include different color casings, belt clips, leather cases and convenient portable power adapters.



**t:slim Accessories**

### *t:connect Diabetes Management Application*

We commercially introduced our complementary product, t:connect Diabetes Management Application, or t:connect, in the first quarter of 2013. t:connect is a PC- and Mac-compatible, cloud-based data management application that provides users, their caregivers and their healthcare providers a fast, easy and visual way to display therapy management data from the pump and supported blood glucose meters. This application empowers people with diabetes, as well as their healthcare providers, to easily and quickly identify meaningful insights and trends, allowing them to refine therapy and lifestyle choices for better management of their diabetes.

We developed t:connect to be intuitive, with the same consumer-focused approach utilized in the development of t:slim. It features built-in smart logic that manages duplicate blood glucose readings from a user's pump and blood glucose meter to ensure report accuracy. t:connect also can generate color-coded graphs and interactive, multi-dimensional reports that make it easy to identify therapy management trends, problems and successes. There are six different report options, including a dashboard, therapy timeline, blood glucose trends, activity summary, notes and logbook and pump settings. While t:slim holds the data generated over a period of up to 90 days, once a user uploads to t:connect their therapy management information is retained for as long as they retain an account. t:connect maintains the highest standards of patient data privacy and is hosted on secure, HIPAA-compliant servers.



**t:connect Diabetes Management Application**



## ***Products in Development***

We intend to leverage our consumer-focused approach and proprietary technology platform to continue to develop products targeted at all segments of the insulin-dependent diabetes market.

### *t:flex Insulin Pump*

The t:flex Insulin Pump, or t:flex, is designed for individuals who require more than 300 units of insulin over a typical three day cycle, which will make it the largest reservoir size currently available. t:flex incorporates the same product platform, technology and user interface as t:slim, but will offer a 480 unit cartridge. Utilizing this larger cartridge, people who require large doses of insulin, such as teenage boys with type 1 diabetes and people with type 2 diabetes, will receive the advantages associated with insulin pump therapy without having to replace disposable insulin cartridges as frequently as required with a 300 unit cartridge.

In our market research, two-thirds of endocrinologists cited limited volume capacity as the number one barrier to pump adoption for their patients with type 1 diabetes who require large doses of insulin, or people with type 2 diabetes who require insulin. We believe that offering a 480 unit cartridge will address the typical insulin needs of a person with type 2 diabetes who is insulin-dependent. Our research has also shown that the appearance of traditional pumps is another deterrent to pump adoption. The t:flex cartridge extends out slightly on one side to accommodate the extra volume while maintaining all of the other benefits of t:slim, including its slim and sleek appearance. As a result, we believe t:flex provides us with an opportunity to expand the current insulin pump market.

After discussions with the FDA during the second quarter of 2013, we intend to prepare a 510(k) submission for t:flex clearance.

### *t:sensor Insulin Pump and CGM System*

t:sensor Insulin Pump and CGM System, or t:sensor, will integrate our product platform with the DexCom G4 PLATINUM. t:sensor will incorporate the same pump technology and user interface as t:slim. It will provide the added convenience of allowing CGM information to be displayed on the pump, eliminating the need to carry an additional device. Based on this information, users will be able to utilize the pump to take direct action with their insulin pump therapy.

CGM is a therapy used in conjunction with blood glucose testing, and will provide users with real-time access to their glucose levels as well as trend information. Currently, industry estimates indicate that less than 5% of people on insulin pump therapy use CGM. We believe the DexCom G4 PLATINUM, which is not currently commercially available integrated with an insulin pump in the United States, is the most accurate and easy-to-use CGM technology on the market. We believe that CGM utilization will be significantly increased by offering an accurate CGM sensor in combination with an innovative and consumer-focused insulin pump, such as t:slim.

We anticipate submitting a PMA application with the FDA that will reference the PMA-approved DexCom G4 PLATINUM and the 510(k)-cleared t:slim, and provide information on how the devices interface.

### *t:sport Insulin Delivery System*

The t:sport Insulin Delivery System, or t:sport, will utilize our platform technology to create a pump that is approximately 40% smaller than t:slim. t:sport is designed for people who seek even greater discretion and flexibility with the use of their insulin pump. It will include a wireless, touchscreen controller; a small, water-proof insulin pump; and an infusion set.

The controller will communicate wirelessly to the pump, receive and display CGM information, and incorporate a blood glucose meter. t:sport will feature three LED lights for communication and a physical bolus button to administer insulin even if the user is without their controller.

### *t:dual Infusion System*

In January 2013, we announced a strategic relationship with JDRF to develop the t:dual Infusion System, or t:dual. It will be a first-of-its-kind, dual-chamber infusion pump for the management of diabetes. The related collaboration agreement provides for the development of a next-generation, fully automated artificial pancreas system that has the capability of delivering other hormone therapies in conjunction with insulin. We believe that our unique Micro-Delivery Technology is particularly well suited for providing two-hormone therapy in a compact and sleek design, and that our easy-to-use touchscreen and software architecture are customizable for the needs of dual-therapy regimens.

Current insulin pumps only offer one hormone, while the human pancreas produces several hormones in addition to insulin. We believe that an infusion pump that is capable of simultaneously delivering two or more multiple natural or synthetic hormones will be an important step forward in the development of a more viable artificial pancreas system. JDRF is supporting us through performance-based milestone funding to complete the development, testing and manufacturing of t:dual.

### **Sales and Marketing**

Our sales and marketing objectives are to:

- generate demand and acceptance for t:slim and future products developed with our technology platform among people with insulin-dependent diabetes; and
- promote advocacy and support for healthcare providers.

As of June 30, 2013, we had a sales, clinical and marketing team of approximately 100 employees. Our sales team consists of 34 territory managers who call on endocrinologists, primary care physicians and certified diabetes educators. Based on historical sales force performance, we expect new territory managers to reach their steady state level of sales performance within six to nine months. Our sales team is augmented by individuals in customer sales support who follow up on leads generated through promotional activities and educate people on the benefits of our proprietary technology and products. In addition, as of June 30, 2013, we had executed agreements with 25 independent distributors. As t:slim market penetration continues to build momentum, we expect to further expand our sales and marketing infrastructure in the United States and may evaluate international expansion opportunities.

**Healthcare provider focused initiatives.** Healthcare providers are a critical resource in helping patients understand and select their diabetes therapy options. Each of our territories is supported by a clinical diabetes specialist who is a certified diabetes educator and holds either a registered nurse or registered dietitian license. Our clinical diabetes specialists support and educate healthcare providers on our products and proprietary technology, certify healthcare providers to train people to use our products and support our customers with initial training following the purchase of our products.

In addition to calling on healthcare providers in their offices, some of our recent marketing initiatives include:

- presentations and product demonstrations at local, regional, and national tradeshows, including American Diabetes Association Scientific Sessions and the American Association of Diabetes Educators Annual Meeting; and
- our Demonstration Unit Program, through which we provide healthcare professionals with a t:slim for pump demonstrations to their patients.

**Consumer-focused initiatives.** We sell t:slim direct-to-consumers through referrals from healthcare providers and through leads generated through our promotional activities. Our direct-to-consumer marketing

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efforts focus on positioning t:slim as an innovative, consumer-friendly insulin pump with a unique Micro-Delivery Technology, slim touchscreen design and intuitive user interface. Some of our recent consumer-focused marketing initiatives include:

- participation at consumer-focused regional diabetes conferences and events including the JDRF Research Summit, the American Diabetes Association Expo, Children With Diabetes Friends for Life Conference and Taking Control Of Your Diabetes, or TCOYD, Conference;
- redesign of our website and utilization of social media, online video modules and consumer-focused newsletters to drive online awareness and expand web presence;
- corporate sponsorships of organizations focused on people with diabetes, including TCOYD, Insulindependence and Diabetes Education & Camping Association; and
- community diabetes fundraising and awareness events.

**Branding.** We developed our comprehensive branding strategy to engage consumers and communicate our identity as a modern and progressive company that works “in tandem” with the diabetes community, healthcare providers, our employees and business partners. We strive to embody this through our product offerings, marketing efforts and interactions throughout our business. Our product names are family branded using a “t:” to create uniformity and help consumers quickly identify our products. Our product packaging, website, advertising and promotional materials are a reflection of our consumer-focused approach and modern style. We value having clear, friendly and helpful communications throughout our business.

### **Training and Customer Care**

Given the chronic nature of diabetes, and the potentially complicated dynamic of health insurance coverage, training and customer care is important in developing long-term relationships with our customers. Our customer care infrastructure consists of individuals focused on training, technical services and insurance verification. We believe that our consumer-focused approach enables us to develop a personal relationship with the customer, or potential customer, beginning with the process of evaluating our products, then navigating insurance coverage and extending to our provision of training and ongoing support. Providing reliable and effective ongoing customer support reduces anxiety, improves their overall experience with our products and helps reinforce our positive reputation in the diabetes community. In order to provide complete training and customer care solutions, we leverage the expertise of our clinical diabetes specialists who provide one-on-one training, and we offer ongoing complementary technical services, as well as support with insurance verification.

**Training.** Our research has shown that it can take several days for a user to competently learn how to use a traditional pump, leading to frustration, frequent mistakes and additional training, each of which may ultimately discourage adoption. As a result, we believe that healthcare providers may be less likely to recommend pump therapy to potential candidates.

With t:slim’s intuitive user interface, we believe healthcare providers will be able to train people to use our pump more efficiently and effectively and have a higher degree of confidence that users can successfully operate it, including t:slim’s more advanced features. In addition, the intuitive nature of t:slim likely will allow healthcare providers to spend less time teaching a person how to use their pump and more time helping improve the management of their diabetes. This ease of training may also help users feel less intimidated and fearful of pump therapy, leading to increased adoption and market expansion.

We tailor our training efforts for insulin pump users and healthcare providers. In some cases, our clinical training managers may certify clinic-based healthcare providers to train their patients on t:slim. In other cases, a member of our clinical team will conduct t:slim training one-on-one with the customer. We have also

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established a network of independent, licensed certified diabetes educators who have been certified to train on t:slim and will conduct customer training on our behalf.

**Technical Services.** We believe that a difficult-to-use pump will result in users making more frequent calls to the pump manufacturer or their healthcare provider for support in using the device. This can be frustrating for the customer and costly for the pump manufacturer as well as for the healthcare provider. We expect the intuitive nature of t:slim to result in fewer calls from users requesting support from our technical services team or their healthcare provider.

Our customer-focused technical services team provides support seven days a week, 24 hours a day by answering questions, trouble-shooting and addressing issues or concerns. t:slim is covered by a four-year warranty that includes our 24-hour product replacement program through which our technical services team members can provide a customer with a replacement device within 24 hours to minimize the interruption to their therapy.

**Insurance Verification.** Our insurance verification team provides support to help customers, and potential customers, to understand their insurance benefits. We work with the customer and their healthcare provider to collect any information as required by the insurance provider and to determine their insurance benefit coverage for our products and notify them of their benefit.

Following communication of a person's estimated financial responsibility, final confirmation of their desire to purchase the device and method of fulfillment, the customer's order is typically shipped to their home. The initial order generally contains t:slim as well as a 90-day supply of infusion sets and cartridges. A member of the team then contacts the customer prior to the end of their 90-day supply to re-verify their insurance benefits and assist in reordering supplies.

### **Third-Party Reimbursement**

Customer orders are typically fulfilled by billing third-party payors on behalf of our customers, or by utilizing our network of distributors who then bill third-party payors on our customers' behalf. Our fulfillment and reimbursement systems are fully integrated such that our products are shipped only after receipt of a valid physician's order and verification of current health insurance information.

We are accredited by the Community Health Accreditation Program and are an approved Medicare provider. Our products are described by existing Healthcare Common Procedure Coding System codes for which Medicare reimbursement is well established. As of June 30, 2013, we had entered into commercial contracts with 35 national and regional third-party payors to establish reimbursement for t:slim, cartridge and other related supplies. We employ a team of managed care managers who are responsible for negotiating and securing contracts with third-party payors throughout the United States.

If we are not contracted with a person's third-party payor and in-network status cannot be otherwise obtained, we utilize distribution channels so our customer's orders can be serviced. As of June 30, 2013, we had executed distributor agreements with 25 distributors. This network of distributors allows us to access people who are covered by commercial payors with whom we are not contracted, at in-network rates that are generally more affordable for our customers.

### **Manufacturing and Quality Assurance**

We currently manufacture our products at our headquarters in San Diego, California. By locating our manufacturing operations near our other business functions we believe we have significantly enhanced our ability to monitor and manage our manufacturing and to adjust manufacturing operations quickly in response to our business needs.

We utilize a semi-automated manufacturing process for our pump products and a fully-automated manufacturing process for our disposable cartridges. The pump production line requires 12 manufacturing

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technicians and limited support staff to run the line and reaches a maximum output of approximately 20,000 pumps per year on a single shift. t:slim cartridges are manufactured on an automated production line that requires 13 manufacturing technicians and limited support staff and reaches a maximum output of approximately 1,000,000 cartridges per year on a single shift.

The cartridge automation equipment was designed to operate at capacity. As such, the line was constructed in several modular sections that perform different aspects of the assembly. This is important because at any given time, maintenance, service or inspection can be performed on any one section independent of the rest of the line. The manufacturing process may then continue uninterrupted while the assembly step is performed manually until the automation section is back on-line.

With our existing pump and cartridge production lines, we have the capacity to significantly increase our manufacturing output. We can easily replicate these production lines within our current facility to further increase our manufacturing capacity. Due to shared product design features, our production system is easily adaptable to new products. We intend to reduce our product cost and drive operational efficiencies by leveraging this scalable, flexible manufacturing infrastructure.

Outside suppliers are the source for most of the components and some sub-assemblies in the production of t:slim. Any sole and single source supplier is managed through our supplier management program that is focused on reducing supply chain risk. Key aspects of this program include managing component inventory in house and at the supplier, contractual requirements for last time buy opportunities and second sourcing approaches for specific suppliers. Typically, our outside vendors produce the components to our specifications and in many instances to our designs. Our suppliers are audited periodically by our quality department to ensure conformity with the specifications, policies and procedures for our devices. Members of our quality department also inspect our devices at various steps during the manufacturing cycle to facilitate compliance with our devices' stringent specifications.

We have received certification from BSI Group, a Notified Body to the International Standards Organization, or ISO, of our quality system. This ISO 13485 certification includes design control requirements. Certain processes utilized in the manufacturing and testing of our devices have been verified and validated as required by the FDA and other regulatory bodies. As a medical device manufacturer, our manufacturing facility and the facilities of our sterilization and other critical suppliers are subject to periodic inspection by the FDA and certain corresponding state agencies.

## **Research and Development**

Our research and development team includes employees who specialize in software engineering, mechanical engineering, electrical engineering, fluid dynamics and graphical user interface design, many of whom have considerable experience in diabetes-related products. Our research and development team focuses on the continuous improvement and support of current product offerings, as well as our products in development.

We have entered into a development and commercialization agreement with DexCom, which affords us the right to incorporate the DexCom G4 PLATINUM into t:sensor. This agreement provides us with a non-exclusive license to such system during the term of the agreement. We are responsible for developmental expenses, and will pay DexCom certain milestone payments and royalties for each unit sold. This agreement runs until February 1, 2015, with automatic one-year renewals. The license granted under the agreement covers the United States and other territories as may be added from time to time. Subject to the payment of certain development expenses incurred by the non-terminating party, the agreement may be terminated by either party without cause.

We have entered into a research, development and commercialization agreement with JDRF to develop the t:dual Infusion System. Under this agreement, JDRF will provide research funding payable upon reaching certain performance-based milestones. The agreement runs until the final milestone payment, which is anticipated to be in 2015.

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In addition to our product development efforts, we also have collaborated with leading researchers at facilities such as the University of Virginia, Boston University, Massachusetts General Hospital and Stanford University to advance development of a fully automated artificial pancreas solution. An artificial pancreas system is an external device, or combination of devices, intended to aid a person with insulin-dependent diabetes by automatically testing and controlling their blood glucose through the administration of insulin by itself or in combination with a second hormone. We believe an artificial pancreas can be achieved by combining an insulin pump and a CGM, with sophisticated computer software that allows the two devices to automatically communicate to determine and provide the right amount of insulin, or insulin plus another hormone, at the correct time.

### **Clinical Advisory Board**

We have a Clinical Advisory Board, or CAB, comprised of accomplished healthcare providers who share their diabetes treatment and insulin pump therapy experience with us. Our CAB is active in all elements of our product lifecycle, from providing feedback on product concepts and design, to collaboration on the training and clinical techniques utilized in our product offerings. They also provide recommendations on how to enhance our product offerings to better support the diabetes community and healthcare providers. Our CAB meets with members of our management and representatives from key areas throughout our business several times each year.

### **Intellectual Property**

We have made protection of our intellectual property a strategic priority. We rely on a combination of copyright, patent, trademark, trade secret and other intellectual property laws, non-disclosure agreements and other measures to protect our proprietary rights.

As of June 30, 2013, our patent portfolio consisted of approximately 17 issued U.S. patents and 51 pending U.S. patent applications. Of these, our issued U.S. patents expire between approximately 2021 and 2031. We are also seeking patent protection for our proprietary technology in Europe, Japan, China, Canada, Australia and other countries and regions throughout the world. We also have seven pending U.S. trademark applications and seven pending foreign trademark applications, as well as 13 trademark registrations, including four U.S. trademark registrations and nine foreign trademark registrations.

In July 2012, we entered into an agreement pursuant to which we were granted, through certain assignments and certain non-exclusive and exclusive, worldwide, fully paid-up, royalty-free licenses, certain rights to patents and patent applications. We agreed to pay \$5.0 million in license fees and a percentage of any associated sublicense revenues we may receive. As of June 30, 2013, we had paid \$1.5 million of such license fees.

Our development and commercialization agreement with DexCom provides us with a non-exclusive license to the DexCom G4 PLATINUM. For additional information, see “—Research and Development.”

### **Competition**

The medical device industry is intensely competitive, subject to rapid change and highly sensitive to the introduction of new products or other market activities of industry participants. We compete with a number of companies that manufacture insulin delivery devices, such as Medtronic MiniMed, a division of Medtronic, Inc., Animas Corporation, a division of Johnson & Johnson, Roche Diagnostics, a division of F. Hoffman-La Roche Ltd., and Insulet Corporation.

Many of our competitors are either publicly traded companies or divisions or subsidiaries of publicly traded companies with significantly more market share and resources than we have. Many of these companies have several competitive advantages over us, including greater financial resources for sales and marketing and product development, established relationships with healthcare providers and third-party payors and larger and more established distribution networks.

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In addition, we face competition from a number of companies, medical researchers and existing pharmaceutical companies that are pursuing new delivery devices, delivery technologies, sensing technologies, procedures, drugs and other therapeutics for the monitoring, treatment and prevention of diabetes.

### **Government Regulation**

Our products are medical devices subject to extensive regulation by the FDA, corresponding state regulatory authorities and, if we commence international sales, other regulatory bodies in other countries. The Federal Food, Drug and Cosmetic Act, or FDCA, and the FDA's implementing regulations govern:

- product design and development;
- pre-clinical and clinical testing;
- establishment registration and product listing;
- product manufacturing;
- labeling and storage;
- pre-market clearance or approval; advertising and promotion;
- product sales and distribution;
- recalls and field safety corrective actions; and
- servicing and post-market surveillance.

**FDA's Pre-Market Clearance and Approval Requirements.** Unless an exemption applies, each new or significantly modified medical device we seek to commercially distribute in the United States will require either a pre-market notification under Section 510(k) of the FDCA, also referred to as a 510(k) clearance, or approval from the FDA through the pre-market approval, or PMA, process. Both the 510(k) clearance and PMA processes can be expensive, lengthy and require payment of significant user fees, unless an exemption is available.

The FDA classifies medical devices into one of three classes. Devices requiring fewer controls because they are deemed to pose lower risk are placed in Class I or II. Class I devices are subject to general controls such as labeling, pre-market notification and adherence to the FDA's Quality System Regulation, or QSR, which cover manufacturers' methods and documentation of the design, testing, production, control quality assurance, labeling, packaging, sterilization, storage and shipping of products. Class II devices are subject to special controls such as performance standards, post-market surveillance, FDA guidelines, or particularized labeling, as well as general controls. Some Class I and Class II devices are exempted by regulation from the 510(k) clearance requirement, and the requirement of compliance with substantially all of the QSR. A PMA application is required for devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or certain implantable devices, or those that are "not substantially equivalent" either to a device previously cleared through the 510(k) process or to a "preamendment" Class III device in commercial distribution before May 28, 1976 when PMA applications were not required.

We obtained 510(k) clearance for t:slim, in November 2011. t:slim is one of the first insulin pumps to be cleared under the FDA's Infusion Pump Improvement Initiative. Infusion pumps are one of the most commonly recalled categories of medical devices, often as a result of deficiencies in device design and engineering. The Infusion Pump Improvement Initiative is intended to improve the current pre-market and post-market regulatory

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processes and requirements associated with infusion pumps and other home use medical devices. As part of this effort, the FDA is reviewing the adverse event reporting and recall processes for insulin pumps.

We obtained 510(k) clearance for t:connect in February 2013. We held discussions with the FDA in the second quarter of 2013 regarding the appropriate regulatory requirements for obtaining clearance for t:flex, and accordingly, we currently intend to file a 510(k) submission for this device.

We anticipate submitting a PMA application with the FDA that will reference the PMA approved DexCom G4 PLATINUM and our 510(k) cleared t:slim. The application will provide new information on how these devices interface with each other as well as human factors testing completed on the CGM display screens. A PMA application must be supported by valid scientific evidence that typically includes extensive technical, pre-clinical, clinical, manufacturing and labeling data, to demonstrate to the FDA's satisfaction the safety and efficacy of the device. A PMA application also must include 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. After a PMA application is submitted and found to be sufficiently complete, the FDA begins an in-depth review of the submitted information. During this review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA. In addition, the FDA generally will conduct a pre-approval inspection of the manufacturing facility to evaluate compliance with QSR, which requires manufacturers to implement and follow design, testing, control, documentation and other quality assurance procedures.

FDA review of a PMA application generally takes between one and three years, but may take significantly longer. The FDA can delay, limit or deny approval of a PMA application for many reasons, including:

- systems may not be safe or effective to the FDA's satisfaction;
- the data from pre-clinical studies and clinical trials may be insufficient to support approval;
- the manufacturing process or facilities may not meet applicable requirements; and
- changes in FDA approval policies or adoption of new regulations may require additional data.

If an FDA evaluation of a PMA application is favorable, the FDA will either issue an approval letter, or approvable letter, which usually contains a number of conditions that must be met in order to secure final approval of the PMA. When and if those conditions have been fulfilled to the satisfaction of the FDA, the agency will issue a PMA approval letter authorizing commercial marketing of a device, subject to the conditions of approval and the limitations established in the approval letter. If the FDA's evaluation of a PMA application or manufacturing facilities is not favorable, the FDA will deny approval of the PMA or issue a not approvable letter. The FDA also may determine that additional tests or clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and data is submitted in an amendment to the PMA. The PMA process can be expensive, uncertain and lengthy and a number of devices for which FDA approval has been sought by other companies have never been approved by the FDA for marketing.

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 has been 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 approved PMA application and may or may not require as extensive technical or clinical data or the convening of an advisory panel.



Clinical trials are typically required to support a PMA application and are sometimes required for a 510(k) clearance. These trials generally require submission of an application for an investigational device exemption, or IDE, to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a non-significant risk device and eligible for abbreviated IDE requirements. Generally, clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the study protocol and informed consent are approved by appropriate institutional review boards at the clinical trial sites. The FDA's approval of an IDE allows clinical testing to go forward, but it does not bind the FDA to accept the results of the trial as sufficient to prove the product's safety and efficacy, even if the trial meets its intended success criteria. All clinical trials must be conducted in accordance with the FDA's IDE regulations that govern investigational device labeling, prohibit promotion, and specify an array of recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. Clinical trials must further comply with the FDA's regulations for institutional review board approval and for informed consent and other human subject protections. Required records and reports are subject to inspection by the FDA. The results of clinical testing may be unfavorable or, even if the intended safety and efficacy success criteria are achieved, may not be considered sufficient for the FDA to grant approval or clearance of a product. The commencement or completion of any clinical trial may be delayed or halted, or be inadequate to support approval of a PMA application, for numerous reasons, including, but not limited to, the following:

- the FDA or other regulatory authorities do not approve a clinical trial protocol or a clinical trial, or place a clinical trial on hold;
- patients do not enroll in clinical trials at the rate expected;
- patients do not comply with trial protocols;
- patient follow-up is not at the rate expected;
- patients experience adverse side effects;
- patients die during a clinical trial, even though their death may not be related to the products that are part of our trial;
- institutional review boards and third-party clinical investigators may delay or reject the trial protocol;
- third-party clinical investigators decline to participate in a trial or do not perform a trial on the anticipated schedule or consistent with the clinical trial protocol, good clinical practices or other FDA requirements;
- we or third-party organizations do not perform data collection, monitoring and analysis in a timely or accurate manner or consistent with the clinical trial protocol or investigational or statistical plans;
- third-party clinical investigators have significant financial interests related to us or our study that the FDA deems to make the study results unreliable, or the company or investigators fail to disclose such interests;
- regulatory inspections of our clinical trials or manufacturing facilities, which may, among other things, require us to undertake corrective action or suspend or terminate our clinical trials;
- changes in governmental regulations or administrative actions;

- the interim or final results of the clinical trial are inconclusive or unfavorable as to safety or efficacy; and
- the FDA concludes that our trial design is inadequate to demonstrate safety and efficacy.

**Other Regulatory Requirements.** Even after a device receives clearance or approval and is placed in commercial distribution, numerous regulatory requirements apply. These include:

- establishment registration and device listing;
- QSR, which requires manufacturers, including third party manufacturers, to follow stringent design, testing, production, control, supplier/contractor selection, complaint handling, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations that prohibit the promotion of products for uncleared, unapproved or “off-label” uses, and impose other restrictions on labeling, advertising and promotion;
- MDR regulations, which require 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 the malfunction were to recur;
- voluntary and mandatory device recalls to address problems when a device is defective and could be a risk to health; and
- corrections and removals reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health.

Also, the FDA may require us to conduct post-market surveillance studies or establish and maintain a system for tracking our products through the chain of distribution to the patient level. The FDA and the Food and Drug Branch of the California Department of Health Services enforce regulatory requirements by conducting periodic, unannounced inspections and market surveillance. Inspections may include the manufacturing facilities of our subcontractors.

Failure to comply with applicable regulatory requirements can result in enforcement actions by the FDA and other regulatory agencies. These may include any of the following sanctions or consequences:

- warning letters or untitled letters that require corrective action;
- fines and civil penalties;
- unanticipated expenditures;
- delays in approving or refusal to approve future products;
- FDA refusal to issue certificates to foreign governments needed to export products for sale in other countries;
- suspension or withdrawal of FDA clearance or approval;
- product recall or seizure;
- interruption of production;

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- operating restrictions;
- injunctions; and
- criminal prosecution.

We and our contract manufacturers, specification developers and some suppliers of components or device accessories, also are required to manufacture our products in compliance with current Good Manufacturing Practice, or GMP, requirements set forth in the QSR. The QSR requires a quality system for the design, manufacture, packaging, labeling, storage, installation and servicing of marketed devices, and it includes extensive requirements with respect to quality management and organization, device design, buildings, equipment, purchase and handling of components or services, production and process controls, packaging and labeling controls, device evaluation, distribution, installation, complaint handling, servicing, and record keeping. The FDA evaluates compliance with the QSR through periodic unannounced inspections that may include the manufacturing facilities of our subcontractors. If the FDA believes that we or any of our contract manufacturers or regulated suppliers are not in compliance with these requirements, it can shut down our manufacturing operations, require recall of our products, refuse to approve new marketing applications, institute legal proceedings to detain or seize products, enjoin future violations or assess civil and criminal penalties against us or our officers or other employees.

**Licensure.** Several states require that durable medical equipment, or DME, providers be licensed in order to sell products to patients in that state. Some of these states require that DME providers maintain an in-state location. Although we believe we are in compliance with all applicable state regulations regarding licensure requirements, if we were found to be noncompliant, we could lose our licensure in that state, which could prohibit us from selling our current or future products to patients in that state. In addition, we are subject to certain state laws regarding professional licensure. We believe that our certified diabetes educators are in compliance with all such state laws. However, if we or our educators were to be found non-compliant in a given state, we may need to modify our approach to providing education, clinical support and customer service.

**Fraud and Abuse Laws.** There are numerous U.S. federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Our relationships with healthcare providers and other third parties are subject to scrutiny under these laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, imprisonment and exclusion from participation in federal and state healthcare programs, including the Medicare, Medicaid and Veterans Administration health programs.

**Federal Anti-Kickback and Self-Referral Laws.** The Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending, or arranging of a good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid. The definition of “remuneration” has been broadly interpreted to include anything of value, including such items as gifts, discounts, the furnishing of supplies or equipment, credit arrangements, waiver of payments and providing anything at less than its fair market value. The Department of Health and Human Services, or HHS, has issued regulations, commonly known as safe harbors that set forth certain provisions which, if fully met, will assure healthcare providers and other parties that they will not be prosecuted under the federal Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more 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 each applicable safe harbor may result in increased scrutiny by government enforcement authorities such as the HHS Office of Inspector General.

The penalties for violating the federal Anti-Kickback Statute include imprisonment for up to five years, fines of up to \$25,000 per violation and possible exclusion from federal healthcare programs such as Medicare and Medicaid. Many states have adopted prohibitions similar to the federal Anti-Kickback Statute, some of

which apply to the referral of patients for healthcare services reimbursed by any source, not only by the Medicare and Medicaid programs. Further, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or PPACA, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. The PPACA also provides that 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 false claims statutes.

We provide the initial training to patients necessary for appropriate use of our products either through our own diabetes educators or by contracting with outside diabetes educators that have completed a Tandem Pump training course. Outside diabetes educators are reimbursed for their services at fair market value. Although we believe that these arrangements do not violate the law, regulatory authorities may determine otherwise, especially as enforcement of this law historically has been a high priority for the federal government. In addition, because we may provide some coding and billing information to purchasers of our devices, and because we cannot guarantee that the government will regard any billing errors that may be made as inadvertent, the federal anti-kickback legislation may be applied to us. Noncompliance with the federal anti-kickback legislation could result in our exclusion from Medicare, Medicaid or other governmental programs, restrictions on our ability to operate in certain jurisdictions, and civil and criminal penalties.

Federal law also includes a provision commonly known as the “Stark Law,” which prohibits a physician from referring Medicare or Medicaid patients to an entity providing “designated health services,” including a company that furnishes durable medical equipment, in which the physician has an ownership or investment interest or with which the physician has entered into a compensation arrangement. Violation of the Stark Law could result in denial of payment, disgorgement of reimbursements received under a noncompliant arrangement, civil penalties, and exclusion from Medicare, Medicaid or other governmental programs. Although we believe that we have structured our provider arrangements to comply with current Stark Law requirements, these arrangements may not expressly meet the requirements for applicable exceptions from the law.

Additionally, as some of these laws are still evolving, we lack definitive guidance as to the application of certain key aspects of these laws as they relate to our arrangements with providers with respect to patient training. We cannot predict the final form that these regulations will take or the effect that the final regulations will have on us. As a result, our provider and training arrangements may ultimately be found to be not in compliance with applicable federal law.

**Federal False Claims Act.** The Federal False Claims Act provides, in part, that the federal government may bring a lawsuit against any person whom it believes has knowingly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim approved. In addition, amendments in 1986 to the Federal False Claims Act have made it easier for private parties to bring “qui tam” whistleblower lawsuits against companies under the Federal False Claims Act. Penalties include fines ranging from \$5,500 to \$11,000 for each false claim, plus three times the amount of damages that the federal government sustained because of the act of that person. Qui tam actions have increased significantly in recent years, causing greater numbers of healthcare companies to have to defend a false claim action, pay fines or be excluded from Medicare, Medicaid or other federal or state healthcare programs as a result of an investigation arising out of such action. We believe that we currently are in compliance with the federal government’s laws and regulations concerning the filing of reimbursement claims.

**Civil Monetary Penalties Law.** The Federal Civil Monetary Penalties Law prohibits the offering or transferring of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know is likely to influence the beneficiary’s selection of a particular supplier of Medicare or Medicaid payable items or services. Noncompliance can result in civil money penalties of up to \$10,000 for each wrongful act, assessment of three times the amount claimed for each item or service and exclusion from the federal healthcare programs. We believe that our arrangements comply with the requirements of the Federal Civil Monetary Penalties Law.

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**State Fraud and Abuse Provisions.** Many states have also adopted some form of anti-kickback and anti-referral laws and a false claims act. We believe that we are in conformance to such laws. Nevertheless, a determination of liability under such laws could result in fines and penalties and restrictions on our ability to operate in these jurisdictions.

**Health Insurance Portability and Accountability Act of 1996.** The Health Insurance Portability and Accountability Act of 1996, or HIPAA, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. 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. A violation of this statute is a felony and may result in fines or imprisonment. We believe we are in substantial compliance with the applicable HIPAA regulations.

**U.S. Foreign Corrupt Practices Act.** The U.S. Foreign Corrupt Practices Act, or FCPA, prohibits U.S. corporations and their representatives from offering, promising, authorizing or making corrupt payments, gifts or transfers to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA would include interactions with certain healthcare professionals in many countries.

### **International Regulation**

We may evaluate international expansion opportunities in the future. International sales of medical devices are subject to local government regulations, which may vary substantially from country to country. The time required to obtain approval in another country may be longer or shorter than that required for FDA approval, and the requirements may differ. There is a trend towards harmonization of quality system standards among the European Union, United States, Canada and various other industrialized countries.

The primary regulatory body in Europe is that of the European Union, which includes most of the major countries in Europe. Other countries, such as Switzerland, have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices. The European Union has adopted numerous directives and standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear the CE conformity marking, indicating that the device conforms to the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout Europe. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third party assessment by a “Notified Body.” This third-party assessment may consist of an audit of the manufacturer’s quality system and specific testing of the manufacturer’s product. An assessment by a Notified Body of one country within the European Union is required in order for a manufacturer to commercially distribute the product throughout the European Union. Additional local requirements may apply on a country-by-country basis. Outside of the European Union, regulatory approval would need to be sought on a country-by-country basis in order for us to market our products.

### **Employees**

As of June 30, 2013, we had 270 full-time employees. None of our employees are represented by a collective bargaining agreement, and we have never experienced any work stoppage. We believe we have good relations with our employees.

**Facilities**

We lease an aggregate of approximately 66,000 square feet of manufacturing, laboratory and office space in San Diego, California under a lease expiring in 2017. We currently manufacture all of our products at this facility. We believe that this facility is sufficient to support our operations and that suitable facilities would be available to us should our operations require it.

**Legal Proceedings**

From time to time we may be involved in various disputes and litigation matters that arise in the ordinary course of business. We are currently not a party to any material legal proceedings.

## MANAGEMENT

### Executive Officers and Directors

The following table sets forth information concerning our executive officers and directors as of August 6, 2013:

| Name                                        | Age | Position                                                          |
|---------------------------------------------|-----|-------------------------------------------------------------------|
| Kim D. Blickenstaff                         | 61  | Director, President and Chief Executive Officer                   |
| John Cajigas                                | 47  | Chief Financial Officer                                           |
| John F. Sheridan                            | 58  | Executive Vice President and Chief Operating Officer              |
| Robert B. Anacone                           | 62  | Executive Vice President and Chief Commercial Officer             |
| David B. Berger                             | 43  | General Counsel                                                   |
| Susan M. Morrison                           | 34  | Vice President, Human Resources, Corporate and Investor Relations |
| Lonnie M. Smith <sup>(1)</sup>              | 69  | Director, Chairman of the Board                                   |
| Dick P. Allen <sup>(2)</sup>                | 69  | Director                                                          |
| Edward L. Cahill <sup>(1)</sup>             | 60  | Director                                                          |
| Fred E. Cohen, M.D., D.Phil. <sup>(3)</sup> | 56  | Director                                                          |
| Howard E. Greene, Jr. <sup>(2)</sup>        | 70  | Director                                                          |
| Douglas A. Roeder <sup>(2)</sup>            | 42  | Director                                                          |
| Jesse I. Treu, Ph.D. <sup>(3)</sup>         | 66  | Director                                                          |
| Christopher J. Twomey <sup>(1)</sup>        | 53  | Director                                                          |

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

The following is a biographical summary of the experience of our executive officers and directors:

#### Executive Officers

*Kim D. Blickenstaff* has served as our President and Chief Executive Officer and as one of our directors since September 2007. Prior to joining our company, Mr. Blickenstaff served as Chairman and Chief Executive Officer of Biosite Incorporated, or Biosite, a provider of medical diagnostic products, from 1988 until its acquisition by Inverness Medical Innovations, Inc. in August 2007. Mr. Blickenstaff currently serves as Chairman of Medivation, Inc. (NASDAQ: MDVN), and is a member of its audit committee and compensation committee. He previously served as a director of DexCom, Inc. (NASDAQ: DXCM), a provider of glucose monitoring systems, from June 2001 to September 2007. Mr. Blickenstaff was formerly a certified public accountant and has more than 10 years of experience overseeing the preparation of financial statements. He received a B.A. in Political Science from Loyola University, Chicago, and an M.B.A. from the Graduate School of Business, Loyola University, Chicago.

We believe Mr. Blickenstaff brings to our board of directors valuable perspective and experience as our President and Chief Executive Officer, extensive experience at the board level in various healthcare companies, as well as leadership skills, industry experience and knowledge that qualify him to serve as one of our directors.

*John Cajigas* has served as our Chief Financial Officer since May 2008. Prior to joining our company, Mr. Cajigas served in various accounting and finance positions, most recently as Vice President, Finance, of Biosite from August 1995 until August 2007. Prior to joining Biosite, Mr. Cajigas worked as an Audit Manager with Ernst & Young LLP, working primarily with clients in the technology and biotechnology industries. Mr. Cajigas is a certified public accountant (inactive) and holds a B.A. in Business Administration from San Diego State University.

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*John F. Sheridan* has served as our Executive Vice President and Chief Operating Officer since April 2013. Prior to joining our company, Mr. Sheridan served as Chief Operating Officer of Rapiscan Systems, Inc., a provider of security equipment and systems, from March 2012 to February 2013. Mr. Sheridan served as Executive Vice President of Research and Development and Operations for Volcano Corporation (NASDAQ: VOLC), a medical technology company, from November 2004 to March 2010. From May 2002 to May 2004, Mr. Sheridan served as Executive Vice President of Operations at CardioNet, Inc., a medical technology company. From March 1998 to May 2002, he served as Vice President of Operations at Digirad Corporation, a medical imaging company. Mr. Sheridan holds a B.S. in Chemistry from the University of West Florida and an M.B.A. from Boston University.

*Robert B. Anacone* has served as our Executive Vice President and Chief Commercial Officer since April 2013. Mr. Anacone served as our Senior Vice President, Business Development, Marketing and Sales, from February 2009 to April 2013. Prior to joining our company, Mr. Anacone served as Senior Vice President, Worldwide Marketing and Sales, of Biosite from July 2005 to July 2007, and as Senior Vice President and General Manager from June 2007 to June 2008. Mr. Anacone holds a B.S. in Economics from the University of Hartford.

*David B. Berger* joined us in August 2013 as our General Counsel. From January 2008 until August 2013, he served as Vice President, General Counsel and Corporate Secretary of Senomyx, Inc. (NASDAQ: SNMX), a biotechnology company, and was promoted to Senior Vice President in January 2012. He continues to serve as Corporate Secretary of Senomyx. From 2003 until 2007 Mr. Berger was responsible for all commercial aspects of legal affairs at Biosite. At Biosite, Mr. Berger most recently held the position of Vice President, Legal Affairs. Previously, Mr. Berger was an attorney at Cooley Godward LLP and Amylin Pharmaceuticals, Inc. Mr. Berger holds a B.A. in Economics from the University of California, Berkeley and a J.D. from Stanford Law School.

*Susan M. Morrison* has served as our Vice President, Human Resources, Corporate and Investor Relations since April 2013. Ms. Morrison served as our Director, Corporate and Investor Relations, from January 2009 to March 2013, and was our Director, Corporate Services from November 2007 to December 2008. Prior to joining our company, Ms. Morrison held various positions in Corporate and Investor Relations at Biosite from August 2003 through November 2007. Ms. Morrison holds a B.A. in Public Relations from Western Michigan University.

## **Directors**

Biographical information for Kim D. Blickenstaff is set forth above under the heading “Executive Officers.”

*Lonnie M. Smith* has served on our board of directors and as the Chairman of the board since January 2013. Mr. Smith served as Chief Executive Officer of Intuitive Surgical, Inc. (NASDAQ: ISRG), a developer and provider of surgical instruments, from June 1997 to June 2010, and as an executive officer of that company until January 2013. Mr. Smith continues to serve as Chairman of the Board of Intuitive Surgical, Inc. Prior to joining Intuitive Surgical, Mr. Smith was employed by Hillenbrand, Inc. (NYSE: HI), a provider of industrial products and services, including healthcare equipment, from 1978 to June 1997, serving during his tenure as Senior Executive Vice President, a member of the Executive Committee, the Office of the President and the board of directors. Mr. Smith has also previously held positions with The Boston Consulting Group and IBM Corporation. Mr. Smith also currently serves on the boards of directors of several private companies. Mr. Smith holds a B.S. in Electrical Engineering from Utah State University and an M.B.A. from Harvard Business School.

We believe Mr. Smith’s background as a chief executive officer and director of a large, publicly-traded medical device company, and his extensive experience at the board level in multiple companies in the healthcare industry, brings to our board critical skills related to financial oversight of complex organizations, strategic planning, and corporate governance and qualify him to serve as one of our directors.

*Dick P. Allen* has served on our board of directors since July 2007. Mr. Allen was the President of DIMA Ventures, Inc., a private investment firm providing seed capital and board-level support for start-up



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companies in the healthcare field, until July 2009. Mr. Allen was a founder of Caremark, Inc., a home infusion therapy company that was later acquired by Baxter International and served as a Vice President from its inception in 1979 until 1986. Mr. Allen was also a founder and director of Pyxis Corporation that was later acquired by Cardinal Health, Inc., and has served on the boards of directors of several public and private companies. Mr. Allen is Chairman of the Board of JDRE. Mr. Allen was also a Lecturer at the Stanford University Graduate School of Business for a total of 13 years. Mr. Allen holds a B.S. in Industrial Administration from Yale University and an M.B.A. from Stanford University Graduate School of Business.

We believe Mr. Allen's background in management and on boards of directors of companies in the healthcare industry, as well as his long-term investing experience, brings to our board critical skills related to financial oversight of complex organizations, strategic planning, and corporate governance and qualify him to serve as one of our directors.

*Edward L. Cahill* has served on our board of directors since May 2009. Mr. Cahill has served as Managing Partner of HLM Venture Partners, a venture capital firm that invests primarily in emerging companies focused on healthcare information technology, healthcare services and medical technology, since May 2000. He served as a director of Animas Corporation, a developer of external insulin pumps, from March 2001 until its acquisition by Johnson & Johnson in February 2006, during which time Animas Corporation conducted an initial public offering and became a publicly-traded company. From June 1995 to May 2000, Mr. Cahill served as a founding partner of Cahill, Warnock Company (now Camden Partners), a Baltimore venture capital firm. Previously, Mr. Cahill was a Managing Director of Alex.Brown & Sons, an investment services brokerage, where he headed the firm's healthcare group from January 1986 through March 1995. Mr. Cahill also serves as a director of Masimo Corporation (NASDAQ: MASI), a medical technology company. He is also a director of several private healthcare companies and serves as a trustee of Johns Hopkins Medicine, Johns Hopkins Health System and Mercy Health Services. Mr. Cahill holds an A.B. in American Civilization from Williams College and a Masters of Public and Private Management from Yale University.

We believe Mr. Cahill's diverse and extensive experience on boards of directors and in management, which has included public and private companies in the life sciences industry, provides him with key skills in working with directors, understanding board process and functions and working with financial statements. We also believe that he brings to our board his long-term investing experience with numerous companies in the healthcare and biotechnology industries, as well as a strong financial background, all of which qualify him for service on our board of directors.

*Fred E. Cohen, M.D., D.Phil.* has served on our board of directors since June 2013. Dr. Cohen is a partner at TPG, a private equity firm he joined in 2001, and serves as co-head of TPG's biotechnology group. Dr. Cohen is also a Professor of Cellular and Molecular Pharmacology at the University of California, San Francisco, where he has taught since 1988. From 1995 to 2001, Dr. Cohen served as the Chief of the Division of Diabetes, Endocrinology and Metabolism in the Department of Medicine of UCSF. Dr. Cohen also serves as a director of Genomic Health, Inc. (NASDAQ: GHDX), a molecular diagnostics company, and is a member of its audit committee. Dr. Cohen serves as a director of Aptalis Pharmaceuticals, Quintiles Transnational Holdings (NYSE: Q) and a number of other privately held companies. Dr. Cohen holds a B.S. in Molecular Biophysics and Biochemistry from Yale University, a D.Phil. in Molecular Biophysics from Oxford University and an M.D. from Stanford University.

We believe Dr. Cohen's diverse and extensive experience on boards of directors and in management, which has included public and private companies in the life sciences industry, provides him with key skills in working with directors, and understanding board process and functions. We also believe he brings to our board his long-term investing experience with numerous companies in the healthcare and biotechnology industries, including serving on public company audit committees.

*Howard E. Greene, Jr.* has served on our board of directors since January 2008. Mr. Greene is an entrepreneur who has participated in the founding and management of 11 medical technology companies over 25

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years, including three companies for which he served as chief executive officer. He was the co-founder of Amylin Pharmaceuticals, Inc., a public pharmaceutical company that was acquired by Bristol Myers Squibb in August 2012, serving as the Chief Executive Officer of that company from 1987 to 1996. He also served as a director of Amylin Pharmaceuticals from 1987 to April 2009. Mr. Greene also served on the board of directors of Biosite from June 1989 until its acquisition by Inverness Medical Innovations, Inc. in 2007. From 1986 until 1993, Mr. Greene was a founding general partner of Biovest Partners, a seed venture capital firm. He was Chief Executive Officer of Hybritech Incorporated from March 1979 until its acquisition by Eli Lilly & Co. in March 1986, and he was co-inventor of Hybritech's patented monoclonal antibody assay technology. Prior to joining Hybritech, he was an executive with the medical diagnostics division of Baxter Healthcare Corporation and a consultant with McKinsey & Company. Mr. Greene holds a B.A. in Physics from Amherst College and an M.B.A. from Harvard Business School.

We believe Mr. Greene's background as a chief executive officer and director of publicly-traded biotechnology companies, his extensive experience at the executive and board level in multiple companies in the medical technology industry, and his long-term investing experience, brings to our board critical skills related to financial oversight of complex organizations, strategic planning, and corporate governance and qualify him to serve as one of our directors and for service on our compensation committee.

*Douglas A. Roeder* has served on our board of directors since May 2009. Mr. Roeder joined Delphi Ventures as an Associate in 1998, and has been a Partner since 2000, focusing on medical devices, diagnostics and biotechnology. Prior to joining Delphi Ventures, Mr. Roeder was an Associate with Alex.Brown's Healthcare Investment Banking Group in San Francisco, where he focused on the medical device, life sciences and healthcare services industries. He also previously worked with Putnam Associates, a strategy consulting firm focused on the pharmaceutical and biotechnology industries. Mr. Roeder holds an A.B. in Biochemistry from Dartmouth College.

We believe Mr. Roeder's experience on several boards of directors of companies in the life sciences industry, provides him with key skills in working with directors, understanding board process and functions and working with financial statements. We also believe that he brings to our board his long-term investing experience with numerous companies in the healthcare and medical device industries, all of which qualify him for service on our compensation committee.

*Jesse I. Treu, Ph.D.* has served on our board of directors since June 2008. Dr. Treu has been a Managing Member of Domain Associates, L.L.C. since its inception in 1985. He has been a director of over 35 early-stage healthcare companies. Dr. Treu currently serves as a member of the boards of directors of Afferent Pharmaceuticals, Aldexa Pharmaceuticals, CoLucid Pharmaceuticals, Regado Biosciences and Veracyte. He has also served as a founder, president and chairman of numerous venture-stage companies. Prior to the formation of Domain Associates, Dr. Treu had twelve years of experience in the healthcare industry. He was Vice President of the predecessor organization to The Wilkerson Group and its venture capital arm, CW Ventures. While at CW Ventures, he served as President and CEO of Microsonics, Inc., a pioneer in computer image processing for cardiology. From 1977 through 1982, Dr. Treu led new product development and marketing planning for immunoassay and histopathology products at Technicon Corporation, which is now part of Siemens Diagnostics. Dr. Treu began his career with General Electric Company in 1973, initially as a research scientist developing thin film optical sensors for immunoassay testing, and later serving on the corporate staff with responsibility for technology assessment and strategic planning. Dr. Treu received his B.S. in Physics from Rensselaer Polytechnic Institute and his M.A. and Ph.D. in physics from Princeton University.

We believe Dr. Treu's extensive experience as an officer and member of the board of directors of several companies in the healthcare industry brings to our board and the committees of our board valuable industry expertise, understanding of financial statements, and significant executive management experience and leadership skills, as well as a strong understanding of corporate governance principles.

*Christopher J. Twomey* has served on our board of directors since July 2013. From March 1990 until his retirement in 2007, Mr. Twomey held various positions with Biosite, most recently serving as Senior Vice

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President, Finance and Chief Financial Officer. From 1981 to 1990, Mr. Twomey worked for Ernst & Young LLP, where he served as an Audit Manager. Mr. Twomey has served as a director Cadence Pharmaceuticals, Inc. (NASDAQ: CADX), a biopharmaceutical company, since July 2006 and is chair of that company's audit committee. Mr. Twomey has also served as a member of the board of directors of Senomyx since March 2006 and is chair of that company's audit committee. Mr. Twomey holds a B.A. in Business Economics from the University of California at Santa Barbara.

We believe Mr. Twomey's experience in senior financial management and on boards of directors of companies in the life sciences industry, as well as his long-term accounting and auditing experience, brings to our board critical skills related to financial oversight of complex organizations, strategic planning, and corporate governance. We also believe he brings to our board his long-term accounting and financial reporting experience, including serving on public company audit committees, all of which qualify him for service on our audit committee.

### **Director Independence**

Our board of directors has affirmatively determined that Messrs. Dick P. Allen, Edward L. Cahill, Fred E. Cohen, Howard E. Greene, Jr., Douglas A. Roeder, Jesse I. Treu, Lonnie M. Smith and Christopher J. Twomey meet the definition of "independent director" under the applicable Listing Rules of the NASDAQ Stock Market.

### **Family Relationships**

There is no family relationship between any director, executive officer or person nominated to become a director or executive director.

### **Board of Directors**

#### ***Composition of our Board of Directors upon the Closing of this Offering***

Our bylaws provide that the number of directors may be determined from time to time by resolution of our board of directors. Upon the closing of this offering, we will have nine directors. Our board of directors will be divided into three classes, as follows:

- Class I, which initially will consist of Kim D. Blickenstaff, Howard E. Greene, Jr. and Christopher J. Twomey, whose terms will expire at our annual meeting of stockholders to be held in 2014;
- Class II, which initially will consist of Dick P. Allen, Edward L. Cahill and Lonnie M. Smith, whose terms will expire at our annual meeting of stockholders to be held in 2015; and
- Class III, which initially will consist of Fred E. Cohen, Douglas A. Roeder and Jesse I. Treu, whose terms will expire at our annual meeting of stockholders to be held in 2016.

Upon the expiration of the initial term of office for each class of directors, each director in such class shall be elected for a term of three years and serve until a successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any additional directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

Directors may only be removed with cause by the affirmative vote of at least a majority of the shares then entitled to vote at an election of directors. Because only one-third of our directors will be elected at each annual meeting, two consecutive annual meetings of stockholders could be required for the stockholders to change a majority of the board. Douglas A. Roeder serves on our board of directors as nominee of Delphi Ventures VIII, L.P., Edward L. Cahill serves on our board of directors as nominee of HLM Venture Partners II, L.P., Jesse I. Treu serves on our board of directors as nominee of Domain Partners VII, L.P., Fred E. Cohen

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serves on our board of directors as nominee of TPG Biotechnology Partners III, L.P., and Dick P. Allen, Howard E. Greene, Jr. and Lonnie M. Smith serve on our board of directors as nominees of certain of our common stockholders, in each case pursuant to a voting agreement among us and certain of our stockholders. This voting agreement will terminate upon completion of this offering. For additional information, see “Certain Relationships and Related Party Transactions—Third Amended and Restated Voting Agreement.”

Our current and future executive officers and significant employees serve at the discretion of our board of directors.

### ***Board Leadership Structure and Board’s Role in Risk Oversight***

The positions of chairman of the board and chief executive officer are presently separated. We believe that separating these positions allows our chief executive officer to focus on our day-to-day business, while allowing the chairman of the board to lead the board of directors in its fundamental role of providing advice to and independent oversight of management. Our board of directors recognizes the time, effort and energy that the chief executive officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our chairman, particularly as the board of directors’ oversight responsibilities continue to grow. While our amended and restated bylaws and corporate governance principles do not require that our chairman and chief executive officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including risks relating to our operations, strategic direction and intellectual property, which are discussed in the section entitled “Risk Factors” beginning on page 10 of this prospectus. Management is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

The role of the board of directors in overseeing the management of our risks is conducted primarily through committees of the board of directors, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees. The full board of directors (or the appropriate board committee in the case of risks that are under the purview of a particular committee) discusses with management our major risk exposures, their potential impact on us, and the steps we take to manage them. When a board committee is responsible for evaluating and overseeing the management of a particular risk or risks, the chairman of the relevant committee reports on the discussion to the full board of directors during the committee reports portion of the next board meeting.

### ***Committees of our Board of Directors***

Our board of directors has three permanent committees: the audit committee, the compensation committee, and the nominating and corporate governance committee. The board of directors recently adopted written charters for our audit committee, compensation committee and our nominating and corporate governance committee, all of which will be available on our website upon the closing of this offering. In addition, from time to time, special committees may be established under the direction of our board of directors when necessary to address specific issues.

#### *Audit Committee*

We have an audit committee consisting of Christopher J. Twomey (Chair), Edward L. Cahill and Lonnie M. Smith, each of whom has been determined to be an independent director under applicable SEC rules

and the applicable Listing Rules of the NASDAQ Stock Market. Upon the closing of this offering, the audit committee will be responsible for, among other things:

- appointing, terminating, compensating and overseeing the work of any independent auditor engaged to prepare or issue an audit report or other audit, review or attest services;
- reviewing and approving all audit and non-audit services to be performed by the independent auditor, taking into consideration whether the independent auditor's provision of non-audit services to us is compatible with maintaining the independent auditor's independence;
- reviewing and discussing the adequacy and effectiveness of our accounting and financial reporting processes and internal controls and the audits of our financial statements;
- establishing and overseeing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters;
- investigating any matter brought to its attention within the scope of its duties and engaging independent counsel and other advisors as the audit committee deems necessary;
- determining compensation of the independent auditors and of advisors hired by the audit committee and ordinary administrative expenses;
- reviewing and discussing with management and the independent auditor the annual and quarterly financial statements prior to their release;
- monitoring and evaluating the independent auditor's qualifications, performance and independence on an ongoing basis;
- reviewing reports to management prepared by the internal audit function, as well as management's response;
- reviewing and assessing the adequacy of the formal written charter on an annual basis;
- reviewing and approving related party transactions for potential conflict of interest situations on an ongoing basis; and
- overseeing such other matters that are specifically delegated to the audit committee by our board of directors from time to time.

Our board of directors has affirmatively determined that Mr. Twomey is designated as the "audit committee financial expert."

#### *Compensation Committee*

We have a compensation committee consisting of Douglas A. Roeder (Chair), Dick P. Allen and Howard E. Greene, Jr., each of whom has been determined to be an independent director under the applicable Listing Rules of the NASDAQ Stock Market. Upon the closing of this offering, the compensation committee will be responsible for, among other things:

- reviewing and approving the compensation, employment agreements and severance arrangements and other benefits of all of our executive officers, directors and key employees;

- reviewing, on an annual basis, the corporate goals and objectives relevant to the compensation of the executive officers, and evaluating their performance in light thereof;
- reviewing and making recommendations to the board of directors with respect to director and executive officer compensation;
- reviewing and discussing with management the tables and narrative discussion regarding executive officer and director compensation to be included in the annual proxy statement;
- reviewing and assessing, on an annual basis, the adequacy of the formal written charter; and
- overseeing such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

#### *Nominating and Corporate Governance Committee*

We have a nominating and corporate governance committee consisting of Jesse I. Treu (Chair) and Fred E. Cohen, each of whom has been determined to be an independent director under the applicable Listing Rules of the NASDAQ Stock Market. Upon completion of this offering, the nominating and corporate governance committee will be responsible for, among other things:

- identifying and screening candidates for our board of directors, and recommending nominees for election as directors;
- assessing, on an annual basis, the performance of the board of directors and any committee thereof;
- developing and recommending to the board of directors a set of corporate governance principles, as well as reviewing these principles, on an annual basis, and recommending any changes to the board of directors;
- reviewing the structure of the board's committees and recommending to the board for its approval directors to serve as members of each committee, including each committee's respective chair, if applicable;
- reviewing and assessing, on an annual basis, the adequacy of the formal written charter on an annual basis; and
- generally advising our board of directors on corporate governance and related matters.

#### *Other Committees of the Board*

Our board of directors may from time to time establish other committees when necessary to address specific issues.

#### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee. No interlocking relationship exists between any member of the board of directors or any member of the compensation committee (or other committee performing equivalent functions) of any other company.

We have entered into an indemnification agreement with each of our directors, including Messrs. Allen, Roeder and Greene, who comprise our compensation committee. For additional information, see "Certain Relationships and Related Party Transactions—Indemnification Agreements with our Directors and Officers."

## **Codes of Conduct**

We recently adopted a revised code of ethics relating to the conduct of our business by all of our employees, officers and directors, as well as a code of ethics specifically for our chief executive officer and senior financial officers, both of which will be posted on our website.

## **Director Compensation**

We did not pay any compensation to our directors in 2012. However, we did reimburse all non-employee directors for expenses incurred in connection with their service on the board of directors, including reimbursement of expenses incurred in connection with attending board meetings.

During 2013, we have not paid our directors any cash compensation. However, as compensation for their services, we did grant shares of restricted stock to certain of our non-employee directors who are not affiliated with any of our principal stockholders. Mr. Smith was granted 45,000 shares, which vest as to 25% of the shares on the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments. Mr. Twomey was granted 35,000 shares, which vest as to 25% of the shares on the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments. Messrs. Allen and Greene were each granted 28,000 shares, which vest in 24 equal monthly installments. Each of these grants were made pursuant to the 2006 Plan.

Following completion of this offering, we expect our board of directors will adopt a director compensation program, which may include cash, equity or other components as our board of directors deems appropriate. Future grants of equity awards to our directors, if any, will be made pursuant to the 2013 Plan. For additional information, see “Executive Compensation—2013 Stock Incentive Plan.”

## EXECUTIVE COMPENSATION

This narrative discussion of the compensation philosophy, objectives, policies and arrangements that apply to our named executive officers is intended to assist your understanding of, and to be read together with, the Summary Compensation Table and related disclosures set forth below.

### Named Executive Officers

Our “named executive officers” include our principal executive officer and our two other most highly compensated executive officers. For 2012, our named executive officers were:

- Kim D. Blickenstaff, who currently serves as our President and Chief Executive Officer, as well as a member of our board of directors, and is our principal executive officer;
- Robert B. Anacone, who served as our Senior Vice President, Business Development, Marketing and Sales during 2012, and is currently serving as our Executive Vice President and Chief Commercial Officer; and
- John Cajigas, who currently serves as our Chief Financial Officer.

### Compensation Philosophy and Objectives

The primary objective of our executive compensation program is to attract and retain talented executives with the skills necessary to lead us and create long-term value for our stockholders. We recognize that there is significant competition for talented executives, especially in the medical device industry, and it can be particularly challenging for early-stage companies to recruit experienced executives. When establishing our executive compensation program, our Compensation Committee, which we refer to as the Committee for purposes of this discussion, is guided by the following four principles:

- Attract executives with the background and experience required for our future growth and success;
- Provide a total compensation package that is competitive with other companies in the medical device industry that are of a similar size and stage of growth;
- Align the interests of our executives with those of our stockholders by tying a meaningful portion of total compensation to increases in our value through the grant of equity-based awards; and
- Tie a meaningful portion of potential total compensation to the achievement of our performance objectives, such as annual revenue, which can increase or decrease to reflect achievement with respect to the objectives.

The Committee is primarily responsible for reviewing and determining our overall executive compensation policies, including approving the compensation arrangements that apply to our named executive officers.

The Committee evaluates the total compensation of our named executive officers and other executives relative to available compensation information from companies in our industry that are at a similar size and stage of growth. The Committee’s historical practice has been to benchmark our executive salaries just above market at the 60<sup>th</sup> percentile compared to peer company data in order to compete in the market.

The Committee has not established any formal policies or guidelines for allocating between long-term and currently paid compensation, or between cash and non-cash compensation. In determining the amount and



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mix of compensation elements and whether each element provides the correct incentives in light of our compensation objectives, the Committee relies on its judgment and experience rather than adopting a formulaic approach to compensation decisions.

### **Market Comparisons**

Historically, the Committee has reviewed compensation data from peer group companies and industry surveys as an integral component of its executive compensation decision making process. For 2012, the Committee reviewed peer group data provided by (i) Radford Surveys, an independent national technology and life sciences compensation consulting firm, and (ii) Top 5, an independent consulting firm focused on executive compensation, sales force compensation and equity strategy development. The Committee also reviewed an executive compensation survey report, which provided compensation data from 206 private, venture-backed life sciences companies.

The Committee used the information supplied in the reports and surveys to evaluate the total compensation, as well as each element of compensation, for each executive officer, including the named executive officers. The Committee believes it is important to review this compensation data because we compete for executive talent and stockholder investment with many of the companies identified in the reports and surveys.

### **Compensation Elements**

In light of the Committee's review of the compensation survey data, and in furtherance of our compensation philosophy and objectives, the executive compensation program for our named executive officers generally consists of a base salary, a cash incentive program, equity-based awards and other benefits.

#### ***Base Salary***

We pay base salaries to attract and retain key executives with the necessary experience for our future growth and success. Base salaries reflect each executive officer's responsibility level, tenure with us, individual performance and business experience. Base salaries also provide a base amount of compensation.

The Committee establishes base salaries after reviewing peer group compensation data as discussed above. In keeping with its philosophy of paying just above market salaries in order to attract executive talent and stay competitive in the market, the Committee generally sets base salary at approximately the 60<sup>th</sup> percentile of the base salaries paid to executives with similar titles and levels of responsibility within the peer groups. Salaries are then reviewed periodically and adjusted as warranted in response to updated data regarding comparable market salaries, as well factors such as individual performance and responsibility level.

#### ***Cash Incentive Program***

For 2012, we adopted a cash incentive program that applies to each of our executive officers, as well as to certain other employees. The Committee approved the cash incentive program because it believes that aligning the payment of cash incentives with the achievement of a specified Tandem performance objective creates long-term value for us and aligns the compensation of the executives with the interests of our stockholders.

The target cash incentive amount for each executive was initially set as a percentage of the executive's base salary. The Committee established minimum and target 2012 revenue thresholds for our company, and cash incentive payments could be earned based upon achievement with respect to those amounts. However, because commercialization of t:slim did not occur until the third quarter of 2012, and due to the timing of our preferred stock financing transaction in 2012, the program was not fully implemented and no amounts were paid pursuant to the program. As a result, there are no cash incentive payments reflected in the "Cash Incentive Program" column of the Summary Compensation Table below.

### ***Equity-Based Awards***

In keeping with our executive compensation philosophy, the Committee believes that meaningful equity ownership is important to align the interests of our executives with those of our stockholders and to provide our executives with incentives to create long-term value for our stockholders. The executives' interests are aligned with stockholders because, as the value of our company increases over time, the value of the executives' equity grants increases as well. The Committee also believes that granting equity awards that vest over time promotes the retention of our executives.

Our outstanding equity awards have principally been granted pursuant to the 2006 Plan. The 2006 Plan allows for the issuance of equity awards to our executives in the form of stock options or restricted stock. Historically, in lieu of receiving option grants, we have offered our executive officers the choice to purchase restricted stock at the fair market value of the shares on the grant date, which amount is determined by an independent appraisal.

When determining the number of equity awards to be granted to each executive, the Committee generally considers several factors, including the position and level of responsibility of the executive, the executive's tenure with us, and survey data with respect to the level of equity ownership by executives with similar titles and levels of responsibility at peer group companies. The Committee also takes into account our achievement with respect to significant milestones during the period prior to the grant date, such as completing financing transactions and receiving regulatory clearance or approval to commercialize products.

Equity awards were granted to each of the named executive officers in 2011. As a result of these grants, and in light of the factors discussed above, the Committee determined not to grant additional equity awards to the named executive officers in 2012. As a result, no amounts are reflected under the "Stock Awards" and "Option Awards" columns of the Summary Compensation Table below.

We expect that future equity awards will be granted to our named executive officers and other employees pursuant to the 2013 Plan. For additional information, see "—Stock Incentive Plans."

### ***Benefits***

We have adopted a defined contribution 401(k) plan for the benefit of our employees. Employees are eligible to participate in the plan beginning on the first day of the calendar quarter following their date of hire. Under the terms of the plan, employees may make voluntary contributions as a percent of compensation. We do not match contributions at this time.

In addition, we offer a standard benefits package that we believe is necessary to attract and retain key executives. Our named executive officers are eligible to participate in our health and welfare benefit plans. We also pay the premiums for long-term disability insurance and life insurance for our named executive officers. Except as discussed in the Summary Compensation Table, the benefits provided to our named executive officers generally reflect those provided to all of our employees.

### ***Employment Agreements***

We have not entered into employment agreements with any of our executive officers.

### ***Employment Severance Agreements***

We expect our board of directors will approve employment severance agreements with each of our named executive officers, as well as with all of our other executive officers, prior to completion of the offering. The Committee believes it is important to provide our named executive officers with severance benefits under limited circumstances in order to provide them with enhanced financial security and sufficient incentive and encouragement to remain employed by us.

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Pursuant to the terms of each of the severance agreements, if within 12 months following a “change of control” (as defined in the severance agreements), the executive officer’s employment is terminated as a result of (i) an involuntary termination or (ii) a resignation for good reason (each as defined in the severance agreements), then the executive will continue to receive salary at the salary amount in effect at the time of such termination (less applicable withholdings and deductions) for the applicable severance period beginning immediately following such termination as well as the executive’s target bonus for the year in which the termination occurs. The executive will also vest in and have the right to exercise all outstanding options, restricted stock awards and stock appreciation rights, or SARs, that were unvested as of the date of such termination. Additionally, all of our repurchase rights with respect to any vested and unvested restricted stock units, or RSUs, or restricted stock will lapse and any right to repurchase any of our common stock shall terminate. Furthermore, if in connection with a change of control the executive’s options, RSUs or SARs have been assumed or replaced and remain outstanding, 100% of such awards will vest upon the 12 month anniversary of such change of control if not fully vested prior to such date.

If within 12 months following a change of control, the executive officer’s employment is terminated as a result of voluntary resignation, termination for cause, disability or death, then the executive officer will not be entitled to receive severance change in control benefits except for those as may then be established under our then existing severance and benefits plans and practices or pursuant to other written agreements with us.

Pursuant to the terms of each of the severance agreements, upon the termination of the named executive officer’s employment for any reason, we will pay the executive:

- any unpaid base salary due for periods prior to the termination date;
- all of the executive’s accrued paid time off through the termination date; and
- all expenses reasonably and necessarily incurred and submitted on proper expense reports in connection with our business prior to the termination date.

The severance agreements are nearly identical for each of the named executive officers except that the severance period for Mr. Blickenstaff is 24 months, the severance period for Mr. Anacone is 18 months and the severance period for Mr. Cajigas is 18 months.

The benefits payable under the severance agreements may be immediately terminated in certain circumstances, including the unauthorized use by a named executive officer of our material confidential information or any prohibited or unauthorized competitive activity undertaken by a named executive officer.

### Summary Compensation Table

The following table sets forth summary compensation information for our named executive officers for the year ended December 31, 2012.

| <u>Name and Principal Position</u>                                                   | <u>Year</u> | <u>Salary<br/>(\$)</u> | <u>Bonus<br/>\$(<sup>(1)</sup>)</u> | <u>Stock<br/>Awards<br/>\$(<sup>(2)</sup>)</u> | <u>Option<br/>Awards<br/>\$(<sup>(2)</sup>)</u> | <u>Cash<br/>Incentive<br/>Program<br/>\$(<sup>(3)</sup>)</u> | <u>All Other<br/>Compensation<br/>(\$)</u> | <u>Total<br/>(\$)</u> |
|--------------------------------------------------------------------------------------|-------------|------------------------|-------------------------------------|------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------|--------------------------------------------|-----------------------|
| <b>Kim D. Blickenstaff</b><br>President and Chief<br>Executive Officer               | 2012        | 350,000                | —                                   | —                                              | —                                               | —                                                            | 0                                          | 350,000               |
| <b>Robert B. Anacone</b><br>Executive Vice President<br>and Chief Commercial Officer | 2012        | 265,000                | —                                   | —                                              | —                                               | —                                                            | 60,000 <sup>(4)</sup>                      | 325,000               |
| <b>John Cajigas</b><br>Chief Financial Officer                                       | 2012        | 285,000                | —                                   | —                                              | —                                               | —                                                            | 0                                          | 285,000               |

(1) We did not pay any discretionary bonuses to our named executive officers in 2012.

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- (2) We did not grant any options or restricted stock awards to our named executive officers in 2012. For additional information, see “—Equity Based Awards.”
- (3) No amounts were earned under our cash incentive program in 2012. For additional information, see “—Cash Incentive Program.”
- (4) This amount reflects the amount of reimbursement to the executive pursuant to a home mortgage differential plan. We ceased making these payments in April 2013.

### Outstanding Equity Awards at Fiscal Year End

The following table sets forth information about the outstanding equity awards held by each of our named executive officers as of December 31, 2012.

| Name                | Option Awards                                                       |                                                                       |                            |                                       | Stock Awards                              |                                                                          |
|---------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------|---------------------------------------|-------------------------------------------|--------------------------------------------------------------------------|
|                     | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date <sup>(1)</sup> | Number of Shares That Have Not Vested (#) | Market Value if Shares if Stock That Have Not Vested (\$) <sup>(2)</sup> |
| Kim D. Blickenstaff |                                                                     |                                                                       |                            |                                       | 4,167 <sup>(3)</sup>                      |                                                                          |
|                     |                                                                     |                                                                       |                            |                                       | 17,708 <sup>(4)</sup>                     |                                                                          |
| Robert B. Anacone   | 11,979                                                              | 521 <sup>(5)</sup>                                                    | \$ 7.00                    | 3/16/2019                             |                                           |                                                                          |
|                     | 9,583                                                               | 1,917 <sup>(6)</sup>                                                  | \$ 6.40                    | 8/20/2019                             |                                           |                                                                          |
|                     | 2,917                                                               | 7,083 <sup>(7)</sup>                                                  | \$ 4.20                    | 10/20/2021                            |                                           |                                                                          |
| John Cajigas        |                                                                     |                                                                       |                            |                                       | 2,500 <sup>(3)</sup>                      |                                                                          |
|                     |                                                                     |                                                                       |                            |                                       | 10,625 <sup>(4)</sup>                     |                                                                          |

- (1) The expiration date of all option awards is ten years from the date of grant.
- (2) There was no public market for our common stock at December 31, 2012. We have estimated the market value of the unvested restricted stock awards based on an assumed initial public offering price of \$ per share, the midpoint of the range of prices listed on the cover page of this prospectus.
- (3) This amount represents restricted shares that were granted on August 20, 2009 and remained unvested as of December 31, 2012. The restricted stock award vested as to 25% of the shares on August 20, 2010, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments until August 20, 2013.
- (4) This amount represents restricted shares that were granted on October 20, 2011 and remained unvested as of December 31, 2012. The restricted stock award vested as to 25% of the shares on October 20, 2012, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments until October 20, 2015.
- (5) This amount represents options to purchase shares of our common stock that were granted on March 19, 2009 and remained unvested as of December 31, 2012. The shares underlying these options vested as to 25% of the shares on March 19, 2010, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments until March 29, 2013.
- (6) This amount represents options to purchase shares of our common stock that were granted on August 20, 2009 and remained unvested as of December 31, 2012. The shares underlying these options vested as to 25% of the shares on August 20, 2010, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments until August 20, 2013.
- (7) This amount represents options to purchase shares of our common stock that were granted on October 20, 2011 and remained unvested as of December 31, 2012. The shares underlying these options vested as to 25% of the shares on October 20, 2012, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments until October 20, 2015.

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### Stock Incentive Plans

Our stockholders and board of directors previously adopted the 2006 Plan. In connection with this offering, we intend to adopt the 2013 Plan and the ESPP.

As of June 30, 2013, the number of shares reserved for issuance, number of shares issued, number of shares underlying outstanding stock options and number of shares remaining available for future issuance under each of the 2006 Plan, the 2013 Plan and the ESPP is set forth in the table.

| <u>Name of Plan</u>               | <u>Number of Shares<br/>Reserved for<br/>Issuance</u> | <u>Number of<br/>Shares Issued</u> | <u>Number of<br/>Shares<br/>Underlying<br/>Outstanding<br/>Options</u> | <u>Number of Shares<br/>Remaining<br/>Available for<br/>Future Issuance</u> |
|-----------------------------------|-------------------------------------------------------|------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 2006 Stock Incentive Plan         | 4,500,000                                             | 137,197                            | 2,857,685                                                              | 1,505,118                                                                   |
| 2013 Stock Incentive Plan         |                                                       | —                                  | —                                                                      |                                                                             |
| 2013 Employee Stock Purchase Plan |                                                       | —                                  | —                                                                      |                                                                             |

The following description of each of our stock incentive plans is qualified by reference to the full text of those plans, which are filed as exhibits to the registration statement of which this prospectus is a part.

#### **2006 Stock Incentive Plan**

The 2006 Plan was approved by our board of directors in September 2006, was subsequently approved by our stockholders in July 2007 and was most recently amended in April 2013.

We have reserved an aggregate of 4,500,000 shares of our common stock for issuance under the 2006 Plan. This number is subject to adjustment in the event of a recapitalization, stock split, reclassification, stock dividend or other change in our capitalization. Shares of common stock underlying awards granted under the 2006 Plan that can no longer be exercised, as well as shares that are reacquired by us, are currently added back to the shares of common stock available for issuance under the 2006 Plan. Upon the closing of this offering, such shares will be added to the shares of common stock available for issuance under the 2013 Plan.

The 2006 Plan permits us to make grants of options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code, and options that do not so qualify, which are referred to as non-qualified stock options. Incentive stock options may only be issued to our employees. Non-qualified stock options may be issued to employees, officers, directors, consultants and other service providers. The option exercise price of each option granted pursuant to the 2006 Plan will be determined by the Committee, and may not be less than 100% of the fair market value of the common stock on the date of grant, subject to certain exceptions. The term of each option will be fixed by the Committee and may not exceed ten years from the date of grant. All option grants under the 2006 Plan are made pursuant to a written option agreement.

The 2006 Plan also permits us to make grants of restricted stock. Restricted stock awards may be issued to employees, officers, directors, consultants and other service providers. The purchase price for the restricted stock awards granted pursuant to the 2006 Plan will be determined by the Committee, and may not be less than 85% of the fair market value of the common stock on the date of grant, subject to certain exceptions. All restricted stock grants under the 2006 Plan are made pursuant to a written restricted stock agreement.

The 2006 Plan is administered by the Committee. The Committee has the authority to manage and control the administration of the 2006 Plan. In particular, the Committee has the authority to determine the persons to whom awards are granted and the number of shares of common stock underlying each award. In addition, the Committee has the authority to accelerate the exercisability or vesting of any award, and to determine the specific terms and conditions of each award. However, the Committee typically recommends specific equity grants to each executive officer, which grants are then approved by our full board of directors.

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With respect to options granted under the 2006 Plan, the Committee may provide that, in the event of a “change in control,” vesting shall accelerate automatically effective as of immediately prior to the change in control. The Committee has the discretion to provide other terms and conditions that relate to the vesting of options upon a change in control, or for the assumption of options in the event of a change in control. Outstanding options terminate upon a change in control except to the extent they are assumed in the change in control transaction. With respect to restricted stock granted under the 2006 Plan, in the event of a change in control, all repurchase rights automatically terminate immediately prior to the change in control, and the shares immediately vest in full, except to the extent that the acquiring entity provides for the assumption of the restricted stock award, or such accelerated vesting is precluded by other limitations imposed by the Committee at the time the restricted stock is issued.

The Committee may amend, suspend or terminate the 2006 Plan at any time, subject to compliance with applicable law. The Committee may also amend, modify or terminate any outstanding award, provided that no amendment to an award may substantially affect or impair the rights of a participant under any awards previously granted without his or her written consent.

No awards may be granted under the 2006 Plan after the date that is 10 years from the date the 2006 Plan was approved by our stockholders. The Committee and our board of directors has determined not to make any further awards under the 2006 Plan following the closing of this offering.

### **2013 Stock Incentive Plan**

We expect our board of directors and stockholders will approve the 2013 Plan prior to completion of this offering. The 2013 Plan provides us flexibility with respect to our ability to attract and retain the services of qualified employees, officers, directors, consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of our business depends, and to provide additional incentives to such persons to devote their effort and skill to the advancement and betterment of our company, by providing them an opportunity to participate in the ownership of our company and thereby have an interest in its success and increased value.

We have reserved an aggregate of \_\_\_\_\_ shares of our common stock for issuance under the 2013 Plan. This number is subject to adjustment in the event of a recapitalization, stock split, reverse stock split, reclassification, stock dividend or other change in our capital structure. To the extent that an award terminates, or expires for any reason, then any shares subject to the award may be used again for new grants. However, shares which are (i) not issued or delivered as a result of the net settlement of outstanding SARs or options, (ii) used to pay the exercise price related to outstanding options, (iii) used to pay withholding taxes related to outstanding options or SARs or (iv) repurchased on the open market with the proceeds from an option exercise, will not be available for grant under the 2013 Plan.

The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, \_\_\_\_\_ (assuming the 2013 Plan becomes effective before such date) through January 1, \_\_\_\_\_, by the least of (i) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (ii) \_\_\_\_\_ shares or (iii) a number determined by our board of directors that is less than (i) or (ii).

The 2013 Plan permits us to make grants of (i) incentive stock options pursuant to Section 422 of the Code and (ii) non-qualified stock options. Incentive stock options may only be issued to our employees. Non-qualified stock options may be issued to our employees, directors, consultants and other service providers. The option exercise price of each option granted pursuant to the 2013 Plan will be determined by the Committee and may not be less than 100% of the fair market value of the common stock on the date of grant, subject to certain exceptions. The term of each option will be fixed by the Committee and may not exceed ten years from the date of grant. All option grants under the 2013 Plan are made pursuant to a written option agreement.

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RSUs may be issued to our employees, directors, consultants and other service providers (or of any current or future parent or subsidiary of our company). RSU grants under the 2013 Plan are made pursuant to a written RSU agreement.

SARs may be issued to our employees, directors, consultants and other service providers. The base price per share of common stock covered by each SAR may not be less than 100% of the fair market value of the common stock on the date of grant, subject to certain exceptions. SAR grants under the 2013 Plan are made pursuant to a written SAR agreement.

The 2013 Plan is administered by the Committee, which has the authority to control and manage the operation and administration of the 2013 Plan. In particular, the Committee has the authority to determine the persons to whom, and the time or times at which, incentive options, nonqualified stock options, RSUs or SARs shall be granted, the number of shares to be represented by each option agreement or covered by each RSU agreement or SAR agreement, and the exercise price of such options and the base price of such SARs. In addition, the Committee has the authority to accelerate the exercisability or vesting of any award, and to determine the specific terms, conditions and restrictions of each award.

Unless provided otherwise within each written option agreement, RSU agreement or SAR agreement, as the case may be, the vesting of all options, RSUs and SARs granted under the 2013 Plan shall accelerate automatically in the event of a “change in control” (as defined in the 2013 Plan) effective as of immediately prior to the consummation of the change in control unless such equity awards are to be assumed by the acquiring or successor entity (or parent thereof) or equity awards of comparable value are to be issued in exchange therefor or the equity awards granted under the 2013 Plan are to be replaced by the acquiring entity with other incentives under a new incentive program containing such terms and provisions as the Committee in its discretion may consider equitable.

Our board of directors may from time to time alter, amend, suspend or terminate the 2013 Plan in such respects as our board of directors may deem advisable, provided that no such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any participant under any awards previously granted without such participant’s consent.

No awards may be granted under the 2013 Plan after the date that is ten years from the date the 2013 Plan was approved by our stockholders.

### **2013 Employee Stock Purchase Plan**

We expect our board of directors and stockholders will approve the ESPP prior to completion of this offering. The purpose of the ESPP is to retain the services of new employees and secure the services of new and existing employees while providing incentives for such individuals to exert maximum efforts toward our success.

Following this offering, the ESPP authorizes the issuance of shares of our common stock pursuant to purchase rights granted to our employees or to employees of any of our designated affiliates. We have reserved an aggregate of \_\_\_\_\_ shares of our common stock for issuance under the ESPP. This number is subject to adjustment in the event of a recapitalization, stock split, reverse stock split, reclassification, stock dividend or other change in our capital structure. The number of shares of our common stock reserved for issuance will automatically increase on January 1 of each calendar year, from January 1, \_\_\_\_\_ (assuming the ESPP becomes effective before such date) through January 1, \_\_\_\_\_, by the least of (i) 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, (ii) \_\_\_\_\_ shares or (iii) a number determined by our board of directors that is less than (i) or (ii). The ESPP is intended to qualify as an “employee stock purchase plan” within the meaning of Section 423 of the Code.

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Our board of directors has delegated its authority to administer the ESPP to the Committee. The ESPP is implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, we may specify offerings with duration of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances.

Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings for the purchase of our common stock under the ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for accounts of employees participating in the ESPP at a price per share equal to the lower of (i) 85% of the fair market value of a share of our common stock on the first date of an offering or (ii) 85% of the fair market value of a share of our common stock on the date of purchase.

Employees may have to satisfy one or more service requirements before participating in the ESPP, as determined by our board of directors. No employee may purchase shares under the ESPP at a rate in excess of \$25,000 worth of our common stock based on the fair market value per share of our common stock at the beginning of an offering for each year such a purchase right is outstanding. Finally, no employee will be eligible for the grant of any purchase rights under the ESPP if immediately after such rights are granted, such employee has voting power over 5% or more of our outstanding capital stock measured by vote or value pursuant to Section 424(d) of the Code.

In the event that there occurs a change in our capital structure through such actions as a stock split, merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or similar transaction, the board of directors will make appropriate adjustments to (i) the number of shares reserved under the ESPP, (ii) the maximum number of shares by which the share reserve may increase automatically each year and (iii) the number of shares and purchase price of all outstanding purchase rights.

In the event of certain significant corporate transactions, any then-outstanding rights to purchase our stock under the ESPP may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company). If the surviving or acquiring entity elects not to assume, continue or substitute for such purchase rights, then the participants' accumulated payroll contributions will be used to purchase shares of our common stock within a specified period prior to such corporate transaction, and such purchase rights will terminate immediately. A corporate transaction generally has the same meaning as such term in the 2013 Plan.

Our board of directors has the authority to amend or terminate our ESPP, provided that except in certain circumstances any such amendment or termination may not materially impair any outstanding purchase rights without the holder's consent. We will obtain stockholder approval of any amendment to our ESPP as required by applicable law or listing requirements.

### **Compensation Risk Assessment**

We believe that, although a portion of the compensation provided to our executives and other employees is subject to the achievement of specified Tandem performance criteria, our executive compensation program does not encourage excessive or unnecessary risk-taking. We do not believe that our compensation programs are reasonably likely to have a material adverse effect on us.



## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of each transaction or series of similar transactions since January 1, 2010, or any currently proposed transaction, to which we were or are a party in which:

- the amount involved exceeded or exceeds \$120,000; and
- any of our directors or executive officers, any holder of 5% of any class of our voting capital stock or any member of their immediate family had or will have a direct or indirect material interest.

### Series C Preferred Stock Financing

In January 2010, in connection with our Series C preferred stock financing, we issued and sold an aggregate of 704,125 shares our Series C preferred stock at a price per share of \$44.00 for an aggregate purchase price of \$31.0 million. The following table sets forth the number of shares of our Series C preferred stock that we issued to our directors, executive officers and 5% stockholders and their affiliates in this transaction:

| Name                                                     | Number of Shares of<br>Series C Preferred Stock | Aggregate<br>Purchase Price (\$) |
|----------------------------------------------------------|-------------------------------------------------|----------------------------------|
| Entities affiliated with Delphi Ventures: <sup>(1)</sup> |                                                 |                                  |
| Delphi Ventures VIII, L.P.                               | 202,567                                         | 8,912,948                        |
| Delphi BioInvestments VIII, L.P.                         | 1,978                                           | 87,032                           |
| Entities affiliated with Domain Partners: <sup>(2)</sup> |                                                 |                                  |
| Domain Partners VII, L.P.                                | 167,596                                         | 7,374,224                        |
| DP VII Associates, L.P.                                  | 2,858                                           | 125,752                          |
| TPG Biotechnology Partners III, L.P. <sup>(3)</sup>      | 170,454                                         | 7,499,976                        |
| HLM Venture Partners II, L.P. <sup>(4)</sup>             | 68,181                                          | 2,999,964                        |
| Entities affiliated with Kearny Venture Partners:        |                                                 |                                  |
| Kearny Venture Partners, L.P.                            | 66,818                                          | 2,939,992                        |
| Kearny Venture Partners Entrepreneurs' Fund, L.P.        | 1,362                                           | 59,928                           |
| Entities affiliated with Dick P. Allen: <sup>(5)</sup>   |                                                 |                                  |
| Allen Family Trust dated October 21, 1981                | 3,000                                           | 132,000                          |
| Cornerstone Ventures                                     | 1,500                                           | 66,000                           |
| Greene Family Trust <sup>(6)</sup>                       | 3,000                                           | 132,000                          |
| Twomey Family Investments, LLC <sup>(7)</sup>            | 3,600                                           | 158,400                          |

- (1) Douglas A. Roeder is a member of our board of directors and, along with James J. Bochnowski, David L. Douglass and Deepika R. Pakianathan, Ph.D., is a managing member of Delphi Management Partners VIII, LLC, which is the general partner of each of Delphi Ventures VIII, L.P. and Delphi BioInvestments VIII, L.P.
- (2) Jesse I. Treu is a member of our board of directors and, along with James Blair, Kathleen Schoemaker, Brian Dovey, Nicole Vitullo and Brian Halak, is a managing member of One Palmer Square Associates VII, L.L.C., which is the general partner of each of Domain Partners VII, L.P. and DP VII Associates, L.P.
- (3) Fred E. Cohen is a member of our board of directors and is a partner of TPG, but has no voting or investment power over the shares held by TPG Biotechnology Partners III, L.P.
- (4) Edward L. Cahill is a member of our board of directors and, along with Peter J. Grua and Russell T. Ray, is a managing member of HLM Venture Associates II, L.L.C., which is the general partner of HLM Venture Partners II, L.P.
- (5) Dick P. Allen is a member of our board of directors and is trustee of the Allen Family Trust dated October 21, 1981 and the Managing Partner of Cornerstone Ventures.
- (6) Howard E. Greene, Jr. is a member of our board of directors and is trustee of the Greene Family Trust.
- (7) Christopher J. Twomey is a member of our board of directors and is the Co-Manager of Twomey Family Investments, LLC.

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**Convertible Note Financings**

In August 2011, May 2012, July 2012 and August 2012, collectively, we issued and sold convertible promissory notes in an aggregate principal amount of \$25.2 million and warrants to purchase up to 2,288,316 shares of our Series D preferred stock at an exercise price of \$4.40 per share. The following table sets forth the aggregate principal amount of convertible promissory notes and the number of shares of Series D preferred stock underlying warrants that we issued to our directors, executive officers and 5% stockholders and their affiliates in this transaction:

| <u>Name</u>                                                          | <u>Number of Shares of<br/>Series D Preferred<br/>Stock Underlying<br/>Warrants</u> | <u>Aggregate Principal<br/>Amount (\$)</u> |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------|
| Entities affiliated with Delphi Ventures:                            |                                                                                     |                                            |
| Delphi Ventures VIII, L.P.                                           | 423,641                                                                             | 4,660,062                                  |
| Delphi BioInvestments VIII, L.P.                                     | 4,135                                                                               | 45,502                                     |
| Entities affiliated with Domain Partners:                            |                                                                                     |                                            |
| Domain Partners VII, L.P.                                            | 590,403                                                                             | 6,494,446                                  |
| DP VII Associates, L.P.                                              | 10,068                                                                              | 110,771                                    |
| TPG Biotechnology Partners III, L.P.                                 | 461,049                                                                             | 5,071,552                                  |
| HLM Venture Partners II, L.P.                                        | 142,591                                                                             | 1,568,521                                  |
| Entities affiliated with Kearny Venture Partners:                    |                                                                                     |                                            |
| Kearny Venture Partners, L.P.                                        | 139,741                                                                             | 1,537,168                                  |
| Kearny Venture Partners Entrepreneurs' Fund, L.P.                    | 2,849                                                                               | 31,353                                     |
| Kim Blickenstaff Revocable Trust dated April 15, 2010 <sup>(1)</sup> | 227,268                                                                             | 2,499,950                                  |
| Entities affiliated with Dick Allen:                                 |                                                                                     |                                            |
| Allen Family Trust dated October 21, 1981                            | 46,577                                                                              | 512,350                                    |
| Cornerstone Ventures                                                 | 6,824                                                                               | 75,078                                     |
| Greene Family Trust                                                  | 34,138                                                                              | 375,528                                    |

- (1) Kim D. Blickenstaff is a member of our board of directors, our President and Chief Executive Officer and is trustee of the Kim Blickenstaff Revocable Trust dated April 15, 2010.

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### Series D Preferred Stock Financing

In August 2012, November 2012 and April 2013, collectively, we issued and sold an aggregate of 16,689,352 shares our Series D preferred stock at a price per share of \$4.40 for an aggregate purchase price of \$73.4 million. The following table sets forth the number of shares of our Series D preferred stock that we issued to our directors, executive officers and 5% stockholders and their affiliates in this transaction:

| <u>Name</u>                                                                     | <u>Number of Shares of<br/>Series D Preferred Stock</u> | <u>Aggregate<br/>Purchase Price (\$)</u> |
|---------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------------------|
| Entities affiliated with Delphi Ventures:                                       |                                                         |                                          |
| Delphi Ventures VIII, L.P.                                                      | 4,549,519                                               | 20,017,884                               |
| Delphi BioInvestments VIII, L.P.                                                | 44,423                                                  | 195,461                                  |
| Entities affiliated with Domain Partners:                                       |                                                         |                                          |
| Domain Partners VII, L.P.                                                       | 3,825,585                                               | 16,832,574                               |
| DP VII Associates, L.P.                                                         | 65,250                                                  | 287,100                                  |
| TPG Biotechnology Partners III, L.P.                                            | 2,985,519                                               | 13,136,284                               |
| HLM Venture Partners II, L.P.                                                   | 2,061,616                                               | 9,071,110                                |
| Entities affiliated with Kearny Venture Partners:                               |                                                         |                                          |
| Kearny Venture Partners, L.P.                                                   | 906,759                                                 | 3,989,740                                |
| Kearny Venture Partners Entrepreneurs' Fund, L.P.                               | 18,494                                                  | 81,374                                   |
| Kim Blickenstaff Revocable Trust dated April 15, 2010                           | 576,364                                                 | 2,536,002                                |
| Lonnie M. Smith TDC GRAT dated March 5, 2013 <sup>(1)</sup>                     | 250,000                                                 | 1,100,000                                |
| Entities affiliated with Dick P. Allen:                                         |                                                         |                                          |
| Allen Family Trust dated October 21, 1981                                       | 131,854                                                 | 580,158                                  |
| Cornerstone Ventures                                                            | 48,044                                                  | 211,394                                  |
| Greene Family Trust                                                             | 106,956                                                 | 470,606                                  |
| Entities affiliated with Christopher J. Twomey <sup>(2)</sup> :                 |                                                         |                                          |
| Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002 | 24,408                                                  | 107,395                                  |
| Twomey Family Investments, LLC                                                  | 17,571                                                  | 77,312                                   |

(1) Lonnie M. Smith is the chairman of our board of directors and is trustee of the Lonnie M. Smith TDC GRAT dated March 5, 2013.

(2) Christopher J. Twomey is a member of our board of directors and is co-trustee of the Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002 and the co-manager of Twomey Family Investments, LLC.

Additionally, we entered into a series of agreements with our Series D preferred stockholders and certain of our other stockholders granting them various rights, including, among others, the following:

### Third Amended and Restated Investors' Rights Agreement

We entered into the Third Amended and Restated Investors' Rights Agreement with the Series D preferred stockholders and certain of our other stockholders. This agreement, as amended, provides the Series D preferred stockholders and certain other stockholders with demand registration rights, piggyback registration rights, Form S-3 registration rights and rights of first refusal with respect to new issuances of our securities. All registration rights will terminate at the earlier of (i) the date five years after our initial public offering, or (ii) as to any stockholder, the first date after our initial public offering on which such stockholder is able to dispose of all of its registrable securities without restriction under Rule 144 of the Securities Act. The rights of first refusal do not apply to, and will terminate upon, the closing of this offering. For additional information, see "Description of Capital Stock."

### **Third Amended and Restated Right of First Refusal and Co-Sale Agreement**

We entered into the Third Amended and Restated Right of First Refusal and Co-Sale Agreement with the Series D preferred stockholders and certain of our other stockholders. Under this agreement, as amended, with certain exceptions and limitations, we obtained a right of first refusal if certain of our preexisting stockholders propose to transfer any of their shares, and we granted the Series D preferred stockholders and certain other stockholders a right of refusal for any remaining shares for which we do not exercise our right of first refusal. Additionally, the Series D preferred stockholders and certain other stockholders have a right of co-sale, permitting them to sell any shares of our capital stock with the selling preexisting stockholder for any shares for which we or the Series D preferred stockholders or other certain stockholders do not exercise rights of refusal. This agreement will terminate in its entirety on the date of the closing of the offering contemplated by this prospectus.

### **Third Amended and Restated Voting Agreement**

We entered into the Third Amended and Restated Voting Agreement with certain of the holders of our common stock, the Series D preferred stockholders and certain of our other stockholders. Under this agreement, as amended, our stockholders agreed to vote their shares in a certain way with respect to elections of our board of directors and certain proposed sale transactions. This agreement will terminate in its entirety on the date of the closing of the offering contemplated by this prospectus.

### **Employment Arrangements**

We have entered into employment severance agreements with our executive officers. For additional information, see “Executive Compensation—Employment Severance Agreements.”

### **Equity Awards**

We have granted stock options to our executive officers and our directors. For additional information, see “Executive Compensation—Outstanding Equity Awards at Fiscal Year End.”

### **Indemnification Agreements with our Directors and Officers**

Our amended and restated certificate of incorporation permits us to, and our bylaws provide that we shall, indemnify our directors and officers to the fullest extent permitted by law. In addition, as permitted by the laws of the State of Delaware, we have entered into indemnification agreements with each of our directors and certain of our officers. Under the terms of our indemnification agreements, we are required to indemnify each of our directors and officers, to the fullest extent permitted by the laws of the State of Delaware, if the indemnitee acted in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to our best interests, and with respect to any criminal proceeding, had no reasonable cause to believe the indemnitee’s conduct was unlawful. We must indemnify our officers and directors against any and all (a) costs and expenses (including attorneys’ and experts’ fees, expenses and charges) actually and reasonably paid or incurred in connection with investigating, defending, being a witness in or participating in, or preparing to investigate, defend, be a witness in or participate in, and (b) damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), ERISA excise taxes, and amounts paid or payable in settlement and all other charges paid or payable in connection with, in the case of either (a) or (b), any threatened, pending or completed action, suit, proceeding, alternate dispute resolution mechanism, investigation, inquiry, related to the fact that (x) such person is or was a director or officer, employee or agent of our company or (y) such person is or was serving at our request as a director, officer, employee, member, manager, trustee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The indemnification agreements also require us, if so requested, to advance within 10 days of such request any and all costs and expenses that such director or officer incurred, provided that such person will return any such advance if it shall ultimately be

determined that such person is not entitled to be indemnified for such costs and expenses. Our bylaws also require that such person return any such advance if it is ultimately determined that such person is not entitled to indemnification by us as authorized by the laws of the State of Delaware.

We are not required to provide indemnification under our indemnification agreements for certain matters, including: (1) indemnification in connection with certain proceedings or claims initiated or brought voluntarily by the director or officer, (2) indemnification that is finally determined, under the procedures and subject to the presumptions set forth in the indemnification agreements, to be unlawful, (3) indemnification related to disgorgement of profits made from the purchase or sale of securities of our company under Section 16(b) of the Exchange Act, or similar provisions of state statutory or common law or (4) indemnification for reimbursement to us of any bonus or other incentive-based or equity-based compensation previously received by the director or officer or payment of any profits realized by the director or officer from the sale of our securities, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement or the payment to us of profits arising from the purchase or sale by the director or officer of securities in violation of Section 306 of the Sarbanes-Oxley Act), our certificate of incorporation or bylaws or any other contract or otherwise, except with respect to any excess amount beyond the amount so received by such director or officer. The indemnification agreements require us, to the extent that we maintain an insurance policy or policies providing liability insurance for directors or officers of our company to cover such person by such policy or policies to the maximum extent available.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Procedures for Approval of Related Party Transactions**

Currently, under our Related Party Transaction Policy, the Compliance Officer is charged with the primary responsibility for determining whether, based on the facts and circumstances, a related person has a direct or indirect material interest in a proposed or existing transaction. To assist the Compliance Officer in making this determination, the policy sets forth certain categories of transactions that are deemed not to involve a direct or indirect material interest on behalf of the related person. If, after applying these categorical standards and weighing all of the facts and circumstances, the Compliance Officer determines that the related person would have a direct or indirect material interest in the transaction, the Compliance Officer must present the transaction to the Audit Committee for review or, if impracticable under the circumstances, to the Chair of the Audit Committee. The Audit Committee must then either approve or reject the transaction in accordance with the terms of the policy. In the course of making this determination, the Audit Committee shall consider all relevant information available to it and, as appropriate, must take into consideration the following:

- whether the transaction was undertaken in the ordinary course of our business;
- whether the transaction was initiated by us or the related person;
- whether the transaction contains terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction;
- the approximate dollar value of the transaction, particularly as it involves the related person;
- the related person's interest in the transaction; and
- any other information regarding the related person's interest in the transaction that would be material to investors in light of the circumstances.

## DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock will consist of \_\_\_\_\_ shares of our common stock, \$0.001 par value per share, and \_\_\_\_\_ shares of undesignated preferred stock, \$0.001 par value per share. The following description summarizes the material terms and provisions of our amended and restated certificate of incorporation that will be in effect prior to the effective date of the registration statement of which this prospectus is a part and our amended and restated bylaws affecting the rights of holders of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus is a part, and to Delaware law.

### Common Stock

As of June 30, 2013, there were 22,413,236 shares of our common stock outstanding and held of record by 98 stockholders, after giving effect to the conversion of all outstanding shares of our preferred stock into 22,031,600 shares of common stock, which we expect to occur immediately prior to the closing of this offering.

*Dividend Rights.* Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

*Voting Rights.* Holders of our common stock are entitled to one vote per share. We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation. The board of directors is divided into three classes, which are as nearly equal in number as possible, with each director elected at an annual stockholders' meeting following the date of this offering serving a three-year term and one class being elected at each year's annual meeting of stockholders.

*No Preemptive or Similar Rights.* Our common stock is not entitled to preemptive rights, and is not subject to redemption. There are no sinking fund provisions applicable to our common stock.

*Conversion.* Our common stock is not convertible into any other shares of our capital stock.

*Right to Receive Liquidation Distributions.* Upon our liquidation, dissolution, distribution of assets or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, if any, after payment of liquidation preferences, if any, on any outstanding shares of preferred stock and payment of other claims of creditors.

*Fully Paid and Non-Assessable.* All of the outstanding shares of our common stock are, and the shares of our common stock to be issued pursuant to this offering will be, fully paid and non-assessable.

### Preferred Stock

Effective upon completion of this offering, there will be no shares of preferred stock outstanding because all our issued and outstanding preferred stock will have been converted into an aggregate of 22,031,600 shares of common stock immediately prior to the closing of this offering.

Pursuant to the terms of our amended and restated certificate of incorporation, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue up to \_\_\_\_\_ shares of preferred stock, par value \$0.001 per share, in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further action by our

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stockholders. Our board of directors also can increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding unless approved by the affirmative vote of the holders of a majority of our capital stock entitled to vote, or such other vote as may be required by the certificate of designation establishing the series. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control or the removal of management and could adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

### Options

As of June 30, 2013, options to purchase a total of 3,831,085 shares of common stock were outstanding. As of June 30, 2013, 531,718 shares of common stock remain available for future issuance under our 2006 Plan. After this offering, we intend to cease granting awards under our 2006 Plan, and instead grant awards, including options, under our 2013 Plan, which was adopted in 2013 in connection with this offering. We have reserved an aggregate of shares of common stock for future issuance under our 2013 Plan.

### Warrants

The following table sets forth information about outstanding warrants to purchase shares of our capital stock as of June 30, 2013. Immediately prior to the consummation of this offering, the warrants to purchase shares of our preferred stock will convert into warrants to purchase a number of shares of our common stock equal to the number of shares of preferred stock previously issuable under the warrants.

| <u>Class of Stock Underlying Warrants</u> | <u>Number of<br/>Shares<br/>Exercisable Prior<br/>to the Offering</u> | <u>Number of shares of<br/>Common Stock<br/>Exercisable Following<br/>this Offering</u> | <u>Exercise<br/>Price per<br/>Share(\$)</u> | <u>Expiration Date</u> |
|-------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------|------------------------|
| Series D preferred stock                  | 1,090,869                                                             | 1,090,869                                                                               | 4.40                                        | August 17, 2021        |
| Series D preferred stock                  | 87,507                                                                | 87,507                                                                                  | 4.40                                        | August 31, 2021        |
| Series D preferred stock                  | 68,180                                                                | 68,180                                                                                  | 4.40                                        | March 13, 2022         |
| Series D preferred stock                  | 201,867                                                               | 201,867                                                                                 | 4.40                                        | May 25, 2022           |
| Series D preferred stock                  | 22,720                                                                | 22,720                                                                                  | 4.40                                        | June 4, 2022           |
| Series D preferred stock                  | 282,855                                                               | 282,855                                                                                 | 4.40                                        | July 3, 2022           |
| Series D preferred stock                  | 304,104                                                               | 304,104                                                                                 | 4.40                                        | July 17, 2022          |
| Series D preferred stock                  | 11,370                                                                | 11,370                                                                                  | 4.40                                        | July 20, 2022          |
| Series D preferred stock                  | 177,609                                                               | 177,609                                                                                 | 4.40                                        | July 24, 2022          |
| Series D preferred stock                  | 143,505                                                               | 143,505                                                                                 | 4.40                                        | August 21, 2022        |
| Common stock                              | 455,487                                                               | 455,487                                                                                 | 0.01                                        | January 14, 2023       |
|                                           | <u>2,846,073</u>                                                      | <u>2,846,073</u>                                                                        |                                             |                        |

### Registration Rights

Following the completion of this offering, stockholders holding approximately 22,260,823 shares of our common stock, including shares issued upon conversion of our preferred stock, will have the right, subject to various conditions and limitations, to include their shares in registration statements relating to our securities. The holders of a majority of the shares subject to these registration rights have the right, beginning no earlier than six months after the effective date of the registration statement filed with respect to this offering, on up to two occasions, to demand that we register such shares under the Securities Act, subject to certain limitations. In addition, these holders are entitled to piggyback registration rights with respect to the registration under the Securities Act of shares of our common stock. In the event that we propose to register any shares of common stock under the

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Securities Act either for our account or for the account of other security holders, the holders of shares having piggyback registration rights are entitled to receive notice of such registration and to include shares in any such registration, subject to certain limitations. Further, at any time after we become eligible to file a registration statement on Form S-3, any holder of shares subject to these registration rights may require us to file a registration statement under the Securities Act on Form S-3 with respect to shares of common stock having an aggregate offering price of at least \$1,000,000. These registration rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares of common stock held by such security holders to be included in such registration according to market factors. We are generally required to bear all of the expenses of such registrations, including reasonable fees of a single counsel acting on behalf of all selling holders, except underwriting discounts, selling commissions and stock transfer taxes. Registration of any of the shares of common stock held by security holders with registration rights would result in such shares becoming freely tradable without restriction under the Securities Act immediately upon effectiveness of such registration.

### **Antitakeover Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws**

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of us by means of a tender offer, a proxy contest or otherwise, or removing incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage any person seeking to acquire control of us to first negotiate with our board of directors. We believe the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweighs the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

*Delaware Law.* We are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date such stockholder became an “interested stockholder.” A “business combination” includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years did, prior to the determination of interested stockholder status, own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing a change in control of our company not approved in advance by our board of directors.

*Certificate of Incorporation and Bylaw Provisions.* Our amended and restated certificate of incorporation and our amended and restated bylaws include a number of other provisions that could deter hostile takeovers or delay or prevent changes in control of our management team, including the following:

*Board of Directors Vacancies.* Our amended and restated certificate of incorporation and amended and restated bylaws authorize our board of directors to fill vacant directorships.

*Classified Board.* Our amended and restated certificate of incorporation and amended and restated bylaws provide that our board is classified into three classes of directors. This could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror. For additional information, see “Management—Board of Directors.”

*Stockholder Action; Special Meeting of Stockholders.* Our amended and restated certificate of incorporation eliminates the right of stockholders to act by written consent. Our amended and restated certificate of incorporation further provides that special meetings of our stockholders may be called only by a majority of our board of directors.

*Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our amended and restated certificate of incorporation and amended and restated bylaws provide advance notice procedures for



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stockholders seeking to bring business before our annual meeting of stockholders, or to nominate candidates for election as directors at our annual meeting of stockholders. To be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices not later than the 90th day nor earlier than the 120th day prior to the first anniversary of the preceding year's annual meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders.

*Removal of Directors.* Our amended and restated bylaws provide that our stockholders may only remove our directors with cause and only upon a vote of at least a majority of the outstanding shares.

*Amendment.* Our amended and restated certificate of incorporation and our amended and restated bylaws provide that the affirmative vote of the holders of at least 66 2/3% of our voting stock then outstanding is required to amend certain provisions relating to the number, term, election and removal of our directors, the filling of our board vacancies, stockholder notice procedures, the calling of special meetings of stockholders and the indemnification of directors.

*Size of Board and Vacancies.* Our amended and restated certificate of incorporation and amended and restated bylaws provide that the number of directors on our board of directors is fixed exclusively by our board of directors. Newly created directorships resulting from any increase in our authorized number of directors will be filled by a majority of our board of directors then in office, provided that a majority of our entire board of directors, or a quorum, is present and any vacancies in our board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause will be filled generally by the majority vote of our remaining directors in office, even if less than a quorum is present.

*Issuance of Undesignated Preferred Stock.* Our board of directors will have the authority, without further action by our stockholders, to issue up to shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. Our board of directors may utilize such shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means. If we issue such shares without stockholder approval and in violation of limitations imposed by the NASDAQ Stock Market or any stock exchange on which our stock may then be trading, our stock could be delisted.

*No Cumulative Voting.* The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

*Authorized but Unissued Shares.* Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. We may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or otherwise.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be . The address of is and the telephone number is .

### **NASDAQ Global Market Listing**

We have applied to list our common stock on the NASDAQ Global Market under the symbol "TNDM."

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of June 30, 2013 and immediately after the closing of this offering, for:

- each of our named executive officers;
- each of our directors;
- all our current executive officers and directors as a group; and
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding shares of our common stock.

For purposes of the table below, the percentage ownership calculations for beneficial ownership prior to this offering are based on 22,413,236 shares of our common stock outstanding as of June 30, 2013 after giving effect to the automatic conversion of all shares of our preferred stock to 22,031,600 shares of common stock. The table below assumes that there are \_\_\_\_\_ shares of our common stock outstanding immediately following the closing of this offering and assumes the automatic conversion upon the closing of this offering of all warrants to purchase shares of preferred stock into warrants to purchase shares of common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Shares of common stock that may be acquired by an individual or group within 60 days of June 30, 2013, pursuant to the exercise of options, warrants or other rights, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to us by such stockholders. The address for each director and executive officer listed is: c/o Tandem Diabetes Care, Inc., 11045 Roselle Street, San Diego, California 92121.

|                                                                        |            |                                         |                                        | % of Total Share Ownership |                                   |
|------------------------------------------------------------------------|------------|-----------------------------------------|----------------------------------------|----------------------------|-----------------------------------|
|                                                                        | Shares     | Warrants Exercisable by August 29, 2013 | Options Exercisable by August 29, 2013 | Before the Offering        | After the Offering <sup>(1)</sup> |
| <b><u>Five Percent Stockholders</u></b>                                |            |                                         |                                        |                            |                                   |
| Delphi Ventures and Affiliated Entities <sup>(2)</sup>                 | 5,718,358  | 427,776                                 | —                                      | 26.91                      |                                   |
| Domain Partners and Affiliated Entities <sup>(3)</sup>                 | 5,434,723  | 600,471                                 | —                                      | 26.22                      |                                   |
| TPG Biotechnology Partners III, L.P. <sup>(4)</sup>                    | 4,182,623  | 461,049                                 | —                                      | 20.30                      |                                   |
| HLM Venture Partners II, L.P. <sup>(5)</sup>                           | 2,436,421  | 142,591                                 | —                                      | 11.43                      |                                   |
| Kearny Venture Partners and Affiliated Entities <sup>(6)</sup>         | 1,300,054  | 142,590                                 | —                                      | 6.40                       |                                   |
| <b><u>Directors and Named Executive Officers</u></b>                   |            |                                         |                                        |                            |                                   |
| Kim D. Blickenstaff <sup>(7)</sup>                                     | 1,057,802  | 227,268                                 | 160,500                                | 6.34                       |                                   |
| John Cajigas <sup>(8)</sup>                                            | 69,477     | 8,762                                   | 16,666                                 | *                          |                                   |
| Robert B. Anacone                                                      | —          | —                                       | 72,916                                 | *                          |                                   |
| Lonnie M. Smith <sup>(9)</sup>                                         | 250,000    | —                                       | —                                      | 1.11                       |                                   |
| Dick P. Allen <sup>(10)</sup>                                          | 255,053    | 53,401                                  | 2,333                                  | 1.38                       |                                   |
| Edward L. Cahill <sup>(11)</sup>                                       | 2,436,421  | 142,591                                 | —                                      | 11.43                      |                                   |
| Howard E. Greene, Jr. <sup>(12)</sup>                                  | 231,009    | 43,458                                  | 2,333                                  | 1.23                       |                                   |
| Douglas A. Roeder <sup>(13)</sup>                                      | 5,718,358  | 427,776                                 | —                                      | 26.91                      |                                   |
| Jesse I. Treu <sup>(14)</sup>                                          | 5,434,723  | 600,471                                 | —                                      | 26.22                      |                                   |
| Fred E. Cohen <sup>(15)</sup>                                          | 4,182,623  | 461,049                                 | —                                      | 20.30                      |                                   |
| Christopher J. Twomey <sup>(16)</sup>                                  | 72,169     | 11,736                                  | —                                      | *                          |                                   |
| All directors and executive officers as a group (fourteen individuals) | 19,740,824 | 1,981,971                               | 288,387                                | 89.17                      |                                   |

\* less than one (1%) percent.

- (1) Assumes no exercise of the underwriters' option to purchase additional shares. See "Underwriting."
- (2) Consists of (i) 5,663,638 shares and warrants to purchase up to 423,641 shares held by Delphi Ventures VIII, L.P., and (ii) 55,299 shares and warrants to purchase up to 4,135 shares held by Delphi BioInvestments VIII, L.P. (together, the "Delphi Funds"). Delphi Management Partners VIII, LLC is the general partner of each of the Delphi Funds. The managing members of Delphi Management Partners VIII, LLC are Douglas A. Roeder, one of our directors, James J. Bochnowski, David L. Douglass and Deepika R. Pakianathan, Ph.D. Delphi Management Partners VIII, LLC and each of the foregoing managing members may be deemed a beneficial owner of the reported shares but each disclaims beneficial ownership except to the extent of any indirect pecuniary interest therein. The address for all entities and individuals affiliated with Delphi Ventures is 3000 Sand Hill Road, Building 1, Suite 135, Menlo Park, CA 94025.
- (3) Consists of (i) 5,343,850 shares and warrants to purchase up to 590,403 shares held by Domain Partners VII, L.P., and (ii) 91,142 shares and warrants to purchase up to 10,068 shares held by DP VII Associates, L.P. (together, the "Domain Funds"). One Palmer Square Associates VII, L.L.C. is the general partner of each of the Domain Funds. The managing members of One Palmer Square Associates VII, L.L.C. are Jesse I. Treu, one of our directors, James Blair, Kathleen Schoemaker, Brian Dovey, Nicole Vitullo and Brian Halak. One Palmer Square Associates VII, L.L.C. and each of the foregoing managing members may be deemed a beneficial owner of the reported shares but each disclaims beneficial ownership except to the extent of any indirect pecuniary interest therein. The address for all entities and individuals affiliated with Domain Partners is c/o Domain Associates, L.L.C., One Palmer Square, Princeton, NJ 08542.
- (4) TPG Biotechnology GenPar III, L.P. is the general partner of TPG Biotechnology Partners III, L.P., and TPG Biotechnology GenPar III Advisors, LLC is the general partner of TPG Biotechnology GenPar III, L.P. TPG Holdings I, L.P. is the sole member of TPG Biotechnology GenPar III Advisors, LLC. TPG Holdings I-A, LLC is the general partner of TPG Holdings I, L.P. TPG Group Holdings (SBS), L.P. is the sole member of TPG Holdings I-A, LLC. TPG Group Holdings (SBS) Advisors, Inc. is the general partner of TPG Group Holdings (SBS), L.P. The sole shareholders of TPG Group Holdings (SBS) Advisors, Inc. are David Bonderman and James G. Coulter. TPG Group Holdings (SBS) Advisors, Inc. and each of the foregoing shareholders may be deemed a beneficial owner of the reported shares but each disclaims beneficial ownership except to the extent of any indirect pecuniary interest therein. The address for all entities and individuals affiliated with TPG Group Holdings (SBS) Advisors, Inc. is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102.
- (5) HLM Venture Associates II, L.L.C. is the general partner of HLM Venture Partners II, L.P. The managing members of HLM Venture Associates II, L.L.C. are Edward L. Cahill, one of our directors, Peter J. Grua and Russell T. Ray. HLM Venture Associates II, L.L.C. and each of the foregoing managing members may be deemed a beneficial owner of the reported shares but each disclaims beneficial ownership except to the extent of any indirect pecuniary interest therein. The address for all entities and individuals affiliated with HLM Venture Partners II, L.P. is c/o HLM Venture Partners, 222 Berkeley Street, Boston, MA 02116.
- (6) Consists of (i) 1,274,260 shares and warrants to purchase up to 139,741 shares held by Kearny Venture Partners, L.P., and (ii) 25,988 shares and warrants to purchase up to 2,849 shares held by Kearny Venture Partners Entrepreneurs' Fund, L.P. (together, the "Kearny Funds"). Kearny Venture Associates, L.L.C. is the general partner of each of the Kearny Funds. The managing members of Kearny Venture Associates, L.L.C. are Richard Spalding, James J. Shapiro and Caley Castelein. Kearny Venture Associates, L.L.C. and each of the foregoing managing members may be deemed a beneficial owner of the reported shares but each disclaims beneficial ownership except to the extent of any indirect pecuniary interest therein. The address for all entities and individuals affiliated with Kearny Venture Partners is 88 Kearny Street, 4<sup>th</sup> Floor, San Francisco, CA 94108-5530.
- (7) Includes 1,057,788 shares and warrants to purchase up to 227,268 shares held by the Kim Blickenstaff Revocable Trust dated April 15, 2010.
- (8) Includes 269,477 shares and warrants to purchase up to 8,762 shares held by the John Cajigas and Mary E. Cajigas Family Trust, dated August 11, 2005. Mr. Cajigas is co-trustee of the John Cajigas and Mary E. Cajigas Family Trust, dated August 11, 2005 and has shared voting and investment power over the shares held by the John Cajigas and Mary E. Cajigas Family Trust, dated August 11, 2005.
- (9) Includes 250,000 shares held by the Lonnie M. Smith TDC GRAT dated March 5, 2013.
- (10) Consists of (i) 215,062 shares and warrants to purchase up to 46,577 shares held by the Allen Family Trust dated October 12, 1981, (ii) 65,319 shares and warrants to purchase up to 6,824 shares held by Cornerstone Ventures, (iii) 1,375 shares held by the Gammon Children's 2000 Trust FBO Hannah Lee Gammon and (iv) 1,375 shares held by the Gammon Children's 2000 Trust FBO Jake Allen Gammon. Mr. Allen is trustee of the Allen Family Trust dated October 12, 1981. Mr. Allen is Managing Partner of Cornerstone Ventures and Mr. Allen disclaims beneficial ownership of the shares held by Cornerstone Ventures, except to the extent of his proportionate pecuniary interest in them. Mr. Allen is co-trustee of the Gammon Children's 2000 Trust FBO Hannah Lee Gammon and has shared voting and

investment power over the shares held by the Gammon Children's 2000 Trust FBO Hannah Lee Gammon, and disclaims beneficial ownership of such shares. Mr. Allen is co-trustee of the Gammon Children's 2000 Trust FBO Jake Allen Gammon and has shared voting and investment power over the shares held by the Gammon Children's 2000 Trust FBO Jake Allen Gammon, and disclaims beneficial ownership of such shares.

- (11) Consists solely of the shares identified in footnote 5. Edward L. Cahill, one of our directors, Peter J. Grua and Russell T. Ray are the managing members of HLM Venture Associates II, L.L.C., which is the general partner of HLM Venture Partners II, L.P. Mr. Cahill has shared voting and investment power over the shares held by HLM Venture Partners II, L.P. Mr. Cahill disclaims beneficial ownership of the shares held by HLM Venture Partners II, L.P., except to the extent of his proportionate pecuniary interest in them.
- (12) Includes 259,021 shares and warrants to purchase up to 43,458 held by the Greene Family Trust.
- (13) Consists solely of the shares identified in footnote 2. Douglas A. Roeder, one of our directors, James J. Bochnowski, David L. Douglass and Deepika R. Pakianathan, Ph.D are the managing members of Delphi Management Partners VIII, LLC, which is the general partner of each of the Delphi Funds. Mr. Roeder has shared voting and investment power over the shares held by the Delphi Funds. Mr. Roeder disclaims beneficial ownership of the shares held by the Delphi Funds, except to the extent of his proportionate pecuniary interest in them.
- (14) Consists solely of the shares identified in footnote 3. Jesse I. Treu, one of our directors, James Blair, Kathleen Schoemaker, Brian Dovey, Nicole Vitullo and Brian Halak are the managing members of One Palmer Square Associates VII, L.L.C., which is the general partner of each of the Domain Funds. Mr. Treu has shared voting and investment power over the shares held by the Domain Funds. Mr. Treu disclaims beneficial ownership of the shares held by the Domain Funds, except to the extent of his proportionate pecuniary interest in them.
- (15) Consists solely of the shares identified in footnote 4. Fred E. Cohen, one of our directors, is a Partner and Managing Director of TPG Biotech, which is an affiliate of TPG Biotechnology Partners III, L.P. Dr. Cohen has no voting or investment power over the shares held by TPG Biotechnology Partners III, L.P. Dr. Cohen disclaims beneficial ownership of the shares held by TPG Biotechnology Partners III, L.P., except to the extent of his proportionate pecuniary interest in them.
- (16) Consists of (i) 42,726 shares and warrants to purchase up to 7,192 shares held by the Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002, and (ii) 29,451 shares and warrants to purchase up to 4,544 shares held by Twomey Family Investments, LLC. Mr. Twomey is co-trustee of the Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002 and has shared voting and investment power over the shares held by the Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002. Mr. Twomey is Co-Manager of Twomey Family Investments, LLC and Mr. Twomey disclaims beneficial ownership of the shares held by Twomey Family Investments, LLC, except to the extent of his proportionate pecuniary interest in them.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future. Although we have applied to have our common stock approved for listing on the NASDAQ Global Market under the symbol “TNDM,” we cannot assure you that there will be an active public market for our common stock.

Based on the number of shares outstanding as of June 30, 2013, upon the closing of this offering, shares of our common stock will be outstanding. Of the shares to be outstanding immediately after the closing of this offering, the \_\_\_\_\_ shares of our common stock to be sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act.

The remaining \_\_\_\_\_ shares of our common stock will be “restricted securities” under Rule 144.

Subject to the lock-up agreements described below and the provisions of Rule 144 and 701 under the Securities Act, these restricted securities will be available for sale in the public market as follows:

| <u>Date Available for Sale</u>    | <u>Shares Eligible for Sale</u> | <u>Description</u>                                                                               |
|-----------------------------------|---------------------------------|--------------------------------------------------------------------------------------------------|
| Date of Prospectus                |                                 | Shares sold in the offering and shares saleable under Rule 144 that are not subject to a lock-up |
| 90 Days after Date of Prospectus  |                                 | Shares saleable under Rules 144 and 701 that are not subject to a lock-up                        |
| 180 Days after Date of Prospectus |                                 | Lock-up released; shares saleable under Rules 144 and 701                                        |

In addition, of the 3,831,085 shares of our common stock that were issuable upon the exercise of stock options outstanding as of June 30, 2013, options to purchase 359,346 shares of our common stock were exercisable as of that date, and upon exercise these shares will be eligible for sale subject to the lock-up agreements described below and Rules 144 and 701 under the Securities Act. Furthermore, after giving effect to the automatic conversion upon the closing of this offering of all warrants to purchase shares of preferred stock into warrants to purchase shares of common stock, of the 2,846,073 shares of our common stock that were issuable upon the exercise of warrants outstanding as of June 30, 2013, warrants to purchase 2,846,073 shares of common were exercisable as of that date, and upon exercise these shares of common stock will be eligible for sale subject to the lock-up agreements described below and Rule 144.

### Rule 144

In general, under Rule 144 under the Securities Act, as in effect on the date of this prospectus once we have been subject to public company reporting requirements for at least 90 days, a person who has not been one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned the shares of our common stock to be sold for at least six months, including the holding period of any prior owner other than our affiliates, would be entitled to sell an unlimited number of shares of our common stock, provided current public information about us is available. In addition, under Rule 144, if such a non-affiliated person beneficially owned the shares of our common stock proposed to be sold for at least one year, including the holding period of

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any prior owner other than our affiliates, they would be entitled to sell an unlimited number of shares immediately upon the closing of this offering after this offering without regard to whether current public information about us is available.

Beginning 90 days after the date of this prospectus, our affiliates, or those persons who were our affiliates at any time during the three months preceding a sale, who have beneficially owned shares of our common stock for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume in our common stock on the NASDAQ Global Market during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales by affiliates under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement.

### **Rule 701**

In general, under Rule 701 under the Securities Act, any of our employees, directors consultants or advisors who purchased shares from us in connection with a qualified compensatory stock or option plan or other written agreement and in compliance with Rule 701, is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with the various restrictions, including the holding period, contained in Rule 144.

### **Lock-up Agreements**

In connection with this offering, our officers and directors, most of our stockholders, warrant holders and option holders, have each entered into a lock-up agreement with the underwriters of this offering that restricts the sale of shares of our common stock by those parties for a period of 180 days after the date of this prospectus. Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, may, in its sole discretion, choose to release any or all of the shares of our common stock subject to these lock-up agreements at any time prior to the expiration of the lock-up period without notice. For more information, see “Underwriting.”

### **Registration Rights**

Following the completion of this offering, stockholders holding approximately [22,413,119] shares of our common stock, including shares issued upon conversion of our preferred stock, will have the right, subject to various conditions and limitations, to include their shares in registration statements relating to our securities. After registration pursuant to these rights these shares will become freely tradable without restriction under the Securities Act. Pursuant to the lock-up agreements described above, most of our stockholders have agreed not to exercise those rights during the lock-up period without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. For additional information, see “Description of Capital Stock—Registration Rights.”

**Stock Options and Form S-8 Registration Statement**

As of June 30, 2013, we had outstanding options to purchase an aggregate of 3,831,085 shares of our common stock, of which options to purchase 359,346 shares were vested. Following this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of our common stock subject to outstanding options and options and other awards issuable pursuant to our 2006 Plan, 2013 Plan and ESPP. For additional information, see “Executive Compensation—Stock Incentive Plans.” Accordingly, shares of our common stock registered under the registration statements will be available for sale in the open market, subject to Rule 144 volume limitations applicable to affiliates, and subject to any vesting restrictions and lock-up agreements applicable to these shares.

## **CERTAIN U.S. FEDERAL TAX CONSIDERATIONS APPLICABLE TO HOLDERS OF COMMON STOCK**

The following is a description of certain U.S. federal income and estate tax considerations related to the purchase, ownership and disposition of our common stock that are applicable to U.S. and non-U.S. holders (defined below):

- is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. federal tax regulations promulgated or proposed under it, or Treasury Regulations, judicial authority and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or IRS, each as of the date of this prospectus and each of which are subject to change at any time, possibly with retroactive effect;
- is applicable only to holders who hold the shares as “capital assets” within the meaning of section 1221 of the Code;
- does not discuss the applicability of any U.S. state or local taxes, non-U.S. taxes or any other U.S. federal tax except for U.S. federal income tax; and
- does not address all aspects of U.S. federal income taxation that may be relevant to holders in light of their particular circumstances, including alternative minimum tax considerations, or who are subject to special treatment under U.S. federal income tax laws, including but not limited to:
  - certain former citizens and long-term residents of the United States;
  - banks or financial institutions;
  - insurance companies;
  - tax-exempt organizations;
  - tax-qualified retirement and pension plans;
  - brokers, dealers or traders in securities, commodities or currencies;
  - persons that own or have owned more than 5% of our common stock;
  - persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
  - investors holding our common stock as part of a “straddle,” “hedge,” “conversion transaction,” or other risk-reduction transaction;
  - investors who are an integral parts or controlled entities of a foreign sovereign, partnerships or other pass-through entities;
  - real estate investment trusts and regulated investment companies; and
  - “controlled foreign corporations” and “passive foreign investment companies.”

**This description constitutes neither tax nor legal advice. Prospective investors are urged to consult their own tax advisors to determine the specific tax consequences and risks to them of purchasing, holding**



and disposing of our common stock, including the application to their particular situations of any U.S. federal, state, local and non-U.S. tax laws and of any applicable income tax treaty.

## **Certain U.S. Federal Income Tax Considerations Applicable to U.S. Holders**

### ***U.S. Holder Defined***

For purposes of this discussion, a U.S. holder is a beneficial owner of our common stock that is a “U.S. person” for U.S. federal income tax purposes. A “U.S. person” is any of the following:

- a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect to be treated as a U.S. person.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) owns our common stock, then the U.S. federal income tax treatment of a partner in that partnership, including a partner that is a U.S. person, generally will depend on the status of the partner and the partnership’s activities. Partners and partnerships should consult their own tax advisors with regard to the U.S. federal income tax treatment of an investment in our common stock.

### ***Distributions to U.S. Holders***

Distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions made on our common stock that are treated as dividends generally will be included in a U.S. holder’s income as ordinary dividend income. With respect to noncorporate taxpayers, including individuals, such dividends are generally subject to reduced tax rates of U.S. federal income tax provided certain holding period requirements are satisfied.

Amounts not treated as dividends for U.S. federal income tax purposes will constitute a non-taxable return of capital and first be applied against and reduce a U.S. holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below.

### ***Sale or Taxable Disposition of Common Stock by U.S. Holders***

Upon the sale, exchange or other taxable disposition of our common stock, a U.S. holder generally will recognize capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received upon the sale or exchange and (ii) the U.S. holder’s adjusted tax basis in the common stock. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder’s holding period in the common stock is more than one year at the time of the sale, exchange or other taxable disposition. Long-term capital gains recognized by certain noncorporate U.S. holders, including individuals, will generally be subject to reduced rates of U.S. federal income tax. The deductibility of capital losses is subject to limitations.

### ***Medicare Contributions Tax***

Certain U.S. holders who are individuals, estates or certain trusts must pay a 3.8% tax on the U.S. person’s “net investment income.” Net investment income generally includes, among other things, dividend

income and net gains from the disposition of our common stock. A U.S. holder that is an individual, estate or trust should consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our common stock.

## **Certain U.S. Federal Income Tax Considerations Applicable to Non-U.S. Holders**

### ***Non-U.S. Holder Defined***

For purposes of this discussion, a non-U.S. holder is a beneficial owner of our common stock that is not a “U.S. holder” (as defined under the section titled “U.S. Holder Defined” above)

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes owns our common stock, then the U.S. federal income tax treatment of a partner, including a partner that is a non-U.S. person, in that partnership generally will depend on the status of the partner and the partnership’s activities. Partners and partnerships should consult their own tax advisors with regard to the U.S. federal income tax treatment of an investment in our common stock.

### ***Distributions to Non-U.S. Holders***

Distributions of cash or property, if any, paid to a non-U.S. holder of our common stock will constitute “dividends” for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. If the amount of a distribution exceeds both our current and accumulated earnings and profits, such excess will first constitute a nontaxable return of capital, which will reduce the holder’s tax basis in our common stock, but not below zero. Any excess will be treated as gain from the sale of our common stock and will be treated as described below.

Subject to the following paragraphs, dividends on our common stock generally will be subject to U.S. federal withholding tax at a 30% gross rate, subject to any exemption or lower rate as may be specified by an applicable income tax treaty. We may withhold up to 30% of either (i) the gross amount of the entire distribution, even if the amount of the distribution is greater than the amount constituting a dividend, as described above, or (ii) the amount of the distribution we project will be a dividend, based upon a reasonable estimate of both our current and our accumulated earnings and profits for the taxable year in which the distribution is made. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then a non-U.S. holder may obtain a refund of that excess amount by timely filing a claim for refund with the IRS.

To claim the benefit of a reduced rate of or an exemption from U.S. federal withholding tax under an applicable income tax treaty, a non-U.S. holder will be required (i) to satisfy certain certification requirements, which may be made by providing us or our agent with a properly executed and completed IRS Form W-8BEN (or other applicable form) certifying, under penalty of perjury, that the holder qualifies for treaty benefits and is not a U.S. person or (ii) if our common stock is held through certain non-U.S. intermediaries, to satisfy the relevant certification requirements of the applicable Treasury Regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment, or a fixed base in the case of an individual non-U.S. holder, that is maintained by the non-U.S. holder in the United States), or effectively connected dividends, are not subject to the U.S. federal withholding tax, provided that the non-U.S. holder certifies, under penalty of perjury, that the dividends paid to such holder

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are effectively connected dividends on a properly executed and completed IRS Form W-8ECI (or other applicable form). Instead, any such dividends will be subject to U.S. federal income tax on a net income basis in a manner similar to that which would apply if the non-U.S. holder were a U.S. person.

Corporate non-U.S. holders who receive effectively connected dividends may also be subject to an additional “branch profits tax” at a gross rate of 30% on their earnings and profits for the taxable year that are effectively connected with the holder’s conduct of a trade or business within the United States, subject to any exemption or reduction provided by an applicable income tax treaty.

### ***Sale or Taxable Disposition of Common Stock by Non-U.S. Holders***

Any gain realized on the sale, exchange or other taxable disposition of our common stock generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment, or fixed base in the case of an individual non-U.S. holder, that is maintained by the non-U.S. holder in the United States);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a “United States real property holding corporation” for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of such disposition and the non-U.S. holder’s holding period in our common stock.

A non-U.S. holder described in the first or second bullet point above generally will be subject to U.S. federal income tax on the net gain derived from the sale or other taxable disposition under graduated U.S. federal income tax rates as if the holder were a U.S. person. If the non-U.S. holder is a corporation, then the gain may also, under certain circumstances, be subject to the “branch profits” tax, which was discussed above.

With respect to the third bullet point, although there can be no assurance, we believe we are not, have not been and will not become a “United States real property holding corporation” for U.S. federal income tax purposes. In the event that we are or become a United States real property holding corporation at any time during the applicable period described in the third bullet point above, any gain recognized on a sale or other taxable disposition of our common stock may be subject to U.S. federal income tax, including any applicable withholding tax, if (i) the non-U.S. holder beneficially owns, or has owned, more than 5% of our common stock at any time during the applicable period or (ii) our common stock ceases to be regularly traded on an “established securities market” within the meaning of the Code. Non-U.S. holders who intend to acquire more than 5% of our common stock are encouraged to consult their tax advisors with respect to the U.S. tax consequences of a disposition of our common stock.

### ***Federal Estate Tax***

Common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of his or her death generally will be included in the individual’s gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

### ***Information Reporting and Backup Withholding***

Information returns will be filed with the IRS in connection with payments of dividends on our common stock and the proceeds from a sale or other taxable disposition of our common stock. Copies of information

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returns may be made available to the tax authorities of the country in which a non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

You may be subject to backup withholding with respect to dividends paid on our common stock or with respect to proceeds received from a disposition of the shares of our common stock. Certain holders (including, among others, corporations and certain tax-exempt organizations) are generally not subject to backup withholding. You will be subject to backup withholding if you are not otherwise exempt and you

- fail to furnish your taxpayer identification number, or TIN, which, for an individual, is ordinarily his or her social security number;
- furnish an incorrect TIN;
- are notified by the IRS that you have failed to properly report payments of interest or dividends; or
- fail to certify, under penalties of perjury, that you have furnished a correct TIN and that the IRS has not notified you that you are subject to backup withholding.

Backup withholding is not an additional tax, but rather is a method of tax collection. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided that the required information is furnished to the IRS in a timely manner.

A non-U.S. holder may have to comply with certification procedures to establish that it is not a U.S. person in order to avoid information reporting and backup withholding tax requirements. The certification procedures required to claim a reduced rate of withholding under an income tax treaty will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a non-U.S. holder may be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such non-U.S. holder to a refund, provided that the required information is timely furnished to the IRS.

### ***Foreign Account Compliance Act Considerations***

Under the Foreign Account Tax Compliance Act provisions of the Code and related Treasury guidance, or FATCA, a withholding tax of 30% will be imposed in certain circumstances on payments of (i) dividends on our common stock on or after July 1, 2014, and (ii) gross proceeds from the sale or other disposition of our common stock on or after January 1, 2017. In the case of payments made to a "foreign financial institution" (as defined for FATCA purposes), as a beneficial owner or as an intermediary, the tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with a reporting agreement with the U.S. government, or FATCA Agreement, or (ii) complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction in either case to, among other things, collect and provide to the U.S. or other relevant tax authorities certain information regarding U.S. account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution, the tax generally will be imposed, subject to certain exceptions, unless such entity provides the withholding agent with a certification that it does not have any "substantial" U.S. owners (generally, any specified U.S. person that directly or indirectly owns more than a 10% of such entity) or that identifies its "substantial" U.S. owners. If our common stock is held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) may be required, subject to applicable exceptions, to withhold such tax on payments of dividends and gross proceeds described above made to (i) a person (including an individual) that fails to comply with certain information requests or (ii) a foreign financial institution that has not complied with its obligations under FATCA. Each non-U.S. holder should consult its own tax advisor regarding the application of FATCA to an investment in our common stock.

**UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

| <b>Underwriter</b>                                 | <b>Number of Shares</b> |
|----------------------------------------------------|-------------------------|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated |                         |
| Piper Jaffray & Co.                                |                         |
| Deutsche Bank Securities Inc.                      |                         |
| Stifel, Nicolaus & Company, Incorporated           |                         |
| Total                                              |                         |

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

|                                                          | <b><u>Per Share</u></b> | <b><u>Without Option</u></b> | <b><u>With Option</u></b> |
|----------------------------------------------------------|-------------------------|------------------------------|---------------------------|
| Public offering price                                    | \$                      | \$                           | \$                        |
| Underwriting discount                                    | \$                      | \$                           | \$                        |
| Proceeds, before expenses, to Tandem Diabetes Care, Inc. | \$                      | \$                           | \$                        |

The expenses of this offering, not including the underwriting discount, are estimated at \$ and are payable by us.

### **Option to Purchase Additional Shares**

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **Reserved Shares**

At our request, the underwriters have reserved for sale, at the initial public offering price, up to \_\_\_\_\_ shares offered by this prospectus for sale to some of our directors, officers, employees, business associates and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

### **No Sales of Similar Securities**

We, our executive officers and directors, holders of most of the outstanding shares of our existing capital stock and selected warrant holders and optionholders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

### **NASDAQ Global Market Listing**

We expect the shares to be approved for listing on the NASDAQ Global Market, subject to notice of issuance, under the symbol "TNDM."

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Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future sales,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

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Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NASDAQ Global Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Electronic Distribution**

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

### **Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. The underwriters and their respective affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of shares may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.



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Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

### **Notice to Prospective Investors in Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

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Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

### **Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

### **Notice to Prospective Investors in Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

### **Notice to Prospective Investors in Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or

which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### **Notice to Prospective Investors in Japan**

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

#### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or

as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **LEGAL MATTERS**

Certain legal matters relating to this offering will be passed upon for us by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Certain legal matters relating to this offering will be passed upon for the underwriters by Clifford Chance US LLP, New York, New York.

## **EXPERTS**

Our financial statements at December 31, 2011 and 2012, and for each of the two years in the period ended December 31, 2012, appearing in this prospectus and the registration statement of which this prospectus is a part have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on authority of such firm as experts in accounting and auditing.

## **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We have filed with the SEC a registration statement on Form S-1, which includes exhibits, schedules and amendments, under the Securities Act with respect to this offering of our securities. Although this prospectus, which forms a part of the registration statement, contains all material information included in the registration statement, parts of the registration statement have been omitted as permitted by rules and regulations of the SEC. We refer you to the registration statement and its exhibits for further information about us, our securities and this offering. The registration statement and its exhibits, as well as any other documents that we have filed with the SEC, may be inspected and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549-1004. The public may obtain information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at <http://www.sec.gov> that contains registration statements, reports, proxy and information statements, and other information regarding issuers like us that file electronically with the SEC.

After we have completed this offering, we will become subject to the information and reporting requirements of the Exchange Act and will file annual, quarterly and current reports, proxy statements and other information with the SEC. We intend to make these filings available on our website once the offering is completed. You may read and copy any reports, statements or other information on file at the public reference rooms. You can also request copies of these documents, for a copying fee, by writing to the SEC.

TANDEM DIABETES CARE, INC.  
FINANCIAL STATEMENTS

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders  
Tandem Diabetes Care, Inc.

We have audited the accompanying balance sheets of Tandem Diabetes Care, Inc. (the Company) as of December 31, 2011 and 2012, and the related statements of operations and comprehensive loss, convertible preferred stock and stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Standards of the Public Company 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tandem Diabetes Care, Inc. at December 31, 2011 and 2012, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2012, in conformity with United States generally accepted accounting principles.

/s/ Ernst & Young LLP

San Diego, California  
August 9, 2013

**TANDEM DIABETES CARE, INC.**

**BALANCE SHEETS**

|                                                                                                                                                                                                                                                                                                                                                                                                                    | <u>December 31,</u><br><u>2011</u> | <u>2012</u>          | <u>June 30,</u><br><u>2013</u><br>(Unaudited) | <u>Pro Forma</u><br><u>June 30,</u><br><u>2013</u><br>(Unaudited) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------|-----------------------------------------------|-------------------------------------------------------------------|
| <b>Assets</b>                                                                                                                                                                                                                                                                                                                                                                                                      |                                    |                      |                                               |                                                                   |
| Current assets:                                                                                                                                                                                                                                                                                                                                                                                                    |                                    |                      |                                               |                                                                   |
| Cash and cash equivalents                                                                                                                                                                                                                                                                                                                                                                                          | \$ 8,657,017                       | \$ 17,162,730        | \$ 30,132,652                                 |                                                                   |
| Restricted cash                                                                                                                                                                                                                                                                                                                                                                                                    | 50,000                             | 50,000               | 2,228,981                                     |                                                                   |
| Accounts receivable, net                                                                                                                                                                                                                                                                                                                                                                                           | —                                  | 2,411,952            | 2,732,969                                     |                                                                   |
| Inventory, net                                                                                                                                                                                                                                                                                                                                                                                                     | —                                  | 6,260,808            | 9,788,849                                     |                                                                   |
| Prepaid and other current assets                                                                                                                                                                                                                                                                                                                                                                                   | 849,764                            | 1,903,698            | 1,795,365                                     |                                                                   |
| Employee note receivable                                                                                                                                                                                                                                                                                                                                                                                           | —                                  | 25,000               | —                                             |                                                                   |
| Note receivable from officer                                                                                                                                                                                                                                                                                                                                                                                       | 224,887                            | —                    | —                                             |                                                                   |
| Total current assets                                                                                                                                                                                                                                                                                                                                                                                               | 9,781,668                          | 27,814,188           | 46,678,816                                    |                                                                   |
| Property and equipment, net                                                                                                                                                                                                                                                                                                                                                                                        | 4,171,007                          | 8,988,591            | 9,037,441                                     |                                                                   |
| Employee note receivable                                                                                                                                                                                                                                                                                                                                                                                           | 25,000                             | —                    | —                                             |                                                                   |
| Debt issuance costs                                                                                                                                                                                                                                                                                                                                                                                                | —                                  | —                    | 654,502                                       |                                                                   |
| Patents, net                                                                                                                                                                                                                                                                                                                                                                                                       | —                                  | 3,014,540            | 2,855,880                                     |                                                                   |
| Total assets                                                                                                                                                                                                                                                                                                                                                                                                       | <u>\$ 13,977,675</u>               | <u>\$ 39,817,319</u> | <u>\$ 59,226,639</u>                          |                                                                   |
| <b>Liabilities, convertible preferred stock and stockholders' deficit</b>                                                                                                                                                                                                                                                                                                                                          |                                    |                      |                                               |                                                                   |
| Current liabilities:                                                                                                                                                                                                                                                                                                                                                                                               |                                    |                      |                                               |                                                                   |
| Accounts payable and accrued expense                                                                                                                                                                                                                                                                                                                                                                               | \$ 723,349                         | \$ 3,224,452         | \$ 3,221,124                                  |                                                                   |
| Employee-related liabilities                                                                                                                                                                                                                                                                                                                                                                                       | 1,011,701                          | 1,990,770            | 3,940,829                                     |                                                                   |
| Deferred revenue                                                                                                                                                                                                                                                                                                                                                                                                   | —                                  | 1,883,824            | 104,115                                       |                                                                   |
| Deferred rent—current                                                                                                                                                                                                                                                                                                                                                                                              | 308,443                            | 598,753              | 580,940                                       |                                                                   |
| Convertible notes payable, net of discounts                                                                                                                                                                                                                                                                                                                                                                        | 12,856,791                         | —                    | —                                             |                                                                   |
| Notes payable—current, net of discounts                                                                                                                                                                                                                                                                                                                                                                            | —                                  | 4,203,190            | —                                             |                                                                   |
| Common stock warrant liability                                                                                                                                                                                                                                                                                                                                                                                     | 1,035,416                          | —                    | —                                             |                                                                   |
| Preferred stock warrant liability                                                                                                                                                                                                                                                                                                                                                                                  | —                                  | 2,294,963            | 5,578,567                                     |                                                                   |
| Common stock subject to repurchase                                                                                                                                                                                                                                                                                                                                                                                 | 281,229                            | 33,600               | 94,500                                        |                                                                   |
| Other current liabilities                                                                                                                                                                                                                                                                                                                                                                                          | 440,719                            | 2,822,813            | 3,947,359                                     |                                                                   |
| Total current liabilities                                                                                                                                                                                                                                                                                                                                                                                          | 16,657,648                         | 17,052,365           | 17,467,434                                    |                                                                   |
| Notes payable—long-term                                                                                                                                                                                                                                                                                                                                                                                            | —                                  | —                    | 29,291,627                                    |                                                                   |
| Deferred rent—long-term                                                                                                                                                                                                                                                                                                                                                                                            | 684,684                            | 2,179,020            | 1,908,253                                     |                                                                   |
| Other long-term liabilities                                                                                                                                                                                                                                                                                                                                                                                        | —                                  | 2,000,000            | 1,407,932                                     |                                                                   |
| Commitments and contingencies (Note 12)                                                                                                                                                                                                                                                                                                                                                                            |                                    |                      |                                               |                                                                   |
| Convertible preferred stock:                                                                                                                                                                                                                                                                                                                                                                                       |                                    |                      |                                               |                                                                   |
| Series A convertible preferred stock, \$0.001 par value; 115,281 shares authorized as of December 31, 2012, 135,518, 115,281 and 115,281 shares issued and outstanding at December 31, 2011 and 2012 and June 30, 2013 (unaudited), respectively; liquidation preference of \$2,420,901 at December 31, 2012 and June 30, 2013 (unaudited), respectively; no shares issued and outstanding, pro forma, (unaudited) |                                    |                      |                                               |                                                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                    | 2,904,222                          | 2,479,245            | 2,479,245                                     | —                                                                 |

**TANDEM DIABETES CARE, INC.**

**BALANCE SHEETS (continued)**

|                                                                                                                                                                                                                                                                                                                                                                                                                             | <u>December 31,</u><br><u>2011</u> | <u>December 31,</u><br><u>2012</u> | <u>June 30,</u><br><u>2013</u><br>(Unaudited) | <u>Pro Forma</u><br><u>June 30,</u><br><u>2013</u><br>(Unaudited) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|-----------------------------------------------|-------------------------------------------------------------------|
| Series B convertible preferred stock, \$0.001 par value; 361,299 shares authorized as of December 31, 2012, 362,484, 361,299 and 361,299 shares issued and outstanding at December 31, 2011 and 2012 and June 30, 2013 (unaudited), respectively; liquidation preference of \$13,006,764 at December 31, 2012 and June 30, 2013 (unaudited), respectively; no shares issued and outstanding, pro forma, (unaudited)         | 12,844,744                         | 12,802,084                         | 12,802,084                                    | —                                                                 |
| Series C convertible preferred stock, \$0.001 par value; 1,197,963 shares authorized as of December 31, 2012, 1,189,606, 1,187,736 and 1,187,763 shares issued and outstanding at December 31, 2011 and 2012 and June 30, 2013 (unaudited), respectively; liquidation preference of \$52,260,384 at December 31, 2012 and June 30, 2013 (unaudited), respectively; no shares issued and outstanding, pro forma, (unaudited) | 52,180,967                         | 52,098,687                         | 52,098,687                                    | —                                                                 |
| Series D convertible preferred stock, \$0.001 par value; 19,436,040 shares authorized, 0, 13,033,563, and 16,689,352 shares issued and outstanding at December 31, 2011 and 2012 and June 30, 2013 (unaudited), respectively; liquidation preference of \$57,347,677, and \$73,433,149 at December 31, 2012 and June 30, 2013 (unaudited), respectively; no shares issued and outstanding, pro forma, (unaudited)           | —                                  | 57,257,858                         | 73,257,390                                    | —                                                                 |
| Stockholders' deficit:                                                                                                                                                                                                                                                                                                                                                                                                      |                                    |                                    |                                               |                                                                   |
| Common stock, \$0.001 par value; 26,490,000 shares authorized, 354,896, 380,162, and 381,636 shares issued and outstanding at December 31, 2011 and 2012, and June 30, 2013, (unaudited), respectively; 22,413,236 shares issued and outstanding, pro forma (unaudited)                                                                                                                                                     | 297                                | 345                                | 355                                           | 22,413                                                            |
| Additional paid-in capital                                                                                                                                                                                                                                                                                                                                                                                                  | 1,434,710                          | —                                  | 1,030,271                                     | 141,645,264                                                       |
| Accumulated deficit                                                                                                                                                                                                                                                                                                                                                                                                         | (72,729,597)                       | (106,052,285)                      | (132,516,639)                                 | (132,516,639)                                                     |
| Total stockholders' deficit                                                                                                                                                                                                                                                                                                                                                                                                 | (71,294,590)                       | (106,051,940)                      | (131,486,013)                                 | 9,151,038                                                         |
| Total liabilities, convertible preferred stock and stockholders' deficit                                                                                                                                                                                                                                                                                                                                                    | <u>\$ 13,977,675</u>               | <u>\$ 39,817,319</u>               | <u>\$ 59,226,639</u>                          |                                                                   |



**TANDEM DIABETES CARE, INC.**

**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

|                                                                                                     | <u>Year Ended December 31,</u> |                 | <u>Six Months Ended June 30,</u> |                 |
|-----------------------------------------------------------------------------------------------------|--------------------------------|-----------------|----------------------------------|-----------------|
|                                                                                                     | <u>2011</u>                    | <u>2012</u>     | <u>2012</u>                      | <u>2013</u>     |
|                                                                                                     |                                |                 | (Unaudited)                      |                 |
| Sales                                                                                               | \$ —                           | \$ 2,474,698    | \$ —                             | \$ 10,986,151   |
| Cost of sales                                                                                       | —                              | 3,822,950       | —                                | 8,539,866       |
| Gross profit                                                                                        | —                              | (1,348,252)     | —                                | 2,446,285       |
| Operating expenses:                                                                                 |                                |                 |                                  |                 |
| Selling, general and administrative                                                                 | 15,950,892                     | 22,690,877      | 10,263,516                       | 18,208,386      |
| Research and development                                                                            | 8,260,817                      | 9,009,030       | 4,909,883                        | 5,081,238       |
| Total operating expenses                                                                            | 24,211,709                     | 31,699,907      | 15,173,399                       | 23,289,624      |
| Operating loss                                                                                      | (24,211,709)                   | (33,048,159)    | (15,173,399)                     | (20,843,339)    |
| Other income (expense), net                                                                         |                                |                 |                                  |                 |
| Interest and other income                                                                           | 13,656                         | 2,425           | 1,778                            | 460             |
| Interest and other expense                                                                          | (542,175)                      | (2,525,250)     | (1,372,545)                      | (2,337,871)     |
| Change in fair value of stock warrants                                                              | (769,596)                      | 2,555,899       | (404,162)                        | (3,283,604)     |
| Total other income (expense), net                                                                   | (1,298,115)                    | 33,074          | (1,774,929)                      | (5,621,015)     |
| Net loss and comprehensive loss                                                                     | \$ (25,509,824)                | \$ (33,015,085) | \$ (16,948,328)                  | \$ (26,464,354) |
| Net loss per share, basic and diluted                                                               | \$ (79.98)                     | \$ (90.56)      | \$ (47.66)                       | \$ (31.63)      |
| Weighted average shares used to compute basic and diluted net loss per share                        | 318,947                        | 364,585         | 355,577                          | 836,731         |
| Pro forma net loss per share, basic and diluted (unaudited)                                         |                                | \$ (3.57)       |                                  | \$ (1.27)       |
| Weighted average shares used to compute pro forma net loss per share, basic and diluted (unaudited) |                                | 8,736,007       |                                  | 20,761,795      |

**TANDEM DIABETES CARE, INC.**

**STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT**

|                                                                                                                                 | <u>Convertible Preferred Stock</u> |                      | <u>Common Stock</u> |               | <u>Additional Paid-in Capital</u> | <u>Accumulated Deficit</u> | <u>Total Stockholders' Deficit</u> |
|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------|---------------------|---------------|-----------------------------------|----------------------------|------------------------------------|
|                                                                                                                                 | <u>Shares</u>                      | <u>Amount</u>        | <u>Shares</u>       | <u>Amount</u> |                                   |                            |                                    |
| Balance at December 31, 2010                                                                                                    | 1,687,608                          | \$ 67,929,933        | 307,837             | \$ 272        | \$ 1,019,292                      | \$ (47,219,773)            | \$ (46,200,209)                    |
| Issuance of restricted common stock for cash proceeds of \$168,000, net of provision for right of repurchase of unvested shares | —                                  | —                    | 40,000              | —             | —                                 | —                          | —                                  |
| Vesting of restricted common stock and change in fair value of unvested restricted stock subject to repurchase                  | —                                  | —                    | —                   | 18            | 114,757                           | —                          | 114,775                            |
| Exercise of stock options                                                                                                       | —                                  | —                    | 7,059               | 7             | 47,302                            | —                          | 47,309                             |
| Share-based compensation                                                                                                        | —                                  | —                    | —                   | —             | 253,359                           | —                          | 253,359                            |
| Net loss                                                                                                                        | —                                  | —                    | —                   | —             | —                                 | (25,509,824)               | (25,509,824)                       |
| Balance at December 31, 2011                                                                                                    | 1,687,608                          | \$ 67,929,933        | 354,896             | \$ 297        | \$ 1,434,710                      | \$ (72,729,597)            | \$ (71,294,590)                    |
| Issuance of Series D convertible preferred stock at \$4.40 per share, net of issuance costs of \$89,819                         | 7,035,628                          | 30,866,847           | —                   | —             | —                                 | —                          | —                                  |
| Conversion of convertible notes payable and accrued interest into Series D convertible preferred stock at \$4.40 per share      | 5,997,935                          | 26,391,011           | —                   | —             | —                                 | —                          | —                                  |
| Vesting of restricted common stock and change in fair value of unvested restricted stock subject to repurchase                  | —                                  | —                    | —                   | 23            | 247,607                           | —                          | 247,630                            |
| Exercise of stock options                                                                                                       | —                                  | —                    | 5,299               | 5             | 34,673                            | —                          | 34,678                             |
| Conversion of Series A, Series B, and Series C preferred stock into common stock                                                | (23,292)                           | (549,917)            | 23,292              | 23            | 549,894                           | —                          | 549,917                            |
| Share-based compensation                                                                                                        | —                                  | —                    | —                   | —             | 245,827                           | —                          | 245,827                            |
| Repurchase and retirement of common stock                                                                                       | —                                  | —                    | (3,325)             | (3)           | (412)                             | (49,471)                   | (49,886)                           |
| Loss on extinguishment of convertible notes payable                                                                             | —                                  | —                    | —                   | —             | (2,512,299)                       | (258,132)                  | (2,770,431)                        |
| Net loss                                                                                                                        | —                                  | —                    | —                   | —             | —                                 | (33,015,085)               | (33,015,085)                       |
| Balance at December 31, 2012                                                                                                    | 14,697,879                         | \$124,637,874        | 380,162             | \$ 345        | \$ —                              | \$ (106,052,285)           | \$ (106,051,940)                   |
| Issuance of Series D convertible preferred stock at \$4.40 per share, net of issuance costs of \$85,940                         | 3,655,789                          | \$ 15,999,532        | —                   | —             | —                                 | —                          | —                                  |
| Issuance of common stock warrants in connection with term loan                                                                  | —                                  | —                    | —                   | —             | 437,268                           | —                          | 437,268                            |
| Vesting of restricted common stock and change in fair value of unvested restricted stock subject to repurchase                  | —                                  | —                    | —                   | 10            | (60,910)                          | —                          | (60,900)                           |
| Exercise of stock options                                                                                                       | —                                  | —                    | 1,474               | —             | 9,461                             | —                          | 9,461                              |
| Share-based compensation                                                                                                        | —                                  | —                    | —                   | —             | 644,452                           | —                          | 644,452                            |
| Net loss                                                                                                                        | —                                  | —                    | —                   | —             | —                                 | (26,464,354)               | (26,464,354)                       |
| Balance at June 30, 2013 (Unaudited)                                                                                            | <u>18,353,668</u>                  | <u>\$140,637,406</u> | <u>381,636</u>      | <u>\$ 355</u> | <u>\$ 1,030,271</u>               | <u>\$ (132,516,639)</u>    | <u>\$ (131,486,013)</u>            |

**TANDEM DIABETES CARE, INC.**

**STATEMENTS OF CASH FLOW**

|                                                                                                     | <b>Year Ended December 31,</b> |                 | <b>Six Months Ended June 30,</b> |                 |
|-----------------------------------------------------------------------------------------------------|--------------------------------|-----------------|----------------------------------|-----------------|
|                                                                                                     | <b>2011</b>                    | <b>2012</b>     | <b>2012</b>                      | <b>2013</b>     |
|                                                                                                     | <b>(Unaudited)</b>             |                 |                                  |                 |
| <b>Operating activities</b>                                                                         |                                |                 |                                  |                 |
| Net loss                                                                                            | \$ (25,509,824)                | \$ (33,015,085) | \$ (16,948,328)                  | \$ (26,464,354) |
| Adjustments to reconcile net loss to net cash used in operating activities:                         |                                |                 |                                  |                 |
| Depreciation and amortization expense                                                               | 1,276,532                      | 2,032,197       | 668,352                          | 1,706,386       |
| Accretion of discount on notes payable and convertible notes                                        | 158,738                        | 1,208,964       | 636,126                          | 297,028         |
| Accrued interest expense on convertible notes                                                       | 383,438                        | 835,659         | 540,251                          | —               |
| Change in fair value of common and preferred stock warrants                                         | 769,596                        | (2,555,899)     | 404,162                          | 3,283,604       |
| Share-based compensation expense                                                                    | 253,359                        | 245,827         | 131,504                          | 644,452         |
| Other                                                                                               | 35,571                         | 56,826          | —                                | 18,691          |
| Changes in operating assets and liabilities:                                                        |                                |                 |                                  |                 |
| Restricted cash                                                                                     | —                              | —               | —                                | (178,981)       |
| Accounts receivable                                                                                 | —                              | (2,411,952)     | —                                | (321,017)       |
| Inventory                                                                                           | —                              | (6,260,808)     | (1,753,198)                      | (3,528,041)     |
| Prepaid and other current assets                                                                    | 389,524                        | (1,053,934)     | (169,573)                        | 108,333         |
| Accounts payable and accrued expense                                                                | 493,951                        | 2,300,637       | 1,195,313                        | (106,071)       |
| Employee-related liabilities                                                                        | 251,536                        | 979,069         | 268,583                          | 1,950,059       |
| Other current liabilities                                                                           | 105,469                        | 2,342,333       | 16,677                           | 339,132         |
| Deferred revenue                                                                                    | —                              | 1,883,824       | —                                | (1,779,709)     |
| Deferred rent                                                                                       | (279,676)                      | (233,824)       | (100,650)                        | (288,580)       |
| Other long term liabilities                                                                         | —                              | —               | —                                | 318,344         |
| Payments received on note receivable from employees                                                 | 125,000                        | 175,000         | 175,000                          | 25,000          |
| Net cash used in operating activities                                                               | (21,546,786)                   | (33,471,166)    | (14,935,781)                     | (23,975,724)    |
| <b>Investing activities</b>                                                                         |                                |                 |                                  |                 |
| Proceeds from sales and maturities of marketable securities                                         | 7,200,000                      | —               | —                                | —               |
| Purchase of property and equipment                                                                  | (1,321,047)                    | (4,529,010)     | (1,383,889)                      | (1,416,078)     |
| Purchase of patents                                                                                 | —                              | (1,000,000)     | —                                | (500,000)       |
| Net cash provided by (used) in investing activities                                                 | 5,878,953                      | (5,529,010)     | (1,383,889)                      | (1,916,078)     |
| <b>Financing activities</b>                                                                         |                                |                 |                                  |                 |
| Issuance of convertible notes payable                                                               | 12,963,873                     | 12,208,041      | 3,209,895                        | —               |
| Issuance of notes payable, net of issuance costs                                                    | —                              | 5,000,000       | 5,000,000                        | 29,249,054      |
| Restricted cash in connection with notes payable                                                    | —                              | —               | —                                | (2,000,000)     |
| Principal payments on notes payable                                                                 | —                              | (603,677)       | —                                | (4,396,323)     |
| Issuance of preferred stock for cash, net of offering costs                                         | —                              | 30,866,847      | —                                | 15,999,532      |
| Issuance of common stock for cash                                                                   | 215,309                        | 34,678          | 33,763                           | 9,461           |
| Net cash provided by financing activities                                                           | 13,179,182                     | 47,505,889      | 8,243,658                        | 38,861,724      |
| Net (decrease) increase in cash and cash equivalents                                                | (2,488,651)                    | 8,505,713       | (8,076,012)                      | 12,969,922      |
| Cash and cash equivalents at beginning of period                                                    | 11,145,668                     | 8,657,017       | 8,657,017                        | 17,162,730      |
| Cash and cash equivalents at end of period                                                          | \$ 8,657,017                   | \$ 17,162,730   | \$ 581,005                       | \$ 30,132,652   |
| <b>Supplemental disclosures of cash flow information</b>                                            |                                |                 |                                  |                 |
| Interest paid                                                                                       | \$ —                           | \$ 297,299      | \$ 81,250                        | \$ 2,561,667    |
| <b>Supplemental schedule of noncash investing and financing activities</b>                          |                                |                 |                                  |                 |
| Conversion of notes payable and accrued interest for Series D convertible preferred stock           | \$ —                           | \$ 26,391,011   | \$ —                             | \$ —            |
| Lease incentive—lessor-paid tenant improvements                                                     | \$ —                           | \$ 2,018,470    | \$ —                             | \$ —            |
| Repayment of note receivable from officer                                                           | \$ 107,500                     | \$ 49,886       | \$ 49,886                        | \$ —            |
| Loss on extinguishment of debt                                                                      | \$ —                           | \$ 2,770,431    | \$ 929,294                       | \$ —            |
| Common and preferred stock warrants issued, including incremental value of modification of warrants | \$ 265,420                     | \$ 3,815,446    | \$ 1,941,609                     | \$ 437,268      |
| Property and equipment included in accounts payable                                                 | \$ —                           | \$ 200,467      | \$ 81,871                        | \$ 241,761      |

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**1. Organization and Basis of Presentation**

***Organization and Basis of Presentation***

Tandem Diabetes Care, Inc. is a medical device company focused on the design, development and commercialization of products for people with insulin-dependent diabetes. Unless the context requires otherwise, the terms “we,” “us,” “our,” the “Company,” or “Tandem” refer to Tandem Diabetes Care, Inc.

We designed and commercialized our flagship product, the t:slim Insulin Delivery System, or t:slim, based on our proprietary technology platform and unique consumer-focused approach. The Food and Drug Administration (FDA) cleared t:slim in November 2011 and we commenced commercial sales of t:slim in the United States in August 2012, at which time we exited the development stage.

Tandem was originally incorporated in the state of Colorado on January 27, 2006 under the name Phluid Inc. On January 7, 2008, the Company was re-incorporated in the state of Delaware for the purposes of changing its legal name from Phluid Inc. to Tandem Diabetes Care, Inc. and changing its state of incorporation from Colorado to Delaware.

We have incurred operating losses since our inception and have an accumulated deficit of \$106.1 million and \$132.5 million at December 31, 2012 and at June 30, 2013, respectively. As of December 31, 2012 and June 30, 2013, we had available cash and cash equivalents totaling \$17.2 million and \$30.1 million, excluding \$50,000 and \$2.2 million of restricted cash, respectively. As of December 31, 2012 and June 30, 2013 we had working capital of \$10.8 million and \$29.2 million, respectively. Our ability to achieve profitable operations primarily depends upon achieving a level of revenues adequate to support our cost structure. If events or circumstances occur such that we do not meet our operating plan as expected, we may be required to reduce planned increases in compensation related expenses or other operating expenses which could have an adverse impact on our ability to achieve our intended business objectives.

In July 2012, the Board of Directors approved a 1-for-20 reverse stock split of the Company’s common and preferred stock. All share and per share information included in the accompanying financial statements has been adjusted to reflect this reverse stock split.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP.

**2. Summary of Significant Accounting Policies**

***Use of Estimates***

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in our financial statements and accompanying notes as of the date of the financial statement date. Actual results could differ from those estimates and assumptions.

***Unaudited Interim Financial Information***

The accompanying interim balance sheet as of June 30, 2013, statement of operations and comprehensive loss and cash flows for the six months ended June 30, 2012 and 2013 and the statement of convertible preferred

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

stock and stockholders' deficit for the six months ended June 30, 2013 are unaudited. The unaudited financial statements have been prepared on a basis consistent with the audited financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) considered necessary to state fairly our financial position as of June 30, 2013 and our results of operations and cash flows for the six months ended June 30, 2012 and 2013. The results for the six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the year ended December 31, 2013 or for any other interim period.

***Unaudited Pro Forma Balance Sheet Information***

The unaudited pro forma stockholders' deficit information in the accompanying balance sheet assumes the conversion of all outstanding shares of convertible preferred stock and common stock of 22,413,236. Shares of common stock issued in such IPO and related net proceeds are excluded from such pro forma information.

***Segment Reporting***

Operating segments are identified as components of an enterprise about which segment discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. To date, we have viewed our operations and managed our business as one segment operating in the United States.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with original remaining maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents include cash in readily available checking and money market accounts, as well as a certificate of deposit.

***Restricted Cash***

Restricted cash as of June 30, 2013 represents a \$2.0 million minimum cash balance requirement in connection with the Capital Royalty Term Loan (see Note 6 "Capital Royalty Term Loan"), and \$400,000 cash received through the collaboration agreement with Juvenile Diabetes Research Foundation (JDRF), of which \$179,000 is in restricted cash as of June 30, 2013 (see Note 13 "JDRF Collaboration"). Payments the Company received to fund the collaboration efforts under the terms of the collaboration agreement were recorded as restricted cash and current and long term liabilities, and are recognized as an offset of research and development expenses as the restricted cash is utilized to fund such development activities.

***Accounts Receivable***

We grant credit to various customers in the normal course of business. We maintain an allowance for doubtful accounts for potential credit losses. Generally, receivables greater than 120 days past due are deemed uncollectible. Uncollectible accounts are written off against the allowance after appropriate collection efforts have been exhausted and when it is deemed that a balance is uncollectible.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company maintains deposit accounts in

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**2. Summary of Significant Accounting Policies (continued)**

federally insured financial institutions in excess of federally insured limits. We also maintain investments in money market funds that are not federally insured. However, we believe we are not exposed to significant credit risk due to the financial position of the depository institutions in which these deposits are held and of the money market funds in which investments are made. Additionally, we have established guidelines regarding investment instruments and their maturities, which are designed to maintain preservation of principal and liquidity.

The following table summarizes customers who accounted for 10% or more of net accounts receivable:

|            | <u>December 31,</u> |             | <u>June 30,</u> |
|------------|---------------------|-------------|-----------------|
|            | <u>2011</u>         | <u>2012</u> | <u>2013</u>     |
|            |                     |             | (Unaudited)     |
| Customer A | N/A                 | 23.9%       | 19.8%           |
| Customer B | N/A                 | 14.2%       | N/A             |
| Customer C | N/A                 | 10.0%       | N/A             |
| Customer D | N/A                 | N/A         | 11.5%           |

The following table summarizes customers who accounted for 10% or more of sales for the periods presented:

|            | <u>Year Ended December 31,</u> |             | <u>Six Months Ended</u> |             |
|------------|--------------------------------|-------------|-------------------------|-------------|
|            | <u>2011</u>                    | <u>2012</u> | <u>2012</u>             | <u>2013</u> |
|            |                                |             | (Unaudited)             |             |
| Customer A | N/A                            | 19.3%       | N/A                     | 15.1%       |
| Customer C | N/A                            | 15.7%       | N/A                     | N/A         |

***Fair Value of Financial Instruments***

The carrying amounts of all financial instruments, accounts receivable, notes receivable, accounts payable and accrued expenses, and employee-related liabilities are reasonable estimates of their fair value because of the short maturity of these items. The fair value of the common and preferred warrant liability is discussed in Note 4. Based on the borrowing rates currently available for loans with similar terms, the Company believes that the fair value of its long-term debt approximates its carrying value.

***Inventory***

Inventories are valued at the lower of cost or market (net realizable value), determined under the first-in, first-out method. Inventory has been recorded at cost at December 31, 2011 and 2012, and June 30, 2013. Cost of inventories are determined using standard cost, which approximates actual cost, on a first-in, first-out basis. The Company periodically reviews inventories for potential impairment based on quantities on hand, expectations of future use, judgments based on quality control testing data and assessments of the likelihood of scrapping or obsoleting certain inventories.

***Patents***

We capitalize costs associated with the purchase or licensing of patents associated with our commercialized products. We review our capitalized patent costs periodically to determine that they have future

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

value and an alternative future use. We evaluate costs related to patents that we are not actively pursuing and write off any such costs. We amortize patent costs over their estimated useful lives of 10 years, beginning with the date the patents are issued or acquired.

***Long Lived Assets***

Property and equipment, which primarily consist of office furniture and equipment, manufacturing equipment, scientific equipment, computer equipment, and leasehold improvements, are stated at cost. Property and equipment are depreciated over the estimated useful lives of the assets, generally three to seven years, using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the remaining lease term.

The Company periodically re-evaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of all of its long-lived assets, including property and equipment and acquired patents. The determinants used for this evaluation include management's estimate of the asset's ability to generate positive income from operations and positive cash flow in future periods as well as the strategic significance of the asset to the Company's business objective. The Company has not recognized any impairment losses through June 30, 2013.

***Deferred Rent***

Rent expense on noncancelable leases containing known future scheduled rent increases is recorded on a straight-line basis over the term of the respective leases beginning when the Company takes possession of the leased property. The difference between rent expense and rent paid is accounted for as deferred rent. Landlord improvement allowances and other such lease incentives are recorded as property and equipment and as deferred rent and are amortized on a straight-line basis as a reduction to rent expense.

***Research and Development Costs***

All research and development costs are charged to expense as incurred. Such costs include personnel-related costs, including share-based compensation, supplies, services, depreciation, allocated facilities and information services, and other indirect costs.

***Income Taxes***

We use the asset and liability method of accounting for income taxes. Deferred income tax assets or liabilities are recognized based on the temporary differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

We are required to file federal and state income tax returns in the United States and various other state jurisdictions. The preparation of these income tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by us. We accrue an amount for our estimate of additional tax liability, including interest and penalties, for any uncertain tax positions taken or expected to be taken in an income tax return. We review and update the accrual for uncertain

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

tax positions as more definitive information becomes available. Historically, additional taxes paid as a result of the resolution of the Company's uncertain tax positions have not been materially different from the Company's expectations. For further information, see Note 9, "Income Taxes."

***Revenue Recognition***

Our revenue is generated from the sale in the United States of our t:slim Insulin Pump, disposable cartridges and infusion sets to individual customers and third-party distributors that re-sell our product to insulin-dependent diabetes customers. We are paid directly by customers who use our products, distributors and third-party payors.

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred and title passed, the price is fixed or determinable, and collectability is reasonably assured. These criteria are applied as follows:

- The evidence of an arrangement generally consists of contractual arrangements with distributors or direct customers.
- Transfer of title and risk and rewards of ownership are passed upon shipment of the pump to distributors or upon delivery to the customer.
- The selling prices are fixed and agreed upon based on the contracts with distributors, the customer and contracted insurance payors, if applicable. For sales to customers associated with insurance providers for whom we do not have a contract with, we recognize revenue upon collection of cash at which time the price is determinable. We do not offer rebates to our distributors and customers.
- We consider the overall creditworthiness and payment history of the distributor, customer and the contracted insurance payor in concluding whether collectability is reasonably assured.

Prior to the first quarter of 2013, t:slim Insulin Pump sales were recorded as deferred revenue until the Company's 30-day right of return expired because we did not have sufficient history to be able to reasonably estimate returns. At December 31, 2012, we had \$1.9 million recorded as deferred revenue. Beginning in the first quarter of 2013, we began recognizing t:slim Insulin Pump revenue when all the revenue recognition criteria above are met, as we established sufficient history in order to reasonably estimate product returns. As a result of this change, we recorded a one-time adjustment during the six months ended June 30, 2013, to recognize previously deferred revenue and cost of sales of \$1.9 million and \$1.1 million, respectively.

***Revenue Recognition for Arrangements with Multiple Deliverables***

We consider the deliverables in our product offering as separate units of accounting and recognize deliverables as revenue upon delivery only if (i) the deliverable has standalone value and (ii) if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is probable and substantially controlled by us. We allocate consideration to the separate units of accounting, unless the undelivered elements were deemed perfunctory and inconsequential. We use the relative



## TANDEM DIABETES CARE, INC.

## NOTES TO FINANCIAL STATEMENTS

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**2. Summary of Significant Accounting Policies (continued)**

selling price method, in which allocation of consideration is based on vendor-specific objective evidence (VSOE) if available, third-party evidence (TPE), or if VSOE and TPE are not available, management's best estimate of a standalone selling price (ESP) for the undelivered elements.

In February 2013, the FDA cleared t:connect, our cloud-based data management application, which is made available upon purchase by t:slim Insulin Pump customers. This service is deemed an undelivered element at the time of the t:slim sale. Because the Company has neither VSOE nor TPE for this deliverable, the allocation of revenue is based on the Company's ESP. The Company establishes its ESP based on estimated cost to provide such services, including consideration for a reasonable profit margin and corroborated by comparable market data. The Company allocates fair value based on management's ESP to this element at the time of sale and is recognizing the revenue over the four year hosting period. At June 30, 2013, \$65,000 was recorded as deferred revenue for the t:connect hosting service. All other undelivered elements at the time of sale are deemed inconsequential or perfunctory.

**Product Returns**

We offer a 30-day right of return for our t:slim Insulin Pump customers from the date of shipment, provided a physician's confirmation of the medical reason for the return is received. Estimated return allowances for sales returns are based on historical returned quantities as compared to t:slim pump shipments in the same period. The return rate is then applied to the sales of the period to establish a reserve at the end of the period. The return rates used in the reserve are adjusted for known or expected changes in the marketplace when appropriate. As of December 31, 2012, we lacked sufficient historical data to establish an estimated return allowance and as such we deferred our t:slim Insulin Pump sales of \$1.9 million that were subject to return as of that date. Our allowance for product returns at June 30, 2013 was \$75,000. Actual product returns have not differed materially from estimated amounts reserved.

**Warranty Reserve**

We provide a four-year warranty on our t:slim Insulin Pump to our end user customers and may replace any pumps that do not function in accordance with the product specifications. Additionally, we offer a six month warranty on t:slim cartridges and infusion sets. Estimated warranty costs are recorded at the time of shipment. We estimate warranty costs based on the current product cost, actual experience and expected failure rates from test studies we performed in conjunction with the clearance of our product with the FDA to support the longevity and reliability of our t:slim Insulin Pump. We evaluate the reserve quarterly and make adjustments when appropriate. At December 31, 2012 and June 30, 2013, the warranty reserve was \$300,000 and \$671,000, respectively. Actual warranty costs have not differed materially from estimated amounts reserved.

|                                      | Year Ended<br>December 31,<br><u>2012</u> | Six Months Ended<br>June 30,<br><u>2013</u><br>(unaudited) |
|--------------------------------------|-------------------------------------------|------------------------------------------------------------|
| Balance at the beginning of the year | \$ —                                      | \$ 300,000                                                 |
| Warranty expense                     | 541,000                                   | 711,000                                                    |
| Warranty claims settled              | <u>(241,000)</u>                          | <u>(340,000)</u>                                           |
| Balance at the end of the year       | <u>\$ 300,000</u>                         | <u>\$ 671,000</u>                                          |

## TANDEM DIABETES CARE, INC.

## NOTES TO FINANCIAL STATEMENTS

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

## 2. Summary of Significant Accounting Policies (continued)

*Share-Based Compensation*

We account for share-based compensation by measuring and recognizing compensation expense for all share-based payments made to employees and directors using an option pricing model for determining grant date fair values. We use the straight-line single option method to recognize compensation cost to reporting periods over each optionee's requisite service period, which is generally the vesting period. We estimate the fair value of our share-based awards to employees and directors using the Black-Scholes option pricing model. The Black-Scholes model requires the input of subjective assumptions, including the risk-free interest rate, expected dividend yield, expected volatility, expected term and the fair value of the underlying common stock on the date of grant, among other inputs.

The assumptions used in the Black-Scholes option-pricing model are as follows:

|                          | <u>Year ended December 31,</u> |             | <u>Six Months ended June 30,</u> |             |
|--------------------------|--------------------------------|-------------|----------------------------------|-------------|
|                          | <u>2011</u>                    | <u>2012</u> | <u>2012</u><br>(unaudited)       | <u>2013</u> |
| Risk-free interest rate  | 1.6%                           | 1.1%        | 1.1%                             | 0.9%        |
| Expected dividend yield  | 0.0%                           | 0.0%        | 0.0%                             | 0.0%        |
| Expected volatility      | 69.7%                          | 70.2%       | 70.2%                            | 75.9%       |
| Expected term (in years) | 6.0                            | 6.0         | 6.0                              | 5.6         |

*Risk-free Interest Rate.* The risk-free interest rate is equal to the U.S. Treasury Note interest rate for the comparable term for the expected option life as of the valuation date. If the expected option life is between the U.S. Treasury Note rates of two published terms, then the risk-free interest rate is based on the straight-line interpolation between the U.S. Treasury Note rates of the two published terms as of the valuation date.

*Expected Dividend Yield.* The expected dividend yield is zero because we have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future.

*Expected Volatility.* Due to our limited operating history, our status as a private company, and lack of company-specific historical and implied volatility, the expected volatility rate used to value stock options is estimated based on volatilities of a peer group of similar companies whose share prices are publicly available. We utilized peers in our industry in a similar stage of development, which are publicly-traded. The historical volatility data was computed using the historical daily closing prices for the selected peer companies' shares during the equivalent period of the calculated expected term of our stock-based awards. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available.

*Expected Term.* We utilize the simplified method for estimating the expected term of stock option grants. Under this approach, the weighted-average expected term is presumed to be the average of the vesting term and the contractual term of the option.

We are also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

The weighted average estimated grant date fair value per share of employee stock options granted during the years ended December 31, 2011 and 2012 and the six months ended June 30, 2012 and 2013 was \$3.20, \$9.34, \$9.34 and \$2.57 respectively.

The Company recorded share-based compensation of \$253,000 and \$246,000 for the years ended December 31, 2011 and 2012, respectively, and \$132,000 and \$644,000 for six months ended June 30, 2012 and 2013, respectively.

The following table summarizes the allocation of stock-based compensation in the accompanying statement of operations (in thousands):

|                                   | <b>Year Ended<br/>December 31,</b> |              | <b>Six Months Ended<br/>June 30,</b> |               |
|-----------------------------------|------------------------------------|--------------|--------------------------------------|---------------|
|                                   | <b>2011</b>                        | <b>2012</b>  | <b>2012<br/>(Unaudited)</b>          | <b>2013</b>   |
| Cost of Sales                     | \$ —                               | \$ 68        | \$ 32                                | \$ 67         |
| Selling, general & administrative | 163                                | 116          | 63                                   | 508           |
| Research and development          | 90                                 | 62           | 37                                   | 69            |
| Total                             | <u>\$253</u>                       | <u>\$246</u> | <u>\$ 132</u>                        | <u>\$ 644</u> |

At December 31, 2012 and June 30, 2013, the total unamortized stock-based compensation expense of approximately \$0.3 million and \$6.3 million, respectively, is to be recognized over the stock options' remaining vesting term of approximately 2.2 years and 2.2 years, respectively.

Option grants to non-employees are valued using the fair-value-based method and are then quarterly re-measured and expensed over the period services are provided. Option grants to consultants resulted in an immaterial expense for the years ended December 31, 2011 and 2012, and for the six months ended June 30, 2012 and 2013.

**Warrant Liabilities**

The Company has issued freestanding warrants to purchase shares of common stock and convertible preferred stock in connection with the issuance of convertible notes payable in 2011 and 2012. The Company accounts for these warrants as a liability in the financial statements because either the Company did not have enough authorized shares to satisfy potential exercise of the common stock warrants and the number of shares to be issued upon their exercise was outside the control of the Company or because the underlying instrument into which the warrants are exercisable, Series C or Series D convertible preferred stock, contain deemed liquidation provisions that are outside of the control of the Company.

The warrants are recorded at fair value using either the Black-Scholes option pricing model, or a binomial lattice model, depending on the characteristics of the warrants at the time of the valuation. The fair value of these warrants is re-measured at each financial reporting period with any changes in fair value being recognized as a component of other income (expense) in the accompanying statements of operations and comprehensive loss. The Company will continue to re-measure the fair value of the warrant liabilities until: (i) exercise, (ii) expiration of the related warrant, or (iii) conversion of the convertible preferred stock underlying the security into common stock.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**2. Summary of Significant Accounting Policies (continued)**

***Comprehensive Loss***

All components of comprehensive loss, including net loss, are reported in the financial statements in the period in which they are recognized. Comprehensive loss is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources, including unrealized gains and losses on marketable securities.

***Net Loss Per Share***

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares that were outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share is calculated by dividing the net loss by sum of the weighted-average number of dilutive common share equivalents outstanding for the period determined using the treasury-stock method. Dilutive common share equivalents are comprised of convertible preferred stock, preferred stock warrants, common stock warrants and options outstanding under our stock plan. The calculation of diluted income (loss) per share requires that, to the extent the average fair value of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to income (loss) per share for the period, adjustments to net income or net loss used in the calculation are required to remove the change in fair value of the warrants for the period. Likewise, adjustments to the denominator are required to reflect the related dilutive shares. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to our net loss position and preferred stock warrants being anti-dilutive.

Potentially dilutive securities not included in the calculation of diluted net loss per share attributable to common stockholders because to do so would be anti-dilutive are as follows (in common stock equivalent shares):

|                                          | <b>As of December 31,</b> |                   | <b>As of June 30,</b> |                   |
|------------------------------------------|---------------------------|-------------------|-----------------------|-------------------|
|                                          | <b>2011</b>               | <b>2012</b>       | <b>2012</b>           | <b>2013</b>       |
|                                          |                           |                   | <b>(unaudited)</b>    |                   |
| Convertible preferred stock outstanding  | 1,664,316                 | 17,841,677        | 1,664,316             | 22,031,600        |
| Warrants for convertible preferred stock | —                         | 2,390,586         | 153,628               | 2,390,586         |
| Warrants for common stock                | 73,651                    | —                 | —                     | —                 |
| Common stock options                     | 254,105                   | —                 | 249,623               | 2,634,000         |
|                                          | <u>1,992,072</u>          | <u>20,232,263</u> | <u>2,067,567</u>      | <u>27,056,186</u> |

In addition to the potentially dilutive securities noted above, we had \$13.0 million and \$16.2 million of outstanding convertible notes payable as of December 31, 2011 and June 30, 2012 that are convertible into convertible preferred stock upon the occurrence of future preferred stock financing event at a price that is not determinable until such occurrence (Note 5). As such, we have excluded these convertible notes payable from the table above.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**2. Summary of Significant Accounting Policies (continued)**

**Unaudited Pro Forma Net Loss Per Share**

The following table summarizes our unaudited pro forma net loss per share (in thousands except for per share amounts):

|                                                                                                                                              | <u>Year ended</u><br><u>December 31, 2012</u> | <u>Six Months Ended</u><br><u>June 30, 2013</u><br>(unaudited) |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------|
| <b>Numerator:</b>                                                                                                                            |                                               |                                                                |
| Net loss                                                                                                                                     | \$ (33,015)                                   | \$ (26,464)                                                    |
| Add: Pro forma adjustment related to interest on convertible notes payable                                                                   | 1,791                                         | —                                                              |
| Pro forma net loss                                                                                                                           | \$ (31,224)                                   | \$ (26,464)                                                    |
| <b>Denominator:</b>                                                                                                                          |                                               |                                                                |
| Weighted average shares used to compute net loss per share, basic and diluted                                                                | 365                                           | 837                                                            |
| Add: Pro forma adjustments to reflect weighted average effect of conversion of convertible preferred stock                                   | 5,829                                         | 19,925                                                         |
| Add: Pro forma adjustments to reflect assumed weighted average effect of conversion of convertible notes and accrued interest <sup>(1)</sup> | 2,543                                         | —                                                              |
| Weighted average shares used to compute pro forma net loss per share, basic and diluted                                                      | 8,737                                         | 20,762                                                         |
| Pro forma net loss per share, basic and diluted                                                                                              | <u>\$ (3.57)</u>                              | <u>\$ (1.27)</u>                                               |

<sup>(1)</sup> The conversion of the notes was calculated at \$4.40 price of the next qualified financing.

**Recent Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board (the FASB) clarified and amended existing concepts regarding existing fair value principles. The amendments are effective in fiscal years beginning after December 15, 2011. The Company adopted the guidance on January 1, 2012. The adoption of these amendments did not have a material impact on the Company's financial statements.

In June 2012, the Company adopted the FASB amended requirements for the presentation of comprehensive income. The amended guidance requires companies to disclose the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted the provisions of this guidance for all periods presented and elected to present items of net loss and other comprehensive loss in a continuous statement of comprehensive loss. The adoption of this authoritative guidance did not have an impact on the Company's financial position or results of operations.

In February 2013, the FASB issued an accounting standard update to require reclassification adjustments from other comprehensive income to be presented either in the financial statements or in the notes to the financial statements. This accounting standard became effective for the Company beginning January 1, 2013, and its adoption did not have any impact on the Company's financial statements.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**3. Financial Statements Information**

***Accounts Receivable***

Accounts receivable consisted of the following at (in thousands):

|                                      | <u>December 31,</u><br><u>2012</u> | <u>June 30,</u><br><u>2013</u><br>(Unaudited) |
|--------------------------------------|------------------------------------|-----------------------------------------------|
| Accounts receivable                  | \$ 2,458                           | \$ 2,875                                      |
| Less allowance for doubtful accounts | (46)                               | (142)                                         |
| <b>Total</b>                         | <u>\$ 2,412</u>                    | <u>\$ 2,733</u>                               |

***Inventory***

Inventory consisted of the following at (in thousands):

|                 | <u>December 31,</u><br><u>2012</u> | <u>June 30,</u><br><u>2013</u><br>(Unaudited) |
|-----------------|------------------------------------|-----------------------------------------------|
| Raw materials   | \$ 2,775                           | \$ 4,180                                      |
| Work in process | 1,724                              | 2,953                                         |
| Finished Goods  | 1,762                              | 2,656                                         |
| <b>Total</b>    | <u>\$ 6,261</u>                    | <u>\$ 9,789</u>                               |

***Property and Equipment***

Property and equipment consist of the following at December 31, 2011 and 2012, and June 30, 2013 (in thousands):

|                                                | <u>2011</u>     | <u>December 31,</u><br><u>2012</u> | <u>June 30,</u><br><u>2013</u><br>(Unaudited) |
|------------------------------------------------|-----------------|------------------------------------|-----------------------------------------------|
| Leasehold improvements                         | \$ 1,809        | \$ 3,831                           | \$ 3,833                                      |
| Computer equipment and software                | 2,259           | 2,659                              | 3,403                                         |
| Office furniture and equipment                 | 1,151           | 2,343                              | 2,494                                         |
| Manufacturing and scientific equipment         | 2,099           | 5,109                              | 5,712                                         |
|                                                | 7,318           | 13,942                             | 15,442                                        |
| Less accumulated depreciation and amortization | (3,147)         | (4,953)                            | (6,405)                                       |
|                                                | <u>\$ 4,171</u> | <u>\$ 8,989</u>                    | <u>\$ 9,037</u>                               |

Depreciation and amortization expense related to property and equipment amounted to \$1.3 million and \$1.9 million for the years ended December 31, 2011 and 2012, respectively, and \$668,000 and \$1.4 million for the six months ended June 30, 2012 and 2013 (unaudited), respectively.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**3. Financial Statements Information (continued)**

***Intangible Assets Subject to Amortization***

In July 2012, we entered into an agreement pursuant to which we were granted certain rights to patents and patent applications. Included in these rights are patents related to the Company's commercialized products as well as patents that related to the products in development or future products. As consideration for these rights, we agreed to pay \$5.0 million in license fees and a percentage of any associated sublicense revenues we may receive. To determine the fair value of the licensed and purchased intellectual property, we utilized a combination of royalty-relief and cost valuation approaches depending on the type of the patents. For the group of patents related to the commercialized products, we utilized the relief from royalty approach. Significant inputs in the valuation model included our projected revenues, estimated weighted average cost of capital, risk premium associated with the asset, and current market comparable royalty rates. For the patents associated with products in development, the cost approach was applied which utilized the costs associated with the filing and issuance of the patent to estimate the patent's fair value. We used the relative fair values to allocate the purchase price between the two groups of patents. The fair value associated with the patents related to the commercialized products of \$3.2 million was capitalized and is amortized over the weighted average patent remaining life of 10 years. The fair value associated with the rest of the patents of \$1.8 million was expensed at the time of the contract execution and is recorded in the selling, general and administrative expenses line item in the statement of operations as the associated patents did not relate to the commercialized product.

Intangible assets subject to amortization consist of patents purchased or licensed that are related to the Company's commercialized products. There were no intangible assets for the year ended December 31, 2011. The following represents the capitalized patents at December 31, 2012 and June 30, 2013 (in thousands):

|                                                            | <u>December 31,<br/>2012</u> | <u>June 30,<br/>2013</u><br>(Unaudited) |
|------------------------------------------------------------|------------------------------|-----------------------------------------|
| Gross amount                                               | \$ 3,173                     | \$ 3,173                                |
| Accumulated amortization                                   | (158)                        | (317)                                   |
| <b>Total</b>                                               | <u>\$ 3,015</u>              | <u>\$ 2,856</u>                         |
| Weighted average remaining amortization period (in months) | 114                          | 108                                     |

Amortization expense related to intangible assets subject to amortization amounted to \$158,000 for the year ended December 31, 2012, and \$159,000 for the six months ended June 30, 2013. The estimated annual amortization is \$317,000 for 2013 through 2017.

**4. Fair Value Measurements**

Authoritative guidance on fair value measurements defines fair value, establishes a consistent framework for measuring fair value, and expands disclosures for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**4. Fair Value Measurements (continued)**

pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table presents information about the Company's financial assets measured at fair value on a recurring basis as of December 31, 2011 and 2012 and June 30, 2013 (unaudited), and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

|                                |                      |                                                                            | Fair Value Measurements at<br>December 31, 2011 Using     |                                                    |
|--------------------------------|----------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                | December 31,<br>2011 | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets</b>                  |                      |                                                                            |                                                           |                                                    |
| Money market funds             | \$ 4,033             | \$ 4,033                                                                   | \$ —                                                      | \$ —                                               |
| Certificate of deposit         | 50                   | 50                                                                         | —                                                         | —                                                  |
| Total assets                   | <u>\$ 4,083</u>      | <u>\$ 4,083</u>                                                            | <u>\$ —</u>                                               | <u>\$ —</u>                                        |
| <b>Liabilities</b>             |                      |                                                                            |                                                           |                                                    |
| Common stock warrant liability | \$ 1,035             | \$ —                                                                       | \$ —                                                      | \$ 1,035                                           |
| Total liabilities              | <u>\$ 1,035</u>      | <u>\$ —</u>                                                                | <u>\$ —</u>                                               | <u>\$ 1,035</u>                                    |

|                                   |                      |                                                                            | Fair Value Measurements at<br>December 31, 2012 Using     |                                                    |
|-----------------------------------|----------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                   | December 31,<br>2012 | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets</b>                     |                      |                                                                            |                                                           |                                                    |
| Money market funds                | \$ 201               | \$ 201                                                                     | \$ —                                                      | \$ —                                               |
| Certificate of deposit            | 50                   | 50                                                                         | —                                                         | —                                                  |
| Total assets                      | <u>\$ 251</u>        | <u>\$ 251</u>                                                              | <u>\$ —</u>                                               | <u>\$ —</u>                                        |
| <b>Liabilities</b>                |                      |                                                                            |                                                           |                                                    |
| Preferred stock warrant liability | 2,295                | —                                                                          | —                                                         | 2,295                                              |
| Total liabilities                 | <u>\$ 2,295</u>      | <u>\$ —</u>                                                                | <u>\$ —</u>                                               | <u>\$ 2,295</u>                                    |



**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**4. Fair Value Measurements (continued)**

|                                   |                              |                                                                            | Fair Value Measurements at<br>June 30, 2013 Using         |                                                    |
|-----------------------------------|------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
|                                   | June 30, 2013<br>(Unaudited) | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets</b>                     |                              |                                                                            |                                                           |                                                    |
| Money market funds                | \$ 201                       | \$ 201                                                                     | \$ —                                                      | \$ —                                               |
| Certificate of deposit            | 50                           | 50                                                                         | —                                                         | —                                                  |
| Total assets                      | <u>\$ 251</u>                | <u>\$ 251</u>                                                              | <u>\$ —</u>                                               | <u>\$ —</u>                                        |
| <b>Liabilities</b>                |                              |                                                                            |                                                           |                                                    |
| Preferred stock warrant liability | \$ 5,579                     | \$ —                                                                       | \$ —                                                      | \$ 5,579                                           |
| Total liabilities                 | <u>\$ 5,579</u>              | <u>\$ —</u>                                                                | <u>\$ —</u>                                               | <u>\$ 5,579</u>                                    |

The preferred stock and common stock warrant liabilities are recorded at fair value using the Black-Scholes option pricing model, or a binomial lattice valuation model, depending on the timing of valuation in relationship to the next round of equity financing.

The following assumptions were used in determining the fair value of the common stock warrant liabilities valued using the Black-Scholes option pricing method as of December 31, 2011: (i) risk-free interest rate of 2.0%; (ii) expected dividend yield of 0.0%; (iii) expected volatility of 75%; (iv) expected term of 9.7 years; and (v) common stock fair value of \$15.00.

The Company used a binomial lattice valuation model to calculate the preferred stock warrants liability during 2012 prior to the closing of Series D preferred stock financing in August 2012 (Series D Financing), when the exercise price and quantity of the warrants would become fixed based on this round of financing. The assumptions used in this valuation model included: (i) management's revenue projections; (ii) probability weighted expected future investment returns; (iii) weighted average cost of capital that included the addition of a company specific risk premium to account for uncertainty associated with the Company achieving future cash flows; (iv) the probability of a change in control occurring; (v) timing, size and probability of a new round of financing; (vi) expected volatility; and (vii) risk-free rate.

Subsequent to the completion of the Series D financing in August 2012 and the terms of the preferred stock warrants becoming fixed, we used a combination of discounted cash flow, guideline company and guideline transaction valuation methods to determine the total enterprise value and then the option pricing method or hybrid method to allocate the enterprise value to the various classes of stock, including preferred stock warrants. The assumptions used in these valuation models included: (i) management's revenue projections; (ii) probability and timing of various liquidity event dates; (iii) weighted average cost of capital that included the addition of a company specific risk premium to account for uncertainty associated with the Company achieving future cash flows; (iv) selection of appropriate market comparable transactions and multiples; (v) expected volatility; and (vi) risk-free rate.

As of December 31, 2011 and 2012 and June 30, 2012 and 2013, reasonable changes in the unobservable inputs would not be expected to have a significant impact on the financial statements.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**4. Fair Value Measurements (continued)**

There were no transfers between Level 1 and Level 2 securities during the years ended December 31, 2011 and 2012, and the six months ended June 30, 2012 and 2013.

The following table provides a reconciliation of liabilities measured at fair value using unobservable inputs (Level 3) on a recurring basis (in thousands):

|                                                                                                                       | <b>Preferred<br/>Stock<br/>Warrant<br/>Liability</b> | <b>Common<br/>Stock<br/>Warrant<br/>Liability</b> | <b>Total</b>    |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|-----------------|
| Balance at January 1, 2011                                                                                            | \$ —                                                 | \$ —                                              | \$ —            |
| Issuance of common stock warrants in connection with 2011 Bridge Financing (Note 5)                                   | —                                                    | 265                                               | 265             |
| Change in fair value of common stock warrants                                                                         | —                                                    | 770                                               | 770             |
| Balance at December 31, 2011                                                                                          | \$ —                                                 | \$ 1,035                                          | \$ 1,035        |
| Incremental increase in value due to modification of common stock warrants issued with 2011 Bridge Financing (Note 5) | 2,244                                                | (1,035)                                           | 1,209           |
| Issuance of preferred stock warrants in connection with 2012 Bridge Financing (Note 5)                                | 2,393                                                | —                                                 | 2,393           |
| Issuance of preferred stock warrants in connection with SVB Bridge Loan (Note 6)                                      | 214                                                  | —                                                 | 214             |
| Changes in fair value of common and preferred stock warrants                                                          | (2,556)                                              | —                                                 | (2,556)         |
| Balance at December 31, 2012                                                                                          | \$ 2,295                                             | \$ —                                              | \$ 2,295        |
| Changes in fair value of preferred stock warrants                                                                     | 3,284                                                | —                                                 | 3,284           |
| Balance at June 30, 2013 (unaudited)                                                                                  | <u>\$ 5,579</u>                                      | <u>\$ —</u>                                       | <u>\$ 5,579</u> |

**5. Convertible Notes Payable and Stock Warrants**

***2011 Convertible Notes Payable***

In August 2011, we entered into a Note and Warrant Purchase Agreement (2011 Bridge Financing) with existing stockholders for an aggregate principal amount of approximately \$13.0 million under unsecured convertible promissory notes. The convertible promissory notes bore interest at an annual rate of 8%, and all principal and interest were due and payable on March 31, 2012, unless earlier converted into preferred stock of the Company.

In connection with the 2011 Bridge Financing and for cash proceeds of \$1,000 (0.01% of the principal amount of the convertible promissory notes), the Company issued warrants to purchase shares of common stock up to the number of shares calculated by dividing 25% of the principal amount of the convertible promissory notes by the lesser of the next qualified equity financing per-share price, or \$44.00. The warrants' exercise price per share is \$0.10. The warrants are immediately exercisable and expire in August 2021. The warrants' fair value of approximately \$265,000 was recorded as a debt discount and amortized to interest expense over the term of the convertible promissory notes using the effective interest method. The estimated number of common shares issuable under the warrants was 73,651, although the actual number was not fixed.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**5. Convertible Notes Payable and Stock Warrants (continued)**

In March 2012, with the consent of a majority of the 2011 Bridge Financing note holders, the Company extended the 2011 Bridge Financing maturity date to May 2012. No other terms were modified. The effective interest rate post-modification was less than the effective interest rate before modification and the Company concluded that this modification represented a troubled debt restructuring. The Company accounted for the modification on a prospective basis.

In May 2012, with the consent of a majority of the 2011 Bridge Financing note holders, the maturity date of the associated convertible promissory notes was extended to August 31, 2012. Additionally, the warrant coverage provided in association with the notes was increased from 25% to 40% of the principal amount of the convertible promissory notes, and the shares purchasable under the warrants were changed from common stock to preferred stock. The preferred stock warrants' exercise price was amended to \$44.00 if exercised prior to the close of the next qualified equity financing, or by the per-share price of the next qualified equity financing if exercised after the close of the next qualified equity financing.

The present value of the future cash flows under the modified terms described above did not exceed the present value of the future cash flows under the original terms by more than 10%. The Company treated this amendment as a modification and the incremental increase in the fair value of the warrants resulting from the modification of approximately \$1.2 million was recorded as a discount to the convertible promissory notes and amortized over the remaining term of the convertible promissory notes using the effective interest method. The estimated number of preferred stock shares issuable under the warrants at the time of modification was 117,842.

***2012 Convertible Notes Payable***

In May and July 2012, the Company entered into Note and Warrant Purchase Agreements (2012 Bridge Financing) with existing stockholders for an aggregate principal amount of approximately \$12.2 million. The convertible promissory notes bear interest at an annual rate of 8%, and all principal and interest is due and payable on August 31, 2012, unless earlier converted into preferred stock of the Company.

In connection with the 2012 Bridge Financing, the Company issued warrants to purchase shares of preferred stock up to the number of shares calculated by dividing 40% of the principal amount of the convertible promissory notes by \$44.00 if exercised prior to the close of the next qualified equity financing, or by the per-share price of the next qualified equity financing if exercised after the close of the next qualified equity financing. The warrants' exercise price is \$44.00 if exercised prior to the close of the next qualified equity financing, or by the per-share price of the next qualified equity financing if exercised after the close of the next qualified equity financing. The warrants are immediately exercisable and expire in May and July 2022.

The 2012 Bridge Financing was completed substantially with the same parties as the 2011 Bridge Financing. At the time of each 2012 convertible promissory note issuance, we performed comparison of the present value of the future cash flows under the original 2011 Bridge Financing terms and amended 2011 Bridge Financing terms as impacted by the 2012 Bridge Financing and determined that the change was more than 10%. The Company accounted for the issuance of the 2012 Bridge Financing as a debt extinguishment, and accordingly recorded the 2011 and 2012 Bridge Financing convertible promissory notes at fair value. The loss on extinguishment of \$2.8 million was recorded in the statement of convertible preferred stock and stockholders' deficit as a charge to additional paid-in capital in the period in which the extinguishment occurred as all these transactions were made with related parties. Amount in excess of additional paid-in capital was recorded into accumulated deficit. The loss on extinguishment was determined by calculating the difference between the net

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**5. Convertible Notes Payable and Stock Warrants (continued)**

carrying amount of the extinguished debt (which includes principal, accrued interest, and unamortized discount, if any) and the fair value of the old and additional debt (which includes fair value of modified debt, fair value of additional warrants and any amendment related fees).

***Conversion to Series D Preferred Stock***

In August 2012, the Company completed the closing of a Series D financing, and all indebtedness under the 2011 Bridge Financing and 2012 Bridge Financing, aggregating approximately \$26.4 million, including accrued interest, was automatically converted into shares of convertible Series D Preferred Stock at a per-share price equal to the per-share price of \$4.40. All associated preferred stock warrants became warrants to purchase 2,288,316 shares of convertible Series D Preferred Stock at an exercise price of \$4.40 per share. These warrants are outstanding as of June 30, 2013.

**6. Loan and Warrant Agreements**

***Silicon Valley Bank Loan***

In March 2012, the Company entered into a Loan and Security Agreement with Silicon Valley Bank, drawing a bridge loan in the amount of \$5.0 million (SVB Bridge Loan), for which interest-only payments at a rate of 7.5% per annum are payable monthly through the maturity date of 90 days from the initial borrowing. In connection with the SVB Bridge Loan, the Company issued 6,818 warrants to purchase shares of Series C Preferred Stock at an exercise price per share of \$44.00, subject to anti-dilution adjustments. The warrants are immediately exercisable and expire in March 2022. The warrants' fair value of approximately \$139,000 was recorded as a debt discount and amortized to the interest expense over the term of the bridge loan using effective interest method.

Subsequently, the SVB Bridge Loan's maturity date was extended twice to August 2012. Upon such modifications, the interest rate on the bridge loan was increased to 10% and additional warrants to purchase 3,409 shares of Series C Preferred Stock were issued at an exercise price per share of \$44.00, subject to antidilution adjustments. The warrants are immediately exercisable and expire in June and July 2022. The present value of the future cash flows under the modified terms described above did not exceed the present value of the future cash flows under the original terms by more than 10%. The Company treated these amendments as a modification and the incremental increase in the fair value of the warrants resulting from the modification of approximately \$75,000 was recorded as a discount to the bridge loan and was amortized over the remaining term of the bridge loan using the effective interest method.

Subsequent to the closing of our Series D financing, the SVB Bridge Loan was converted into a 24-month term loan (SVB Term Loan) in September 2012. The term loan accrues interest at an annual rate of 4%, with principal and accrued interest payments due monthly throughout the 24 month term. The SVB Term Loan also requires a final payment of \$250,000 and a fee of \$150,000 if the loan is prepaid in its entirety prior to the end of the term of the loan. At December 31, 2012 and June 30, 2013 (unaudited), the balance outstanding under this loan was \$4.2 million and \$0, respectively.

Upon the closing of the Series D financing, all SVB preferred stock warrants became warrants to purchase 102,270 shares of Series D convertible preferred stock at an exercise price of \$4.40 per share. The warrants are outstanding as of June 30, 2013.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**6. Loan and Warrant Agreements (continued)**

The SVB Bridge Loan and SVB Term Loan were collateralized by the assets of the Company, including a negative pledge with respect to its intellectual property, and are subject to certain covenants which, if not met, could constitute an event of default. These covenants include timely delivery of the financial statements and the non-occurrence of a material adverse change in the business, operations or conditions of the Company. As of December 31, 2012, the Company was in compliance with all specified covenants.

In conjunction with the Capital Royalty Term Loan closing in January 2013, all principal, interest due and pre-payment fee amounts due under the SVB Term Loan were paid by the Company.

***SVB Revolving Line of Credit***

In January 2013, the Company entered into an amended loan agreement with Silicon Valley Bank, making available a revolving line of credit in the amount up to the lesser of \$1.5 million or 75% of eligible accounts receivable. Once we achieve a revenue-based milestone we have the ability to increase the credit limit to 75% of eligible accounts receivable. Interest-only payments at a rate of 6% per annum are payable monthly through the maturity date 24 months from the initial borrowing. Loans drawn under the agreement are secured by our eligible accounts receivable and proceeds therefrom. Additionally, the terms of the revolving line of credit contain various affirmative and negative covenants. There were no amounts outstanding under this loan as of June 30, 2013.

***Capital Royalty Term Loan***

In December 2012, the Company executed a Term Loan Agreement (Term Loan Agreement) with Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P. (together “Capital Royalty Partners”), providing the Company access to up to \$45 million under the arrangement, of which \$30 million was available in January 2013, and an additional amount up to \$15 million is available upon achievement of a revenue-based milestone by the Company if achieved during 2013. The Company can elect to draw any amount between \$8 million and \$15 million, at its discretion. In January 2013, \$30 million was drawn under the Agreement. As of June 30, 2013, the Company had not achieved the revenue-based milestone and does not have the ability to draw the additional amount. The loan accrues interest at an annual rate of 14%. Interest-only payments are due quarterly at March 31, June 30, September 30 and December 31 of each year during 2013 and 2014. Thereafter, in addition to interest accrued during the period, quarterly payments shall include an amount equal to the outstanding principal at December 31, 2014 divided by the remaining number of quarters prior to the maturity of the loan which is December 31, 2017. If the company achieves the revenue milestones, the interest only payment period would be extended to December 31, 2015, and thereafter, in addition to interest accrued during the period, the quarterly payments shall include an amount equal to the outstanding principal at December 31, 2015 divided by the remaining number of quarters prior to the end of the term of the loan. While interest on the loan is accrued at 14% per annum, the Company may elect to make interest-only payments at 11.5% per annum. The unpaid interest of 2.5% is added to the principal of the loan and is subject to accruing interest. The Company has not elected to utilize this loan feature. The agreement provides for prepayment fees of 5% of the outstanding balance of the loan if the loan is repaid prior to April 1, 2014. The prepayment fee is reduced 1% per year for each subsequent year until maturity.

The loan is collateralized by all assets of the Company. Additionally, the terms of the Term Loan Agreement contain various affirmative and negative covenants agreed to by the Company. Among them, the

**TANDEM DIABETES CARE, INC.****NOTES TO FINANCIAL STATEMENTS****(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)****6. Loan and Warrant Agreements (continued)**

Company must attain minimum annual revenues of \$25 million in 2013, \$50 million in 2014, \$75 million in 2015 and \$100 million thereafter. Borrowings under the term loan are subject to non-occurrence of a material adverse change in our business or operations (financial or otherwise), or a material impairment of the prospect of repayment of obligations. At December 31, 2012 and June 30, 2013, the Company was in compliance with all of the covenants.

In connection with the Term Loan Agreement, in January 2013, the Company issued warrants to purchase 455,487 shares of the Company's Common Stock at an exercise price of \$0.01 per share. The warrants are immediately exercisable and expire in January 2023. Because the exercise price of these warrants is nominal, the Company used the fair value of the common stock of \$0.96 at December 31, 2012 to value these warrants. The Company also paid \$375,000 financing fee to Capital Royalty Partners. The warrants' fair value of approximately \$437,000 and financing fee were recorded as a debt discount. Additionally, the Company paid \$675,000 to a third party for sourcing the Capital Royalty Term Loan. All fees and warrants value are amortized to interest expense over the remaining term using effective interest method.

At June 30, 2013, the principal balance outstanding under the Capital Royalty Term Loan was \$30.0 million. The principal and interest payments of the loan over its term are as follows (in thousands):

| <b>Year ended<br/>December 31,</b>    |                         |
|---------------------------------------|-------------------------|
| 2013                                  | \$ 4,025                |
| 2014                                  | 4,200                   |
| 2015                                  | 13,675                  |
| 2016                                  | 12,275                  |
| 2017                                  | 10,875                  |
| <b>Total</b>                          | <b>\$ 45,050</b>        |
| Less interest                         | (15,050)                |
| Less debt discount                    | (708)                   |
| Less current portion of notes payable | —                       |
| Notes payable, net of current portion | <u><u>\$ 29,292</u></u> |

**7. Related Party Transactions*****Former Officer Note Receivable and Separation and Consulting Agreement***

In June 2009, as part of a relocation assistance agreement with an officer of the Company whose employment was subsequently terminated in March 2011, the Company provided the former officer \$1.2 million cash in exchange for a secured promissory note. The promissory note was secured by all shares of capital stock of the Company owned by the former officer. The secured promissory note bears interest at a rate of 0.75% per annum, compounded monthly. Interest-only payments are received and recognized monthly. All remaining principal and unpaid interest were due on December 31, 2011. The principal amount outstanding was \$225,000 as of December 31, 2011. In January 2012, the remaining principal and interest due were repaid as a result of a cash payment of \$175,000 and the tendering of 3,325 shares of Tandem common stock by the former officer. The fair market value of the tendered shares was determined to be equal to the outstanding debt. Such common shares were then retired.

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**7. Related Party Transactions (continued)**

In March 2011, the Company executed a separation and consulting agreement with the aforementioned former officer. Under the terms of the agreement, the former officer was relieved of all duties and responsibilities in his position as an officer of the Company and he resigned as a member of the Board of Directors. Additionally, the former officer was required to provide consulting services to the Company for a period up to eighteen consecutive months following his termination, and the maturity date of the outstanding secured promissory note payable was extended to December 31, 2011. Outstanding stock options held by the former officer continued to vest during the continuation of service until February 29, 2012.

The Company recognized the total cost of the separation and consulting agreement of \$426,000 in March 2011 at the time of separation. In December 2011, the Company agreed to allow the former officer to apply the total remaining net consulting fees owed to him as defined by the separation and consulting agreement towards his note receivable balance. As a result, \$107,500 of net consulting fees was applied toward the principal balance of the secured promissory note payable.

**8. Stockholders' Equity**

On July 10, 2012, the board of directors of the Company approved a reverse stock split of the Company's common stock and preferred stock at a ratio of one share for every twenty shares previously held. The reverse stock split became effective on July 17, 2012. All share and per-share data included in these financial statements reflect the reverse stock split.

***Common Stock***

In February 2006, the Company sold 200,000 shares of common stock to founders for \$25,000. Additionally, during 2006, the Company sold an additional 42,329 shares of common stock to investors for \$750,000, net of issuance costs totaling \$21,019.

In August 2007, 17,857 shares of common stock were converted into Series A convertible preferred stock.

In July 2012, as a result of automatic conversion provisions in the Company's certificate of incorporation that were triggered in connection with the 2012 Bridge Financing, certain non-participating stockholders had their outstanding shares of preferred stock converted to common stock on a 1-for-1 basis. The carrying value of the preferred shares were reclassified to additional paid-in capital upon the conversion of the related instrument, as applicable, and 20,237 shares of Series A convertible preferred stock, 1,185 shares of Series B convertible preferred stock, and 1,870 shares of Series C convertible preferred stock were converted into common stock.

As of December 31, 2012, there were 380,162 shares of common stock outstanding. Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Company's Board of Directors, subject to the prior rights of the preferred stockholders.

***Convertible Preferred Stock***

In August 2007, the Company entered into agreements with several officers, employees, and investors who collectively purchased 117,661 shares of Series A convertible Preferred Stock (Series A Preferred Stock) at

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**8. Stockholders' Equity (continued)**

\$21.00 per share for approximately \$2.4 million in cash, net of issuance costs. Additionally, 17,857 shares of common stock, originally sold for \$500,000, were converted into shares of Series A Preferred Stock.

In June 2008, the Company entered into agreements with several officers, employees, and investors who collectively purchased 362,484 shares of Series B convertible Preferred Stock (Series B Preferred Stock) at \$36.00 per share for approximately \$12.8 million, net of issuance costs.

In May 2009, the Company entered into agreements with several officers, employees, and investors to collectively purchase up to 1,189,606 shares of Series C convertible Preferred Stock (Series C Preferred Stock) at a price of \$44.00 per share, totaling approximately \$52.2 million. The equity financing was executed in two separate closings. The Initial Closing Period occurred in May 2009, under which 485,481 shares of Series C Preferred Stock were issued, raising approximately \$21.2 million, net of issuance costs. The Final Closing Period occurred in January 2010, under which 704,125 shares of Series C Preferred Stock were issued, raising approximately \$31.0 million, net of issuance costs.

In August and November 2012, the Company entered into agreements with several officers, employees, and investors who collectively purchased 7,035,628 shares of Series D convertible Preferred Stock at \$4.40 per share for approximately \$30.9 million, net of issuance costs. Additionally, the principal and accrued interest under the convertible promissory notes of \$26.4 million converted into 5,997,935 shares of Series D Preferred Stock in connection with the closing of the Series D financing in August 2012.

In April 2013, the Company entered into agreements with several officers, employees, and investors who collectively purchased 3,655,789 shares of Series D Preferred Stock at \$4.40 per share for approximately \$16.0 million, net of issuance costs.

At December 31, 2012, there were 115,281 shares of Series A Preferred Stock, 361,299 shares of Series B Preferred Stock, 1,187,736 shares of Series C Preferred Stock and 13,033,563 shares of Series D Preferred Stock outstanding.

*Dividends*

The holders of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are entitled to receive noncumulative dividends at a rate of 8% per share per annum. The dividends are payable when and if declared by the Company's Board of Directors. As of December 31, 2012, the Company's Board of Directors has not declared any dividends. The preferred stock dividends are payable in preference and in priority to any dividends on common stock.

*Liquidation Provisions*

The holders of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are entitled to receive initial liquidation preferences at the applicable original issue price of \$21.00 per share, \$36.00 per share, \$44.00 per share and \$4.40 per share, respectively. Initial liquidation payments to the holders of Series D Preferred Stock have priority over all other classes of stock of the Company. Next, Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock have priority and are made in preference to any payments to the holders of common stock. After payment of the liquidation preference, holders of Series A



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**NOTES TO FINANCIAL STATEMENTS**

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**8. Stockholders' Equity (continued)**

Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock will share any excess distribution ratably with the Series D Preferred Stock and common stock. Total liquidation preference for holders of Series A, Series B and Series C Preferred Stock shall not exceed three times the applicable original issue price in aggregate.

*Conversion Rights*

The shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are convertible into an equal number of shares of common stock, at the option of the holder, subject to certain antidilution adjustments. The Series D Preferred Stock was issued at a price per share lower than the issuance price per share of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, triggering the antidilution adjustment of the conversion ratios into Common Stock of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock. Each share of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock is automatically converted into common stock immediately upon (i) the Company's sale of its common stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, in which the per share price is at least \$6.60, and the gross cash proceeds are at least \$30.0 million; or (ii) the affirmative vote of a majority of the holders of the then-outstanding preferred stock on an as-converted Common Stock basis.

*Voting Rights*

The holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are entitled to one vote for each share of common stock into which such preferred stock could then be converted; and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock.

**Stock Plan**

In September 2006, the Company adopted the 2006 Stock Incentive Plan (the Plan) under which, as amended, 2.1 million and 4.5 million shares of common stock were reserved for issuance to employees, non-employee directors and consultants of the Company as of December 31, 2012 and as of June 30, 2013. As of December 31, 2012 and as of June 30, 2013, remaining shares available for future issuance under the Plan are 1,743,445 and 531,718, respectively.

The Plan provides for the grant of incentive stock options, non-statutory stock options, rights to purchase restricted common stock, stock appreciation rights, dividend equivalents, stock payments, and restricted stock units to eligible recipients. Recipients of incentive stock options and restricted common stock shall be eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant as determined by the Board of Directors. The Board of Directors determined the value of the underlying stock by considering a number of factors, including valuation analyses performed by an independent third-party valuation specialist, the risks the Company faced at the time, the liquidation preferences of the Company's preferred stockholders, and the lack of liquidity of the Company's common stock.

*Restricted Common Stock*

The Company issued shares of restricted common stock totaling 40,000 shares in 2011. No shares of restricted common stock were issued in 2012 or during the six months ended June 30, 2013. Proceeds from the

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**8. Stockholders' Equity (continued)**

issuance of the shares of restricted common stock totaled \$168,000 in 2011. The shares of restricted common stock were issued under the Plan to certain employees and nonemployee directors. Shares of restricted common stock granted under the Plan vest and are subject to repurchase according to the terms of the respective restricted stock agreement.

The outstanding shares of restricted common stock generally vest 25% on the first anniversary of the original grant date, with the balance vesting monthly over the remaining three years. Shares of unvested restricted common stock may be repurchased, at the Company's option, at the lesser of the original purchase price or the current fair market value. Shares of restricted stock which have vested are not subject to repurchase. At December 31, 2012, restricted common shares that have not vested totaled 35,000 and shares that are vested totaled 86,000. The cash paid for the restricted common stock represented the fair value of the common stock at the time of issuance. The unvested restricted common stock has been reflected as a current liability in the balance sheet, and is reclassified to stockholders' deficit as the restricted common stock vests.

*Common Stock Options*

The maximum term of stock options granted under the Plan is ten years. The options generally vest 25% on the first anniversary of the original vesting date, with the balance vesting monthly over the remaining three years.

The following table summarizes stock option transactions for the Plan in 2011, 2012 and the six months ended June 30, 2013:

|                                                  | Total<br>Options | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Life | Aggregate<br>Intrinsic<br>Value |
|--------------------------------------------------|------------------|-------------------------------------------|----------------------------------------------------------|---------------------------------|
| Outstanding at December 31, 2011                 | 254,105          | \$ 6.31                                   | 7.87                                                     |                                 |
| Granted                                          | 25,700           | 15.00                                     |                                                          |                                 |
| Exercised                                        | (5,299)          | 6.52                                      |                                                          | \$ 44,000                       |
| Canceled/forfeited/expired                       | (46,674)         | 5.91                                      |                                                          |                                 |
| Outstanding at December 31, 2012                 | 227,832          | \$ 7.36                                   | 7.02                                                     | \$ —                            |
| Granted                                          | 2,634,000        | 0.66                                      |                                                          | \$ —                            |
| Exercised                                        | (1,474)          | 6.42                                      |                                                          |                                 |
| Canceled/forfeited/expired                       | (2,673)          | 6.62                                      |                                                          |                                 |
| Outstanding at June 30, 2013                     | 2,857,685        | \$ 1.19                                   | 9.56                                                     | \$8,218,000                     |
| Vested and expected to vest at December 31, 2012 | 226,734          | \$ 7.35                                   | 8.23                                                     | \$ —                            |
| Exercisable at December 31, 2012                 | 157,586          | \$ 6.80                                   | 6.48                                                     | \$ —                            |
| Vested and expected to vest at June 30, 2013     | 2,803,028        | \$ 1.20                                   | 9.78                                                     | \$7,489,000                     |
| Exercisable at June 30, 2013                     | 359,346          | \$ 3.85                                   | 7.98                                                     | \$ 560,000                      |

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**8. Stockholders' Equity (continued)**

***Common Stock Reserved for Future Issuance***

Common stock reserved for future issuance consists of the following:

|                                       | As of December 31,<br>2012 | As of<br>June 30,<br>2013 |
|---------------------------------------|----------------------------|---------------------------|
| Conversion of preferred stock         | 17,841,677                 | 22,031,600                |
| Preferred stock warrants outstanding  | 2,390,586                  | 2,390,586                 |
| Common stock warrants outstanding     | —                          | 455,487                   |
| Stock options issued and outstanding  | 227,832                    | 2,857,685                 |
| Stock options granted but undelivered | 3,000                      | 973,400                   |
| Authorized for future option grants   | 1,743,445                  | 531,718                   |
|                                       | <u>22,206,540</u>          | <u>29,240,476</u>         |

**9. Income Taxes**

Significant components of the Company's net deferred income tax assets at December 31, 2011 and 2012 are shown below (in thousands). A valuation allowance has been recorded to offset the net deferred tax asset as of December 31, 2011 and 2012, as the realization of such assets does not meet the more-likely-than-not threshold.

|                                 | <u>2011</u> | <u>December 31,</u><br><u>2012</u> |
|---------------------------------|-------------|------------------------------------|
| Deferred tax assets:            |             |                                    |
| Net operating loss (NOL)        | \$ 26,398   | \$ 32,623                          |
| Tax credits                     | 1,916       | 1,707                              |
| Capitalized R&D                 | 1,094       | 6,072                              |
| Deferred rent                   | 61          | 115                                |
| Other                           | 410         | 2,267                              |
| Total gross deferred tax assets | 29,879      | 42,784                             |
| Less valuation allowance        | (29,879)    | (42,784)                           |
| Net deferred tax assets         | <u>\$ —</u> | <u>\$ —</u>                        |

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)

**9. Income Taxes (continued)**

The provision (benefit) for income taxes reconciles to the amount computed by applying the federal statutory rate to income before taxes as follows (in thousands):

|                                          | <u>Year ended<br/>December 31,</u> |             |
|------------------------------------------|------------------------------------|-------------|
|                                          | <u>2011</u>                        | <u>2012</u> |
| Tax at federal statutory rate            | \$ (8,673)                         | \$(11,225)  |
| State income tax, net of federal benefit | (1,314)                            | (1,793)     |
| Nondeductible convertible notes payable  | 184                                | 617         |
| Warrants revaluation                     | 262                                | (869)       |
| Research and development credits         | (553)                              | 209         |
| Other                                    | 82                                 | 155         |
| Change in valuation allowance            | 10,012                             | 12,906      |
|                                          | <u>\$ —</u>                        | <u>\$ —</u> |

As of December 31, 2012, the Company has accumulated federal and state net operating loss carryforwards of approximately \$82.5 million and \$79.4 million, respectively. The federal and state tax loss carryforwards begin to expire in 2026 and 2016, respectively, unless previously utilized. The Company also has federal and California research credit carryforwards of approximately \$1.5 million and \$2.1 million, respectively. The federal research credit carryforwards will begin expiring in 2028 unless previously utilized. The California research credit will carry forward indefinitely.

The evaluation of uncertainty in a tax position is a two-step process. The first step involves recognition. The Company determines whether it is more likely than not that a tax position will be sustained upon tax examination, including resolution of any related appeals or litigation, based on only the technical merits of the position. The technical merits of a tax position derive from both statutory and judicial authority (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax position. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution with a taxing authority.

The following table summarizes the activity related to the Company's gross unrecognized tax benefits at the beginning and end of the years ended December 31, 2011 and 2012 (in thousands):

|                                                              | <u>December 31,</u> |                |
|--------------------------------------------------------------|---------------------|----------------|
|                                                              | <u>2011</u>         | <u>2012</u>    |
| Gross unrecognized tax benefits at the beginning of the year | \$554               | \$ 779         |
| Increases related to current year positions                  | 225                 | 176            |
| Decreases related to prior year positions                    | —                   | 467            |
| Expiration of unrecognized tax benefits                      | —                   | —              |
| Gross unrecognized tax benefits at the end of the year       | <u>\$779</u>        | <u>\$1,422</u> |

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**9. Income Taxes (continued)**

As of December 31, 2012, the Company has \$1.1 million of unrecognized tax benefits that, if recognized and realized would impact the effective tax rate.

The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company had no accrual for interest and penalties on the Company's balance sheets and has not recognized interest and penalties in the statements of operations for the years ended December 31, 2011 and 2012. The Company does not expect any significant increases or decreases to its unrecognized tax benefits within the next 12 months.

The Company is subject to taxation in the United States and state jurisdictions. The Company's tax years from 2006 (inception) are subject to examination by the United States and state authorities due to the carry forward of unutilized NOLs and research and development credits.

Utilization of the NOL and R&D credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the Code), as well as similar state and foreign provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders. Since the Company's formation, the Company has raised capital through the issuance of capital stock on several occasions, which, on its own or combined with the purchasing stockholders' subsequent disposition of those shares, have resulted in such an ownership change, and could result in an ownership change in the future.

The Company is finalizing a Section 382/383 analysis, from January 1, 2012 to December 31, 2012, regarding the limitation of the net operating losses and research and development credits. Based upon the in-process analysis, the Company anticipates that no ownership changes occurred during that period. However, previous analysis determined that ownership changes have occurred in years prior to 2012, but will not have a material impact on the future utilization of such carryforwards.

The American Taxpayer Relief Act of 2012 was enacted on January 2, 2013. Included within this legislation was an extension of the research and development credit which had previously expired on December 31, 2011. This legislation retroactively reinstates and extends the credit from the previous expiration date to December 31, 2013. As the legislation was not enacted until after the close of the year ended December 31, 2012, the income tax impact of the retroactive reinstatement and extension will not be recognized until 2013. If the tax impact of the research and development credit was recognized, the Company does not anticipate any federal income tax benefit due to the existence of deferred tax assets offset by a valuation allowance.

**10. Collaborations**

***DexCom Development and Commercialization Agreement***

In February 2012, we entered into a Development and Commercialization Agreement with DexCom, Inc. (DexCom Agreement) for the purpose of collaborating on the development and commercialization of an integrated system which incorporates our t:slim insulin delivery system with DexCom's proprietary continuous glucose monitoring system. Under the DexCom Agreement, we paid DexCom \$1.0 million at the commencement

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**10. Collaborations (continued)**

of the collaboration which was recorded as research and development cost in 2012. We will make two additional \$1.0 million payments upon the achievement of certain milestones. Additionally, we will reimburse DexCom up to \$1.0 million of its development costs and we are solely responsible for the Company's development costs. For the year ended December 31, 2012 and six months ended June 30, 2013, the Company accrued \$48,000 and \$174,000, respectively, for DexCom's development costs associated with the Agreement.

Upon commercialization and as compensation for the non-exclusive license rights, the Company will also pay DexCom a royalty calculated at \$100 per integrated system sold.

***JDRF Collaboration***

In January 2013, the Company entered into a research, development and commercialization agreement (Collaboration Agreement) with Juvenile Diabetes Research Foundation (JDRF) to develop the t:duel Infusion System, a first-of-its-kind, dual-chamber infusion pump for the management of diabetes. According to the terms of the Collaboration Agreement, JDRF will provide research funding of up to \$3 million based on the achievement of research and development milestones, not to exceed research costs incurred by the Company. The research and development milestones are anticipated to be reached by September 2015. Payments the Company receives to fund the collaboration efforts under the terms of the Collaboration Agreement will be recorded as restricted cash and current and long term liabilities, and recognized as an offset of research and development expenses straight-line over the remaining months until anticipated completion of the final milestone, only to the extent that the restricted cash is utilized to fund such development activities. As of June 30, 2013, milestone payment achievements totaled \$650,000, and research and development costs were offset by \$82,000. As of June 30, 2013, the Company received \$400,000 from JDRF and has \$179,000 classified as restricted cash.

**11. Employee Benefits**

The Company has a defined contribution 401(k) plan for employees who are at least 21 years of age. Employees are eligible to participate in the plan beginning on the first day of the calendar quarter following their date of hire. Under the terms of the plan, employees may make voluntary contributions as a percent of compensation. The Company does not provide a matching contribution program.

**12. Commitments and Contingencies**

The Company, from time to time, is involved in legal proceedings or regulatory encounters or other matters in the ordinary course of business that could result in unasserted or asserted claims or litigation. At December 31, 2011 and 2012, and for the six months ended June 30, 2013, there were no matters for which the negative outcome was considered probable or estimable, and, as a result, no amounts have been accrued at either date.

***Operating leases***

In 2008, the Company entered into a noncancelable operating lease agreement to lease the Company's corporate headquarters in San Diego, California, through August 2013. Among the provisions of the lease, the monthly rent payments are to increase by a fixed percentage each year. Additionally, under the lease, the

**TANDEM DIABETES CARE, INC.****NOTES TO FINANCIAL STATEMENTS****(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)****12. Commitments and Contingencies (continued)**

Company was allocated tenant improvement allowance of approximately \$1.4 million for non-structural improvements to the building. The incentive was recorded as an increase to both property and equipment and deferred rent and is amortized on a straight-line basis over the life of the lease.

In September 2009, the Company entered into a noncancelable operating lease agreement to expand the Company's corporate headquarters to an adjacent building, as well as to extend the term of the aforementioned operating lease to co-terminate with the new lease in 2015. Among the provisions of the new lease, the monthly rent payments commenced in April 2010 and increase by a fixed percentage each year on the anniversary of the rent commencement date. Additionally, under the lease, the Company was allocated a tenant improvement allowance of \$237,000 as an incentive to move into the facility. The Company recorded this incentive as an increase to both property and equipment and deferred rent. These amounts are being amortized on a straight-line basis over the life of the lease.

In March 2012, the Company entered into a noncancelable operating lease agreement to increase the square footage of the Company's corporate headquarters, as well as to consolidate all of the existing operating leases into a single lease agreement. The new agreement extends the term of the lease of all buildings to May 2017. Under the new lease, the monthly rent payments total approximately \$135,000, excluding common area maintenance and related charges, and increase by a fixed percentage each year. Additionally, as a lease incentive from the landlord, the Company received a tenant improvement allowances of approximately \$2 million for non-structural improvements to the building. The Company recorded this incentive as an increase to both property and equipment and deferred rent and it is amortized on a straightline basis over the life of the lease.

In connection with the lease, the Company entered into a \$375,000 unsecured standby letter of credit arrangement with a bank under which the landlord of the building is the beneficiary. The standby letter of credit expires on March 31, 2013, but is automatically extended for additional one-year periods unless notice of nonextension is provided. The final expiration of the standby letter of credit is August 31, 2017. The standby letters of credit previously entered into in connection with the pre-existing leases were canceled in March 2012.

Deferred rent arising from rent escalation provisions and lease incentives totaled \$993,000 and \$2.8 million at December 31, 2011 and December 31, 2012, respectively and \$2.5 million at June 30, 2013. The rent expense for the years ended December 31, 2011 and 2012, totaled \$512,000 and \$851,000, respectively. The rent expense for the six months ended June 30, 2012 and 2013 totaled \$304,000 and \$529,000, respectively.

Future minimum payments under the aforementioned noncancelable operating leases for each of the five succeeding years in thousands are as follows (in thousands):

|      |                |
|------|----------------|
| 2013 | \$1,628        |
| 2014 | 1,644          |
| 2015 | 1,693          |
| 2016 | 1,743          |
| 2017 | 739            |
|      | <u>\$7,447</u> |

**TANDEM DIABETES CARE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Information as of June 30, 2013 and thereafter and for the six months ended June 30, 2013 and 2012 is unaudited)**

**12. Commitments and Contingencies (continued)**

***Purchase Commitment***

The Company is a party to various purchase arrangements related to components used in production and research and development activities. As of December 31, 2012, the Company had noncancelable, firm purchase commitments with certain vendors totaling approximately \$1.2 million due within one year. There are no material purchase commitments due beyond one year. Purchases under these arrangements were approximately \$2.9 million as of December 31, 2012.





Until \_\_\_\_\_, 2013 (25 days after the date of this prospectus), all dealers that effect transactions in our securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## **Shares**



## **Common Stock**

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### **PROSPECTUS**

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**BofA Merrill Lynch**

**Piper Jaffray**

**Deutsche Bank Securities**

**Stifel**

, 2013

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth an itemization of the various costs and expenses, other than the underwriting discounts and commission, payable by us in connection with the issuance and distribution of the securities being registered hereunder. All of the amounts shown are estimated except for the SEC registration fee and the FINRA filing fee.

|                                   |    |   |
|-----------------------------------|----|---|
| SEC registration fee              | \$ | * |
| NASDAQ Global Market listing fee  |    | * |
| FINRA filing fee                  |    | * |
| Blue Sky fees and expenses        |    | * |
| Accounting fees and expenses      |    | * |
| Printing and engraving expenses   |    | * |
| Legal fees and expenses           |    | * |
| Transfer Agent and Registrar fees |    | * |
| Miscellaneous                     |    | * |
| Total                             | \$ | * |

\* To be furnished by amendment.

**Item 14. Indemnification of Directors and Officers.**

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law, or DGCL, provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. Section 145 of the DGCL further authorizes a corporation to purchase and maintain insurance on behalf of any indemnified person against any liability asserted against and incurred by such person in any indemnified capacity, or arising out of such person's status as such, regardless of whether the corporation would otherwise have the power to indemnify such person under the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- breach of a director's duty of loyalty to the corporation or its stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- transaction from which the director derives an improper personal benefit.

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Our amended and restated certificate of incorporation to be entered into in connection with this offering will authorize us to, and our amended and restated bylaws to be entered into in connection with this offering will provide that we must, indemnify our directors and officers to the fullest extent authorized by the DGCL and also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this section or otherwise.

As permitted by the DGCL, we have entered into indemnification agreements with each of our directors and certain of our officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We have an insurance policy covering our officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

### **Item 15. Recent Sales of Unregistered Securities.**

Since July 1, 2010, we have sold the following securities that were not registered under the Securities Act.

#### **(a) Issuances of Capital Stock:**

- On October 11, 2011, we issued an aggregate of 40,000 shares of our common stock to directors, officers, employees, consultants and other service providers under the 2006 Plan at a price per share of \$4.20 for an aggregate purchase price of \$168,000.
- On July 17, 2012, we issued an aggregate of 23,292 shares of our common stock to five stockholders upon conversion of an aggregate of 20,237 shares of our Series A preferred stock, 1,185 shares of our Series B preferred stock and 1,870 shares of our Series C preferred stock.
- On August 30, 2012, we issued an aggregate of 8,270,665 shares of our Series D preferred stock to 43 accredited investors at a price per share of \$4.40 for an aggregate purchase price of \$36,391,027.
- On November 20, 2012, we issued an aggregate of 4,545,458 shares of our Series D preferred stock to eight accredited investors at a price per share of \$4.40 for an aggregate purchase price of \$20,000,015.
- Between November 28, 2012 and December 6, 2012, we issued an aggregate of 217,440 shares of our Series D preferred stock to 13 accredited investors at a price per share of \$4.40 for an aggregate purchase price of \$956,736.00.
- On April 1, 2013, we issued an aggregate of 3,655,789 shares of our Series D preferred stock to 29 accredited investors at a price per share of \$4.40 for an aggregate purchase price of \$16,085,471.
- On April 23, 2013, we issued an aggregate of 451,000 shares of our common stock to directors, officers, employees, consultants and other service providers under the 2006 Plan at a price per share of \$0.66 for an aggregate purchase price of \$297,660.

(b) Issuances of Convertible Notes:

- On August 17, 2011, we issued convertible promissory notes in the aggregate principal amount of \$12,000,000.01 to eight accredited investors for an aggregate purchase price of \$12,000,000. These convertible promissory notes were converted in connection with our Series D financing into shares of our Series D preferred stock at a conversion price per share of \$4.40.
- On August 31, 2011, we issued convertible promissory notes in the aggregate principal amount of \$962,577.13 to 22 accredited investors for an aggregate purchase price of \$962,577. These convertible promissory notes were converted in connection with our Series D financing into shares of our Series D preferred stock at a conversion price per share of \$4.40.
- On May 25, 2012, we issued convertible promissory notes in the aggregate principal amount of \$2,936,464 to 13 accredited investors for an aggregate purchase price of \$2,936,464.40. These convertible promissory notes were converted in connection with our Series D financing into shares of our Series D preferred stock at a conversion price per share of \$4.40.
- On July 3, 2012, we issued convertible promissory notes in the aggregate principal amount of \$2,395,481 to 19 accredited investors for an aggregate purchase price of \$2,395,481.40. These convertible promissory notes were converted in connection with our Series D financing into shares of our Series D preferred stock at a conversion price per share of \$4.40.
- Between July 17, 2012 and July 24, 2012, we issued convertible promissory notes in the aggregate principal amount of \$5,451,201 to nine accredited investors for an aggregate purchase price of \$5,451,201. These convertible promissory notes were converted in connection with our Series D financing into shares of our Series D preferred stock at a conversion price per share of \$4.40.
- On August 21, 2012, we issued convertible promissory notes in the aggregate principal amount of \$1,426,189 to 25 accredited investors for an aggregate purchase price of \$1,426,189. These convertible promissory notes were converted in connection with our Series D financing into shares of our Series D preferred stock at a conversion price per share of \$4.40.

(c) Issuances of Warrants:

- On August 17, 2011, in connection with the issuance of convertible promissory notes, we issued warrants to purchase an aggregate of 68,181 shares of our common stock to eight accredited investors at an exercise price of \$2.00 per share, which warrants were amended on May 18, 2012 and became exercisable for an aggregate of 1,090,906 shares of our Series D preferred stock at an exercise price of \$4.40.
- On August 31, 2011, in connection with the issuance of convertible promissory notes, we issued warrants to purchase an aggregate of 5,468 shares of our common stock to 22 accredited investors at an exercise price of \$2.00 per share, which warrants were amended on May 18, 2012 and became exercisable for an aggregate of 87,496 shares of our Series D preferred stock at an exercise price of \$4.40.
- On March 13, 2012, in connection with a secured debt financing transaction, we issued a warrant to purchase an aggregate of 6,818 shares of our Series C preferred stock to Silicon Valley Bank at an exercise price of \$44.00 per share, which warrant, pursuant to its terms, subsequently became exercisable for an aggregate of 68,180 shares of our Series D preferred stock at an exercise price of \$4.40.
- On June 4, 2012, in connection with a secured debt financing transaction, we issued a warrant to purchase an aggregate of 2,272 shares of our Series C preferred stock to Silicon Valley Bank at an exercise price of \$44.00 per share, which warrant, pursuant to its terms, subsequently became exercisable for an aggregate of 22,720 shares of our Series D preferred stock at an exercise price of \$4.40.

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- On May 25, 2012, in connection with the issuance of convertible promissory notes, we issued warrants to purchase shares of our preferred stock, which warrants became exercisable for an aggregate of 266,948 shares of our Series D preferred stock at an exercise price of \$4.40.
- On July 3, 2012, in connection with the issuance of convertible promissory notes, we issued warrants to purchase shares of our preferred stock, which warrants became exercisable for an aggregate of 217,764 shares of our Series D preferred stock at an exercise price of \$4.40.
- Between July 17, 2012 and July 24, 2012, in connection with the issuance of convertible promissory notes, we issued warrants to purchase shares of our preferred stock, which warrants became exercisable for an aggregate of 495,558 shares of our Series D preferred stock at an exercise price of \$4.40.
- On July 20, 2012, in connection with secured debt financing, we issued a warrant to purchase an aggregate of 1,137 shares of our Series C preferred stock to Silicon Valley Bank at an exercise price of \$44.00 per share, which warrant, pursuant to its terms, subsequently became exercisable for an aggregate of 11,370 shares of our Series D preferred stock at an exercise price of \$4.40.
- On August 21, 2012, in connection with the issuance of convertible promissory notes, we issued warrants to purchase shares of our preferred stock, which warrants became exercisable for an aggregate of 103,667 shares of our Series D preferred stock at an exercise price of \$4.40.
- On January 14, 2013, in connection with secured debt financing, we issued warrants to purchase an aggregate of 455,487 shares of our common stock to two accredited investors at an exercise price of \$0.01 per share.

### (d) Grants of Stock Options:

- From July 1, 2010 through June 30, 2013, we granted to our directors, officers, employees, consultants and other service providers under the 2006 Plan options to purchase 3,254,514 shares of our common stock at exercise prices ranging from \$4.20 to \$15.00.
- From July 10, 2010 through June 30, 2012, we issued to our directors, officers, employees, consultants and other service providers upon the exercise of options under our 2006 Plan 14,593 shares of our common stock at exercise prices ranging from \$6.40 to \$6.60 per share for total consideration of \$62,271.60.

No underwriters were used in connection with any of the foregoing transactions. These issuances were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act, including in some cases, Regulation D and Rule 506 promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The purchasers of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to offer or sell, in connection with any distribution of the securities, and appropriate legends were affixed to the share certificates and instruments issued in such transactions.

## **Item 16. Exhibits and Financial Statement Schedules.**

### **(a) Exhibits**

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

### **(b) Financial Statement Schedules**

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.



**Item 17. Undertakings.**

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in San Diego, California on August 1, 2013.

Tandem Diabetes Care, Inc.

By: \_\_\_\_\_  
Kim D. Blickenstaff  
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Kim D. Blickenstaff, John Cajigas and David B. Berger, and each of them, his or her true and lawful attorneys-in-fact and agents 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, including post-effective amendments, to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, making such changes in this registration statement as such attorneys-in-fact and agents so acting deem appropriate, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done with respect to the offering of securities contemplated by this registration statement, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| <u>SIGNATURE</u>             | <u>TITLE</u>                                                                  | <u>DATE</u>    |
|------------------------------|-------------------------------------------------------------------------------|----------------|
| _____<br>Kim D. Blickenstaff | President, Chief Executive Officer and Director (Principal Executive Officer) | August 1, 2013 |
| _____<br>John Cajigas        | Chief Financial Officer (Principal Financial and Accounting Officer)          | August 1, 2013 |
| _____<br>Lonnie M. Smith     | Director                                                                      | August 1, 2013 |
| _____<br>Dick P. Allen       | Director                                                                      | August 1, 2013 |
| _____<br>Edward L. Cahill    | Director                                                                      | August 1, 2013 |
| _____<br>Fred E. Cohen       | Director                                                                      | August 1, 2013 |



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| <u>SIGNATURE</u>            | <u>TITLE</u> | <u>DATE</u>   |
|-----------------------------|--------------|---------------|
| <hr/> Howard E. Greene, Jr. | Director     | August , 2013 |
| <hr/> Douglas A. Roeder     | Director     | August , 2013 |
| <hr/> Jesse I. Treu         | Director     | August , 2013 |
| <hr/> Christopher J. Twomey | Director     | August , 2013 |

## INDEX OF EXHIBITS

| <u>Exhibit<br/>Number</u> | <u>Description of Document</u>                                                                                                                                                     |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **1.1                     | Form of Underwriting Agreement.                                                                                                                                                    |
| *3.1                      | Fifth Amended and Restated Certificate of Incorporation of Tandem Diabetes Care, Inc., as currently in effect.                                                                     |
| *3.2                      | Certificate of Amendment of Fifth Amended and Restated Certificate of Incorporation of Tandem Diabetes Care, Inc., as currently in effect.                                         |
| *3.3                      | Bylaws of Tandem Diabetes Care, Inc., as amended and currently in effect.                                                                                                          |
| **3.4                     | Form of Amended and Restated Certificate of Incorporation of Tandem Diabetes Care, Inc., to be effective upon the closing of this offering.                                        |
| **3.5                     | Form of Amended and Restated Bylaws of Tandem Diabetes Care, Inc., to be effective upon the closing of this offering.                                                              |
| **4.1                     | Specimen Certificate for Common Stock.                                                                                                                                             |
| *4.2                      | Third Amended and Restated Investor Rights Agreement, dated August 30, 2012.                                                                                                       |
| *4.3                      | Form of Preferred Stock Warrant issued to Silicon Valley Bank.                                                                                                                     |
| *4.4                      | Form of Preferred Stock Warrant.                                                                                                                                                   |
| **4.5                     | Warrant to Purchase Stock, dated January 14, 2013, issued to Capital Royalty Partners II L.P.                                                                                      |
| **4.6                     | Warrant to Purchase Stock, dated January 14, 2013 issued to Capital Royalty Partners II - Parallel Fund “A” L.P.                                                                   |
| **5.1                     | Opinion of Stradling Yocca Carlson & Rauth, P.C.                                                                                                                                   |
| *10.1                     | Lease Agreement, dated March 7, 2012, as amended, by and between Tandem Diabetes Care, Inc. and ARE-11025/11075 Roselle Street, LLC.                                               |
| **10.2                    | Term Loan Agreement, dated December 24, 2012, by and between Tandem Diabetes Care, Inc., Capital Royalty Partners II L.P. and Capital Royalty Partners II - Parallel Fund “A” L.P. |
| #*10.3                    | Tandem Diabetes Care, Inc. 2006 Stock Incentive Plan.                                                                                                                              |
| #*10.4                    | Form of Stock Option Agreement under 2006 Stock Incentive Plan.                                                                                                                    |
| #*10.5                    | Form of Restricted Stock Agreement under 2006 Stock Incentive Plan.                                                                                                                |
| **10.6                    | Tandem Diabetes Care, Inc. 2013 Stock Incentive Plan.                                                                                                                              |
| **10.7                    | Form of Stock Option Agreement under 2013 Stock Incentive Plan.                                                                                                                    |
| **10.8                    | Tandem Diabetes Care, Inc. 2013 Employee Stock Purchase Plan.                                                                                                                      |
| **10.9                    | Form of Indemnification Agreement.                                                                                                                                                 |
| **10.10                   | Amended and Restated Employment Severance Agreement by and between Tandem Diabetes Care, Inc. and Kim D. Blickenstaff.                                                             |
| **10.11                   | Amended and Restated Employment Severance Agreement by and between Tandem Diabetes Care, Inc. and John Cajigas.                                                                    |
| **10.12                   | Amended and Restated Employment Severance Agreement by and between Tandem Diabetes Care, Inc. and Robert B. Anacone.                                                               |

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| <u>Exhibit<br/>Number</u> | <u>Description of Document</u>                                                                  |
|---------------------------|-------------------------------------------------------------------------------------------------|
| ***10.13                  | Employment Severance Agreement by and between Tandem Diabetes Care, Inc. and John F. Sheridan.  |
| ***10.14                  | Employment Severance Agreement by and between Tandem Diabetes Care, Inc. and David B. Berger.   |
| ***10.15                  | Employment Severance Agreement by and between Tandem Diabetes Care, Inc. and Susan M. Morrison. |
| **14.1                    | Code of Business Conduct and Ethics.                                                            |
| **23.1                    | Consent of Ernst & Young, LLP, independent registered public accounting firm.                   |
| **23.2                    | Consent of Stradling Yocca Carlson & Rauth, P.C. (included in Exhibit 5.1).                     |
| *24.1                     | Power of Attorney (included in signature page).                                                 |

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\* Filed herewith.  
\*\* To be filed by amendment.  
+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment.  
# Management contract or compensatory plan.

**FIFTH AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION**

**FIFTH AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
TANDEM DIABETES CARE, INC.**

(Pursuant to Sections 242 and 245 of the  
General Corporation Law of the State of Delaware)

Tandem Diabetes Care, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the “**General Corporation Law**”),

**DOES HEREBY CERTIFY:**

**1.** That the name of this corporation is Tandem Diabetes Care, Inc., and that this corporation was originally incorporated pursuant to the General Corporation Law on January 7, 2008. On February 21, 2008, the Amended and Restated Certificate of Incorporation was filed with the Secretary of the State of Delaware. On June 6, 2008, the Second Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware. On May 15, 2009, the Third Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware. On July 17, 2012, the Fourth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware.

**2.** That the Board of Directors duly adopted resolutions proposing to amend and restate the Certificate of Incorporation of this corporation (as amended, the “**Certificate of Incorporation**”), declaring said amendment and restatement to be advisable and in the best interests of this corporation and its stockholders, and authorizing the appropriate officers of this corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

**RESOLVED**, that the Certificate of Incorporation of this corporation be amended and restated in its entirety to read as follows:

**FIRST:** The name of this corporation is Tandem Diabetes Care, Inc. (the “**Corporation**”).

**SECOND:** The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, 19808. The name of its registered agent at such address is Corporation Service Company.

**THIRD:** The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 26,490,000 shares of Common Stock, \$0.001 par value per

share (“**Common Stock**”), and (ii) 21,110,583 shares of Preferred Stock, \$0.001 par value per share (“**Preferred Stock**”).

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings), and shall be entitled to notice of any stockholders’ meeting in accordance with the bylaws of this Corporation, and shall be entitled to vote upon such matters and in such manner as may be provided by law. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

3. Dividends. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, if, when and as declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

4. Liquidation. Upon the liquidation, dissolution or winding up of the Corporation, the assets of the Corporation shall be distributed as provided in Section 2 of Division (B) of this Article Fourth.

5. Redemption. The Common Stock is not redeemable.

B. PREFERRED STOCK

The Preferred Stock authorized by this Fifth Amended and Restated Certificate of Incorporation shall be issued in series. The first series shall be designated as “Series A Preferred Stock,” and shall consist of One Hundred Fifteen Thousand Two Hundred Eighty-One (115,281) shares. The second series shall be designated as “Series B Preferred Stock,” and shall consist of Three Hundred Sixty One Thousand Two Hundred Ninety-Nine (361,299) shares. The third series shall be designated as “Series C Preferred Stock,” and shall consist of One Million One Hundred Ninety Seven Thousand Nine Hundred Sixty-Three (1,197,963) shares. The fourth series shall be designated as “Series D Preferred Stock,” and shall consist of Nineteen Million Four Hundred Thirty Six Thousand Forty (19,436,040) shares. The Corporation shall from time

to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued and available for issuance shall not be sufficient to permit conversion of the Preferred Stock.

The rights, preferences, privileges and restrictions granted to or imposed upon the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are as follows:

1. Dividends.

1.1 The holders of shares of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock shall be entitled to receive, on a *pari passu* basis (calculated with reference to the original issue prices for the different series of Preferred Stock), if, when and as declared by the Board of Directors, and payable out of any assets legally available therefor, dividends at the rate of (a) eight percent (8%) per annum of the Series D Original Issue Price on each outstanding share of Series D Preferred Stock, (b) eight percent (8%) per annum of the Series C Original Issue Price on each outstanding share of Series C Preferred Stock, (c) eight percent (8%) per annum of the Series B Original Issue Price on each outstanding share of Series B Preferred Stock, and (d) eight percent (8%) per annum of the Series A Original Issue Price on each outstanding share of Series A Preferred Stock. The “**Series D Original Issue Price**” shall mean \$4.40 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series D Preferred Stock. The “**Series C Original Issue Price**” shall mean \$44.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series C Preferred Stock. The “**Series B Original Issue Price**” shall mean \$36.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock. The “**Series A Original Issue Price**” shall mean \$21.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock. The Board of Directors is under no obligation to pay dividends to the holders of Preferred Stock and dividends shall not be cumulative.

1.2 No dividends (other than those payable solely in the Common Stock of the Corporation) shall be paid or declared on any Common Stock of the Corporation during any year of the Corporation unless and until (a) the dividend provided for in Subsection 1.1 is paid on each outstanding share of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock, and Series A Preferred Stock, and (b) a dividend is paid with respect to all outstanding shares of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock in an amount for each such share of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock equal to or greater than the aggregate amount of such dividends for all shares of Common Stock into which each such share of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock or Series A Preferred Stock, as the case may be, could then be converted.

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## 2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 In the event of any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary:

2.1.1 *First*, the holders of each share of Series D Preferred Stock shall be entitled to be paid out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock, whether such assets are capital, surplus or earnings, an amount per outstanding share equal to the Series D Original Issue Price, plus any declared but unpaid dividends (the "**Series D Liquidation Amount**"), before any sums shall be paid or any assets distributed among the holders of shares of Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock, Common Stock or shares ranking junior on liquidation to the Series D Preferred Stock. If the assets of the Corporation shall be insufficient to permit such payment in full to the holders of the Series D Preferred Stock, then the entire assets of the Corporation available for such distribution shall be distributed among the holders of the Series D Preferred Stock pro rata, based on the full preferential amount which each such holder would otherwise be entitled to receive;

2.1.2 *Second*, the holders of each share of Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock, on a *pari passu* basis (calculated with reference to the Original Issue Prices for each series of Preferred Stock), shall be entitled to be paid out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock, whether such assets are capital, surplus or earnings, an amount per outstanding share equal to, with respect to the holders of Series C Preferred Stock, the Series C Original Issue Price, plus any declared but unpaid dividends (the "**Series C Liquidation Amount**"), with respect to the holders of Series B Preferred Stock, the Series B Original Issue Price, plus any declared but unpaid dividends (the "**Series B Liquidation Amount**"), and, with respect to the holders of Series A Preferred Stock, the Series A Original Issue Price, plus any declared but unpaid dividends (the "**Series A Liquidation Amount**"), before any sums shall be paid or any assets distributed among the holders of shares of Common Stock or shares ranking junior on liquidation to the Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock. If the assets of the Corporation shall be insufficient to permit the payment in full to the holders of the Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock of the amount thus distributable, then the entire assets of the Corporation available for such distribution shall be distributed among the holders of the Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock on a *pari passu* basis (calculated with reference to the Original Issue Prices for each such series of Preferred Stock);

2.1.3 *Third*, after the foregoing payments shall have been made in full to the holders of the Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock or, with respect to any holder of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock that cannot be located after reasonable efforts, funds necessary for such payment shall have been set aside by the Corporation in trust for the account of such holders of the Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock so as to be available for such payment, the remaining assets of the Corporation available for distribution to stockholders



shall be distributed among the holders of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock and Common Stock (pro rata based on the number of shares of Common Stock held by each such holder or deemed to be held on an as-converted to Common Stock basis) until the holders of Series C Preferred Stock, Series B Preferred Stock and Series A Preferred Stock shall have received pursuant to this Subsection 2.1 an additional aggregate amount per share equal to, with respect to the holders of Series C Preferred Stock, two (2) times the Series C Original Issue Price, with respect to the holders of Series B Preferred Stock, two (2) times the Series B Original Issue Price, and, with respect to the holders of Series A Preferred Stock, two (2) times the Series A Original Issue Price (as adjusted for any stock dividends, combinations or splits following the effectiveness of this Fifth Amended and Restated Certificate of Incorporation with respect to such shares); and

2.1.4 *Fourth*, the remaining assets of the Corporation available for distribution to stockholders, if any, shall be distributed among the holders of Series D Preferred Stock and Common Stock (pro rata based on the number of shares of Common Stock held by each such holder or deemed to be held on an as-converted to Common Stock basis).

2.2 For purposes of this Section 2 and subject to Section 4, a liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, or to include (a) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation but, excluding any merger effected exclusively for the purpose of changing the domicile of the Corporation), (b) the sale or issuance by the Corporation, in a single transaction, of securities having the voting power to elect a majority of the Board (excluding any transaction or series of transactions for principally bona fide equity financing purposes), or (c) a sale of all or substantially all of the assets of the Corporation; unless, in the case of clause (a) or (b) hereof, the Corporation's stockholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Corporation's acquisition or sale or otherwise) hold at least a majority of the voting power of the surviving or acquiring entity; provided, however, that upon the approval of the holders of at least a majority in voting power of the then outstanding shares of Preferred Stock voting together as a single class on an as-converted to Common Stock basis, such occurrence shall not be deemed to be a liquidation, dissolution or winding up of the Corporation. In any of such events, if the consideration received by the Corporation is other than cash, its value will be deemed its fair market value, as determined by the Board of Directors. The Corporation shall give each holder of record of Preferred Stock written notice of such impending transaction not later than twenty days (20) prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. Such notice shall describe the then known material terms and conditions of the impending transaction and the provisions of this Section 2. The transaction shall in no event take place earlier than twenty (20) days after the Corporation has given such notice provided for herein; provided, however, that such periods may be reduced and such notice may be waived upon the written consent of the holders of at least a majority in voting power of the then outstanding shares of Preferred Stock voting together as a single class on an as-converted to Common Stock basis.

2.3 In applying distributions upon a liquidation, dissolution or winding up of the Corporation pursuant to Subsection 2.1 above that involves installment or contingent payments, (a) the portion of such distribution that is not subject to installment or contingent payments shall be allocated among the holders of the Preferred Stock and Common Stock in accordance with Subsection 2.1 as if the payments not subject to installment or contingent payments were the only distributions payable in connection with the liquidation, dissolution or winding up of the Corporation and (b) any additional distribution which becomes payable to the holders of Preferred Stock and Common Stock upon payment of the installment or satisfaction of the contingencies shall be allocated among the holders of Preferred Stock and Common Stock in accordance with Subsection 2.1 after taking into account the previous payment of the distributions (as described in clause (a)) as part of the same transaction.

2.4 Notwithstanding Subsections 2.1 through 2.3, solely for purposes of determining the amount each holder of Preferred Stock is entitled to receive with respect to a liquidation, dissolution or winding up of the Corporation, holders of the Preferred Stock shall be entitled to receive, with respect to each such share of Preferred Stock, the greater of (a) the amounts specified in Subsection 2.1 and (b) the amount to which such holders of Preferred Stock would have been entitled to on an as-converted to Common Stock basis immediately prior to such liquidation, dissolution or winding up of the Corporation. For purposes of determining whether distributions to holders of Preferred Stock are made pursuant to Subsections 2.1 through 2.3 or this Subsection 2.4, the amount distributed or distributable to each holder of Preferred Stock upon a liquidation, dissolution or winding up of the Corporation shall be re-calculated at the time of any installment or contingent payment and applied on a cumulative basis.

### 3. Voting.

3.1 General. Except as otherwise expressly provided herein or as required by law, the holder of each share of the Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Preferred Stock could be converted and shall have voting rights and powers equal to the voting rights and powers of the Common Stock (except as otherwise expressly provided herein or as required by law), voting together with the Common Stock as a single class on an as-converted basis, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of a series of Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

3.2 Election of Directors. The authorized number of directors shall be fixed at nine (9). The holders of record of the shares of Series D Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of the Corporation; the holders of record of the shares of Series C Preferred Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation; the holders of record of the shares of Series B Preferred Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation; the holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of the Corporation; the holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to

elect one (1) director of the Corporation; the holders of record of the shares of Series A Preferred Stock and Common Stock, voting together as a single class, together with the holders of record of the shares of Series D Preferred Stock, Series C Preferred Stock and Series B Preferred Stock, voting as a single class, shall be entitled to elect two (2) directors of the Corporation; and the holders of record of the shares of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock and Common Stock, voting together as a single class, shall elect all additional directors of the Corporation. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class and/or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the holders of shares of any series and/or class of capital stock entitled to elect directors pursuant to this Subsection 3.2, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively and as a separate class, pursuant to the first sentence of this Subsection 3.2, then any directorship not so filled shall remain vacant until such time as the holders of the shares of such series and/or class of capital stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting as set forth herein. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class and/or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 3.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Subsection 3.2.

**3.3 Series D Preferred Stock Protective Provisions.** As long as at least 1,138,102 shares of Series D Preferred Stock are outstanding (giving effect to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series D Preferred Stock), the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series D Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class:

(a) repurchase or redeem or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof, or (ii) as approved by the Board of Directors;

(b) create, authorize the creation of, reclassify or issue any additional class or series of capital stock or other securities that are ranked prior to or are *pari passu* with, or have rights, preferences or privileges senior to or *pari passu* with, the Series D

Preferred Stock (“**Senior Securities**”), or incur any obligation to issue or reclassify such Senior Securities;

(c) create, authorize the creation of or issue any bonds, notes or other obligations convertible into, exchangeable for or having option rights to purchase Senior Securities, or incur any obligation to issue such bonds, notes or other obligations;

(d) amend, alter or repeal any of the powers, preferences, privileges or rights of, or the restrictions provided for the benefit of, the Series D Preferred Stock;

(e) increase or decrease (other than pursuant to Subsections 4.3.3 and 5.2) the authorized number of shares of Series D Preferred Stock;

(f) amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation;

(g) increase or decrease the authorized number of directors constituting the Board of Directors;

(h) take any action which results in the taxation of the holders of the Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended, or any successor statute thereto; and

(i) take any other action materially adversely affecting the Series D Preferred Stock.

3.4 Series C Preferred Stock Protective Provisions. At any time any shares of Series C Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, amend, alter or repeal any of the powers, preferences, privileges or rights of, or the restrictions provided for the benefit of, the Series C Preferred Stock so as to affect them adversely, without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the then outstanding shares of Series C Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class.

3.5 Series B Preferred Stock Protective Provisions. At any time any shares of Series B Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, amend, alter or repeal any of the powers, preferences, privileges or rights of, or the restrictions provided for the benefit of, the Series B Preferred Stock so as to affect them adversely, without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the then outstanding shares of Series B Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class.

3.6 Series A Preferred Stock Protective Provisions. At any time any shares of Series A Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, amend, alter or repeal any of the powers, preferences, privileges or rights of, or the restrictions provided for the benefit of, the Series A Preferred Stock so as to affect them adversely, without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class.

4. Optional Conversion.

The holders of the Preferred Stock shall have conversion rights as follows (the “**Conversion Rights**”):

4.1 Conversion Ratio. Each share of Series D Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Series D Issue Price by the then applicable Series D Conversion Price, defined and determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for Series D Preferred Stock (the “**Series D Conversion Price**”) shall be the Original Series D Issue Price. Such initial Series D Conversion Price shall be adjusted as hereinafter provided. Each share of Series C Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Series C Issue Price by the then applicable Series C Conversion Price, defined and determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for Series C Preferred Stock (the “**Series C Conversion Price**”) shall be the Original Series C Issue Price. Such initial Series C Conversion Price shall be adjusted as hereinafter provided. Each share of Series B Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Series B Issue Price by the then applicable Series B Conversion Price, defined and determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for Series B Preferred Stock (the “**Series B Conversion Price**”) shall be the Original Series B Issue Price. Such initial Series B Conversion Price shall be adjusted as hereinafter provided. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Series A Issue Price by the then applicable Series A Conversion Price, defined and determined as hereinafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for Series A Preferred Stock (the “**Series A Conversion Price**”) shall be the Original Series A Issue Price. Such initial Series A Conversion Price shall be adjusted as hereinafter provided. The Series D Conversion Price, Series C Conversion Price, Series B

Conversion Price and Series A Conversion Price may be individually referred to herein as a “**Conversion Price.**”

4.2 Fractional Shares. No fractional share shall be issued upon the conversion of any share or shares of Preferred Stock. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of a series of Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fraction of a share of Common Stock, the Corporation shall, in lieu of issuing any fractional share, pay the holder otherwise entitled to such fraction a sum in cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors of the Corporation).

4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the “**Conversion Time**”), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof, a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, and cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and payment of any declared but unpaid dividends on the shares of Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such

number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing any Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the applicable series of Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Conversion Price.

4.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the applicable Conversion Price shall be made for any declared but unpaid dividends on the Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

#### 4.4 Adjustments to Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

(a) “**Option**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(b) “**Original Issue Date**” shall mean the date on which the first share of Series D Preferred Stock was issued.

(c) “**Effective Date**” shall mean the date upon which this Fifth Amended and Restated Certificate of Incorporation is filed with the Delaware Secretary of State.

(d) “**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(e) “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued (or, pursuant to Subsection 4.4.3 below, deemed to be issued) by the Corporation after the Original Issue Date, other than the following shares of Common Stock, and shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (collectively “**Exempted Securities**”):

(i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on any series of Preferred Stock;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4.5, 4.6, 4.7 or 4.8;

(iii) shares of Common Stock which may be issued or issuable pursuant to Options to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Corporation;

(iv) shares of Common Stock, Options or Convertible Securities issued to third parties in conjunction with services rendered, strategic partnerships, asset acquisitions or licenses of technology, equipment leases or other debt financing transactions approved by the affirmative vote of the Board of Directors of the Corporation; or

(v) shares of Common Stock issued or issuable in a Qualified IPO (as defined in Subsection 5.1).

4.4.2 No Adjustment of Conversion Price on Agreement of Preferred Stock Holders. No adjustment in the Series D Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of at least a majority of the then outstanding shares of Series D Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock. No adjustment in the Series C Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of sixty-six and two-thirds percent (66-2/3%) of the then outstanding shares of Series C Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock. No adjustment in the Series B Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common



Stock if the Corporation receives written notice from the holders of sixty-six and two-thirds percent (66-2/3%) of the then outstanding shares of Series B Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock. No adjustment in the Series A Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of a majority of the then outstanding shares of Series A Preferred Stock agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

#### 4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the applicable Conversion Price pursuant to the terms of Subsection 4.4.4 and/or 4.4.5, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the applicable Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Conversion Price as would have been obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the applicable Conversion Price to an amount which exceeds the lower of (i) the applicable Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the applicable Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the applicable Conversion Price pursuant to the terms of Subsection 4.4.4 and/or 4.4.5 (either because the consideration per share (determined pursuant to Subsection 4.4.6) of the Additional Shares of Common Stock subject thereto was equal to or greater than the applicable Conversion Price then in effect, or because such Option or Convertible Security was issued before the applicable Original Issue Date), are revised after the applicable Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the applicable Conversion Price pursuant to the terms of Subsection 4.4.4 and/or 4.4.5, the applicable Conversion Price shall be readjusted to such applicable Conversion Price as would have been obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the applicable Conversion Price provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the applicable Conversion Price that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the applicable Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Series D Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the

Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the then effective Series D Conversion Price, then the Series D Conversion Price shall be reduced, concurrently with such issue, to the consideration per share received by the Corporation for such issue or deemed issue of the Additional Shares of Common Stock; provided that if such issuance or deemed issuance was without consideration, then the Corporation shall be deemed to have received an aggregate of \$0.001 of consideration for all such Additional Shares of Common Stock issued or deemed to be issued.

4.4.5 Adjustment of Series C Conversion Price, Series B Conversion Price and Series A Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Effective Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the then current Series C Conversion Price, Series B Conversion Price or Series A Conversion Price in effect immediately prior to such issue, then the applicable Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

- (a) “CP<sub>2</sub>” shall mean the applicable Conversion Price in effect immediately after such issue of Additional Shares of Common Stock;
- (b) “CP<sub>1</sub>” shall mean the applicable Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;
- (c) “A” shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issue or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);
- (d) “B” shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP<sub>1</sub> (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP<sub>1</sub>); and
- (e) “C” shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.6 Determination of Consideration. For purposes of this Subsection 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing

(i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.4.7 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to any Conversion Price pursuant to the terms of Subsection 4.4.4 and/or 4.4.5, and such issuance dates occur within a period of no more than ninety (90) days from the first such issuance to the final such issuance, then, upon the final such issuance, the applicable Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

**4.5 Adjustment for Stock Splits and Combinations.** If the Corporation shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Stock, the applicable Conversion Price in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding shares of Common Stock, the applicable Conversion Price in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

**4.6 Adjustment for Certain Dividends and Distributions.** In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the applicable Conversion Price in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the applicable Conversion Price then in effect by a fraction:

4.6.1 the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

4.6.2 the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the applicable Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the applicable Conversion Price shall be adjusted pursuant to this Subsection as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of the applicable series of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of such series of Preferred Stock had been converted into Common Stock on the date of such event.

**4.7 Adjustments for Other Dividends and Distributions.** In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other

property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Section 2, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.5 or 4.6), then, following any such reorganization, recapitalization, reclassification, consolidation, or merger each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of the applicable series of Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation, or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of the Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the applicable Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock.

4.9 Written Notice as to Adjustments. Upon the occurrence of each adjustment or readjustment of any Conversion Price pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than ten (10) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of the applicable series of Preferred Stock a written notice setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the applicable series of Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Preferred Stock (but in any event not later than ten (10) days thereafter), furnish or cause to be furnished to such holder a written notice setting forth (a) the applicable Conversion Price then in effect, and (b) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any consolidation, merger, transfer, dissolution, liquidation or winding-up of the Corporation; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least ten (10) days prior to the record date or effective date for the event specified in such notice.

#### 5. Mandatory Conversion.

5.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public at a price of at least \$6.60 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$30,000,000 of gross proceeds to the Corporation (a “**Qualified IPO**”) or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the voting power of the then outstanding shares of Preferred Stock voting together as a single class on an as-converted to Common Stock basis (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “**Mandatory Conversion Time**”), (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective applicable Conversion Price and (ii) such shares may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates

surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Section 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

6. Redemption. The Preferred Stock is not redeemable.

7. No Reissuances of Preferred Stock. No share or shares of Series D Preferred Stock, Series C Preferred Stock, Series B Preferred Stock or Series A Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be returned to the status of undesignated shares of Preferred Stock.

8. Waiver. Any of the rights, powers, preferences and other terms of the Series D Preferred Stock set forth herein may be waived on behalf of all holders of Series D Preferred Stock by the affirmative written consent or vote of the holders of a majority of the shares of Series D Preferred Stock then outstanding. Any of the rights, powers, preferences and other terms of the Series C Preferred Stock set forth herein may be waived on behalf of all holders of Series C Preferred Stock by the affirmative written consent or vote of the holders of sixty-six and two-thirds percent (66-2/3%) of the shares of Series C Preferred Stock then outstanding. Any of the rights, powers, preferences and other terms of the Series B Preferred Stock set forth herein may be waived on behalf of all holders of Series B Preferred Stock by the affirmative written consent or vote of the holders of sixty-six and two-thirds percent (66-2/3%) of the shares of Series B Preferred Stock then outstanding. Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein may be waived on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote of the holders of a majority of the shares of Series A Preferred Stock then outstanding.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.



**FIFTH:** Subject to any additional vote required by the Certificate of Incorporation, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

**SIXTH:** Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

**SEVENTH:** Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**EIGHTH:** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

**NINTH:** To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

**TENTH:** The following indemnification provisions shall apply to the persons enumerated below.

1. Right to Indemnification of Directors and Officers. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an “**Indemnified Person**”) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “**Proceeding**”), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys’ fees) reasonably incurred by such Indemnified Person in such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article Tenth, the Corporation shall be required to indemnify an

Indemnified Person in connection with a Proceeding (or part thereof) commenced by such Indemnified Person only if the commencement of such Proceeding (or part thereof) by the Indemnified Person was authorized in advance by the Board of Directors.

2. Prepayment of Expenses of Directors and Officers. The Corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article Tenth or otherwise.

3. Claims by Directors and Officers. If a claim for indemnification or advancement of expenses under this Article Tenth is not paid in full within thirty (30) days after a written claim therefor by the Indemnified Person has been received by the Corporation, the Indemnified Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnified Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

4. Indemnification of Employees and Agents. The Corporation may (but is not required to) indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any Proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorney's fees) reasonably incurred by such person in connection with such Proceeding. The ultimate determination of entitlement to indemnification of persons who are non-director or officer employees or agents shall be made in such manner as is determined by the Board of Directors in its sole discretion. Notwithstanding the foregoing sentence, the Corporation shall not be required to indemnify a person in connection with a Proceeding initiated by such person if the Proceeding was not authorized in advance by the Board of Directors.

5. Advancement of Expenses of Employees and Agents. The Corporation may (but is not required to) pay the expenses (including attorney's fees) incurred by an employee or agent in defending any Proceeding in advance of its final disposition on such terms and conditions as may be determined by the Board of Directors.

6. Non-Exclusivity of Rights. The rights conferred on any person by this Article Tenth shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, the Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

7. Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer or employee of another

corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise shall be reduced by any amount such person actually collects as indemnification from such other corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise.

8. Insurance. The Board of Directors may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation's expense insurance: (a) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors, officers and employees under the provisions of this Article Tenth; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article Tenth.

9. Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification. The rights provided hereunder shall inure to the benefit of any Indemnified Person and such person's heirs, executors and administrators.

**ELEVENTH:** The Corporation renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "**Excluded Opportunity**" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, "**Covered Persons**"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation.

**TWELFTH:** In connection with repurchases by the Corporation of its Common Stock from employees, officers, directors, advisors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements under which the Corporation has the option to repurchase such shares at cost upon the occurrence of certain events, such as the termination of employment, Sections 502 and 503 of the California Corporations Code shall not apply in all or in part with respect to such repurchases.

\* \* \*

3. That the foregoing amendment and restatement was approved by the holders of the requisite number of shares of this corporation in accordance with Section 228 of the General Corporation Law.

4. That this Fifth Amended and Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of this corporation's Third Amended and

Restated Certificate of Incorporation, has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law.

**IN WITNESS WHEREOF**, this Fifth Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 30th day of August, 2012.

By: /s/ Kim D. Blickenstaff

Name: Kim D. Blickenstaff

Title: President and Chief Executive Officer

**CERTIFICATE OF AMENDMENT**  
**OF**  
**FIFTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**  
**OF**  
**TANDEM DIABETES CARE, INC.,**  
**a Delaware corporation**

TANDEM DIABETES CARE, INC., a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "Corporation"), does hereby certify:

**FIRST:** The Board of Directors of the Corporation duly adopted resolutions proposing and declaring advisable the following amendments to the Fifth Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate"), directing that said amendment be submitted to the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendments is as follows:

RESOLVED, that the first paragraph of Article FOURTH of the Certificate is hereby amended and restated in full as follows:

**"FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) Twenty Nine Million Seven Hundred Thirty Thousand (29,730,000) shares of Common Stock, \$0.001 par value per share ("**Common Stock**"), and (ii) Twenty Million Seven Hundred Forty Four Thousand Two Hundred Fifty-Four (20,744,254) shares of Preferred Stock, \$0.001 par value per share ("**Preferred Stock**")."

RESOLVED FURTHER, that the first paragraph of Section B of Article FOURTH of the Certificate is hereby amended and restated in full as follows:

"The Preferred Stock authorized by this Fifth Amended and Restated Certificate of Incorporation shall be issued in series. The first series shall be designated as "Series A Preferred Stock," and shall consist of One Hundred Fifteen Thousand Two Hundred Eighty-One (115,281) shares. The second series shall be designated as "Series B Preferred Stock," and shall consist of Three Hundred Sixty One Thousand Two Hundred Ninety-Nine (361,299) shares. The third series shall be designated as "Series C Preferred Stock," and shall consist of One Million One Hundred Eighty Seven Thousand Seven Hundred Thirty-Six (1,187,736) shares. The fourth series shall be designated as "Series D Preferred Stock," and shall consist of Nineteen Million Seven Nine Thousand Nine Hundred Thirty-Eight (19,079,938) shares. The Corporation shall from time to time in accordance with the laws of the State of Delaware increase the authorized amount of its Common Stock if at any time the number of shares of Common Stock remaining unissued and available for issuance shall not be sufficient to permit conversion of the Preferred Stock."

**SECOND:** That thereafter, the holders of the necessary number of shares of capital stock of the Corporation gave their written consent in favor of the foregoing amendments in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

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**THIRD:** That said amendments were duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, Tandem Diabetes Care, Inc. has caused this Certificate of Amendment of Fifth Amended and Restated Certificate of Incorporation to be signed by the undersigned, and the undersigned has executed this Certificate of Amendment and affirms the foregoing as true under penalty of perjury this 28th day of March, 2013.

/s/ Kim D. Blickenstaff

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Kim D. Blickenstaff,  
Chief Executive Officer

**BYLAWS  
OF  
TANDEM DIABETES CARE, INC.,  
a Delaware corporation**

**ARTICLE I  
OFFICES**

**Section 1. Registered Office.** The registered office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

**Section 2. Other Offices.** The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

**Section 3. Books.** The books of the Corporation may be kept within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II  
MEETINGS OF STOCKHOLDERS**

**Section 1. Place of Meetings.** All meetings of stockholders for the election of directors shall be held at such place either within or without the State of Delaware as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

**Section 2. Annual Meetings.** Annual meetings of stockholders shall be held at a time and date designated by the Board of Directors for the purpose of electing directors and transacting such other business as may properly be brought before the meeting.

**Section 3. Special Meetings.** Special meetings of stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of a stockholder or stockholders owning stock of the Corporation possessing ten percent (10%) of the voting power possessed by all of the then outstanding capital stock of any class of the Corporation entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.



**Section 4. Notification of Business to be Transacted at Meeting.** To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder entitled to vote at the meeting.

**Section 5. Notice; Waiver of Notice.** Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, such notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Section 6. Quorum; Adjournment.** Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough votes to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

**Section 7. Voting.** Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders at which a quorum is present shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Unless otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three (3) years from its date, unless such proxy provides for a longer period. Elections of directors need not be by ballot unless the Chairman of the meeting so directs or unless a stockholder demands election by ballot at the meeting and before the voting begins.

**Section 8. Stockholder Action by Written Consent Without a Meeting.** Except as otherwise provided in the Certificate of Incorporation, any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting and without prior notice, if a

consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

**Section 9. List of Stockholders Entitled to Vote.** The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

**Section 10. Stock Ledger.** The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 9 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

**Section 11. Inspectors of Election.** In advance of any meeting of stockholders, the Board of Directors may appoint one or more persons (who shall not be candidates for office) as inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, or if an appointed inspector fails to appear or fails or refuses to act at a meeting, the Chairman of any meeting of stockholders may, and on the request of any stockholder or his proxy shall, appoint an inspector or inspectors of election at the meeting. The duties of such inspector(s) shall include: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all stockholders. In the event of any dispute between or among the inspectors, the determination of the majority of the inspectors shall be binding.

**Section 12. Organization.** At each meeting of stockholders the Chairman of the Board of Directors, if one shall have been elected, (or in his absence or if one shall not have been elected, the President) shall act as Chairman of the meeting. The Secretary (or in his absence or inability to act, the person whom the Chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

**Section 13. Order of Business.** The order and manner of transacting business at all meetings of stockholders shall be determined by the Chairman of the meeting.

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## ARTICLE III DIRECTORS

**Section 1. Powers.** Except as otherwise required by law or provided by the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

**Section 2. Number and Election of Directors.** Subject to any limitations in the Certificate of Incorporation, the authorized number of directors of the Corporation shall be not less than five (5) nor more than nine (9) directors, as determined from time to time by the Board of Directors by adopting a resolution to that effect, with the initial number of authorized directors to be set at nine (9). Directors shall be elected at each annual meeting of stockholders to replace directors whose terms then expire, and each director elected shall hold office until his successor is duly elected and qualified, or until his earlier death, resignation or removal. Any director may resign at any time effective upon giving written notice to the Board of Directors, unless the notice specifies a later time for such resignation to become effective. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor prior to such effective time to take office when such resignation becomes effective. Directors need not be stockholders.

**Section 3. Vacancies.** Subject to the limitations in the Certificate of Incorporation, vacancies in the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so selected shall hold office for the remainder of the full term of office of the former director which such director replaces and until his successor is duly elected and qualified, or until his earlier death, resignation or removal. No decrease in the authorized number of directors constituting the Board of Directors shall shorten the term of any incumbent directors.

**Section 4. Time and Place of Meetings.** The Board of Director shall hold its meetings at such place, either within or without the State of Delaware, and at such time as may be determined from time to time by the Board of Directors.

**Section 5. Annual Meeting.** The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place, either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 7 of this Article III or in a waiver of notice thereof.

**Section 6. Regular Meetings.** Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware at such date and time as the Board of Directors may from time to time determine and, if so determined by the Board of Directors, notices thereof need not be given.

**Section 7. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, the Secretary or by any director. Notice of the date, time and place of special meetings shall be delivered personally or by telephone to each director or

sent by first-class mail or telegram, charges prepaid, addressed to each director at the director's address as it is shown on the records of the Corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. The notice need not specify the purpose of the meeting. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**Section 8. Quorum; Vote Required for Action; Adjournment.** Except as otherwise required by law, or provided in the Certificate of Incorporation or these Bylaws, a majority of the directors shall constitute a quorum for the transaction of business at all meetings of the Board of Directors and the affirmative vote of not less than a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting.

**Section 9. Action by Written Consent.** Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

**Section 10. Telephone Meetings.** Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee, as the case may be, by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 10 shall constitute presence in person at such meeting.

**Section 11. Committees.** The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of the committee. In the event of absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the committee member or members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. Any committee, to the extent allowed

by law and as provided in the resolution establishing such committee, shall have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the Bylaws of the Corporation; and, unless the resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep regular minutes of its meetings and report to the Board of Directors when required.

**Section 12. Compensation.** The directors may be paid such compensation for their services as the Board of Directors shall from time to time determine.

**Section 13. Interested Directors.** No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or the committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if: (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

## **ARTICLE IV OFFICERS**

**Section 1. Officers.** The officers of the Corporation shall be a President, a Secretary and a Chief Financial Officer. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, one or more Vice Presidents, one or more Assistant Financial Officers and Treasurers, one or more Assistant Secretaries and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV.

**Section 2. Appointment of Officers.** The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article IV, shall be appointed by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

**Section 3. Subordinate Officers.** The Board of Directors may appoint, and may empower the Chief Executive Officer or President to appoint, such other officers as the business of

the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

**Section 4. Removal and Resignation of Officers.** Subject to the rights of an officer under any contract, any officer may be removed at any time, with or without cause, by the Board of Directors or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights of the Corporation under any contract to which the officer is a party.

**Section 5. Vacancies in Offices.** A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

**Section 6. Chairman of the Board.** The Chairman of the Board, if such an officer is elected, shall, if present, preside at meetings of the stockholders and of the Board of Directors. He shall, in addition, perform such other functions (if any) as may be prescribed by the Bylaws or the Board of Directors.

**Section 7. Vice Chairman of the Board.** The Vice Chairman of the Board, if such an officer is elected, shall, in the absence or disability of the Chairman of the Board, perform all duties of the Chairman of the Board and when so acting shall have all the powers of and be subject to all of the restrictions upon the Chairman of the Board. The Vice Chairman of the Board shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

**Section 8. Chief Executive Officer.** The Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He shall exercise the duties usually vested in the chief executive officer of a corporation and perform such other powers and duties as may be assigned to him from time to time by the Board of Directors or prescribed by the Bylaws. In the absence of the Chairman of the Board and any Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and of the Board of Directors.

**Section 9. President.** The President of the Corporation shall, subject to the control of the Board of Directors and the Chief Executive Officer of the Corporation, if there be such an officer, have general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws or the Chief Executive Officer of the Corporation. In the absence of the Chairman of the Board, Vice Chairman of the Board and Chief Executive Officer, the President shall preside at all meetings of the Board of Directors and stockholders.

**Section 10. Vice President.** In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President, and

when so acting shall have all the powers of, and subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President, or the Chairman of the Board.

**Section 11. Secretary.** The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of Directors, committees of Directors, and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at Directors’ meetings or committee meetings, the number of shares present or represented at stockholders’ meetings, and a summary of the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation’s transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep or cause to be kept the seal of the Corporation if one be adopted, in safe custody, and shall have such powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

**Section 12. Chief Financial Officer.** The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation. The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation. The Chief Financial Officer shall also have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

## **ARTICLE V STOCK**

**Section 1. Form of Certificates.** Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman or Vice Chairman of the Board of Directors, or the President or a Vice President and (ii) by the Chief Financial Officer or the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

**Section 2. Signatures.** Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

**Section 3. Lost Certificates.** The Corporation may issue a new certificate to be issued in place of any certificate theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. The Corporation may, in the discretion of the Board of Directors and as a condition precedent to the issuance of such new certificate, require the owner of such lost, stolen, or destroyed certificate, or his legal representative, to give the Corporation a bond (or other security) sufficient to indemnify it against any claim that may be made against the Corporation (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

**Section 4. Transfers.** Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws or in any agreement with the stockholder making the transfer. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

**Section 5. Record Holders.** The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the record holder of shares to receive dividends, and to vote as such record holder, and to hold liable for calls and assessments a person registered on its books as the record holder of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

## **ARTICLE VI INDEMNIFICATION**

**Section 1. Right to Indemnification.** Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an “indemnatee”), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnatee in connection therewith and such indemnification shall continue as to an indemnatee who has ceased to be a director or officer and shall inure to the benefit of the indemnatee’s heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this Article VI with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right



to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an “advancement of expenses”); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article VI or otherwise (hereinafter an “undertaking”).

**Section 2. Right of Indemnitee to Bring Suit.** If a claim under Section 1 of this Article VI is not paid in full by the Corporation within forty-five (45) days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Article VI or otherwise shall be on the Corporation.

**Section 3. Non-Exclusivity of Rights.** The rights of indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

**Section 4. Insurance.** The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

**Section 5. Indemnification of Employees or Agents of the Corporation.** The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of directors or officers of the Corporation.

**Section 6. Indemnification Contracts.** The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VI.

**Section 7. Effect of Amendment.** Any amendment, repeal or modification of any provision of this Article VI by the stockholders or the directors of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification.

## **ARTICLE VII GENERAL PROVISIONS**

**Section 1. Dividends.** Subject to limitations contained in the General Corporation Law of the State of Delaware and the Certificate of Incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, securities of the Corporation or other property.

**Section 2. Disbursements.** All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

**Section 3. Fiscal Year.** The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

**Section 4. Corporate Seal.** The Corporation shall have a corporate seal in such form as shall be prescribed by the Board of Directors.

**Section 5. Record Date.** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. Stockholders on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided by agreement or by applicable law.

**Section 6. Voting of Stock Owned by the Corporation.** The Chairman of the Board, the Chief Executive Officer, the President and any other officer of the Corporation authorized by the Board of Directors shall have power, on behalf of the Corporation, to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

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**Section 7. Construction and Definitions.** Unless the context requires otherwise, the general provisions, rules of construction and definitions in the General Corporation Law of the State of Delaware shall govern the construction of these Bylaws.

**Section 8. Amendments.** Subject to the General Corporation Law of the State of Delaware, the Certificate of Incorporation and these Bylaws, the Board of Directors may by the affirmative vote of a majority of the entire Board of Directors amend or repeal these Bylaws, or adopt other Bylaws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation. Unless otherwise restricted by the Certificate of Incorporation, these Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, at any annual meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority of the combined voting power of the then outstanding shares of capital stock of all classes and series of the Corporation entitled to vote generally in the election of directors, voting as a single class, provided that, in the notice of any such special meeting, notice of such purpose shall be given.

**TANDEM DIABETES CARE, INC.**  
**THIRD AMENDED AND RESTATED**  
**INVESTORS' RIGHTS AGREEMENT**

**August 30, 2012**

**THIRD AMENDED AND RESTATED  
INVESTORS' RIGHTS AGREEMENT**

**THIS THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT** (the "**Agreement**") is made as of the 30th day of August, 2012, by and among Tandem Diabetes Care, Inc., a Delaware corporation (the "**Company**"), and each of the investors listed on Schedule A hereto (each, an "**Investor**" and collectively, the "**Investors**").

**R E C I T A L S:**

**WHEREAS**, certain of the Investors (the "**Existing Investors**") hold shares of the Company's Series C Preferred Stock, Series B Preferred Stock, Series A Preferred Stock and/or shares of Common Stock issued upon conversion thereof and possess registration rights, rights of first offer, and other rights pursuant to a Second Amended and Restated Investors' Rights Agreement, dated as of May 18, 2009, between the Company and such Existing Investors, as amended to date (the "**Prior Agreement**");

**WHEREAS**, the Existing Investors are holders of at least sixty-six and two-thirds percent (66 2/3%) of the Registrable Securities of the Company (as defined in the Prior Agreement), and desire to amend and restate the Prior Agreement in its entirety and to accept the rights created pursuant to this Agreement in lieu of the rights granted to them under the Prior Agreement; and

**WHEREAS**, certain of the Investors are parties to that certain Series D Preferred Stock Purchase Agreement of even date herewith among the Company and certain of the Investors (the "**Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement by such Investors, the Existing Investors holding at least sixty-six and two-thirds percent (66 2/3%) of the Registrable Securities, and the Company.

**NOW, THEREFORE**, the Existing Investors hereby agree that the Prior Agreement shall be amended and restated in its entirety by this Agreement, and the parties to this Agreement further agree as follows:

**A G R E E M E N T:**

1. Registration Rights. The Company covenants and agrees as follows:

1.1 Definitions. For purposes of this Agreement:

(a) The term "**Act**" means the Securities Act of 1933, as amended.

(b) The term "**Common Stock**" means shares of the Company's common stock, par value \$0.001 per share.

(c) The term "**Form S-1**" means such form under the Act as in effect on the date hereof or any successor registration form under the Act subsequently adopted by the SEC.

(d) The term "**Form S-3**" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits

incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(e) The term “**Holder**” means any person owning or having the right to acquire Registrable Securities or any authorized assignee thereof in accordance with Section 1.11 hereof;

(f) The term “**Initiating Holders**” means, collectively, Holders who properly initiate a registration request under this Agreement.

(g) The term “**IPO**” means the Company’s first firm commitment underwritten public offering of its Common Stock under the Act.

(h) The term “**Major Investor**” means Delphi Ventures VIII L.P., HLM Venture Partners II, L.P., Kearny Venture Partners, L.P., Domain Partners VII, L.P. and TPG Biotechnology Partners III, L.P., and their respective affiliates.

(i) The term “**1934 Act**” means the Securities Exchange Act of 1934, as amended.

(j) The term “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

(k) The term “**Preferred Stock**” means, collectively, shares of the Company’s Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.

(l) The terms “**register**,” “**registered**,” and “**registration**” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(m) The term “**Registrable Securities**” means (i) the Common Stock issuable or issued upon the conversion of Preferred Stock outstanding on or after the date of this Agreement, and (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in clause (i) above, excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which his rights under this Section 1 are not assigned or that have been sold by a Person pursuant to a registration statement under the Act covering such Registrable Securities that has been declared effective by the SEC or in an open market transaction under Rule 144.

(n) The number of shares of “**Registrable Securities then outstanding**” shall be equal to (i) the number of shares of outstanding Common Stock issued upon conversion of Preferred Stock plus (ii) the number of shares of Common Stock issuable pursuant to then outstanding Preferred Stock, plus (iii) the number of shares of Common Stock that are otherwise Registrable Securities.

(o) The term “**Rule 144**” shall mean Rule 144 under the Act.

(p) The term “**Rule 145**” shall mean Rule 145 promulgated under the Act.

(q) The term “**SEC**” shall mean the Securities and Exchange Commission.

(r) The term “**Selling Expenses**” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities.

(s) The term “**Series A Preferred Stock**” means shares of the Company’s Series A Preferred Stock, par value \$0.001 per share.

(t) The term “**Series B Preferred Stock**” means shares of the Company’s Series B Preferred Stock, par value \$0.001 per share.

(u) The term “**Series C Preferred Stock**” means shares of the Company’s Series C Preferred Stock, par value \$0.001 per share.

(v) The term “**Series D Preferred Stock**” means shares of the Company’s Series D Preferred Stock, par value \$0.001 per share.

(w) The term “**Significant Holder**” means any Holder that, individually or together with such Holder’s affiliates, holds at least 50,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

## 1.2 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) August 30, 2017 or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a request from Major Investors holding a majority of the Registrable Securities then held by all Major Investors that the Company file a Form S-1 registration statement with respect to at least a majority of the Registrable Securities then held by all Major Investors, then the Company shall (i) within ten (10) days after the date such request is given, give notice thereof (the “**Demand Notice**”) to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 1.2(c) and Section 1.4.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price of at least \$1,000,000, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 1.2(c) and Section 1.4.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 1.2 a certificate signed by the Company's Chief Executive Officer stating that in the good faith judgment of the Company's Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, then the Company shall have the right to defer taking action with respect to such filing for a period of not more than one hundred twenty (120) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than twice in any twelve (12) month period, and provided further, that the Company shall not register any securities for the account of itself or any other stockholder during such one hundred twenty (120) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered).

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 1.2(a) (i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two (2) registrations pursuant to Section 1.2(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.2(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 1.2(b) (i) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two (2) registrations pursuant to Section 1.2(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 1.2(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 1.7, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 1.2(d).

### 1.3 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) the offer and sale of any of its stock or other securities under the Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a transaction under Rule 145, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Stock being registered is Common Stock issuable upon



conversion of debt securities that are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of any Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 4.4, the Company shall, subject to the provisions of Section 1.4, cause to be registered under the Act the offer and sale of all of the Registrable Securities that such Holder has requested to be registered. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

#### 1.4 Underwriting Requirements.

(a) If, pursuant to Section 1.2, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 1.2, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 1.5(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 1.4, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 1.3, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other Persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with such underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold (other than by the Company) that the underwriters determine in

their sole discretion is compatible with the success of the offering, then the Company (i) shall provide written notice thereof to each Holder that had elected to participate in such offering and (ii) shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering. In the event that the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned pro rata among the selling Holders based on the number of Registrable Securities held by all selling Holders or in such other proportions as shall mutually be agreed to by all such selling Holders. Except upon the consent of the Holders of a majority of the outstanding Registrable Securities, if the Holders are so limited by the underwriters' determination, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; and second, among the selling Holders in proportion (as nearly as practicable) to the number of Registrable Securities owned by each selling Holder. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For purposes of the preceding sentences concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to ninety (90) days or, if earlier, until the distribution contemplated in the registration statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use all commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the selling Holders, provided that the Company shall

not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

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

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

(g) use its commercially reasonable efforts to cause all such Registrable Securities registered pursuant to this Section 1 to be listed on a national exchange or trading system and on each securities exchange and trading system on which similar securities issued by the Company are then listed;

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

(i) use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

**1.6 Information from Holder.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of such Holder's Registrable Securities.

**1.7 Expenses of Registration.** All expenses (other than Selling Expenses) incurred in connection with registrations, filings or qualifications pursuant to Section 1, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, and the fees and disbursements of counsel for the Company, and reasonable fees and disbursements, not to exceed \$35,000, of one special counsel for all of the Holders who elect to include their Registrable Securities in any such registrations, filings or qualifications shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration

proceeding begun pursuant to Section 1.2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Section 1.2(a) or Section 1.2(b), as the case may be; provided, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Section 1.2(a) or Section 1.2(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 1 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

1.8 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, the partners, members, officers, directors and stockholders of each such Holder, legal counsel and accountants for each such Holder, any underwriter (as defined in the Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act, any state securities laws, any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “**Violation**”): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws; and the Company will reimburse each such Holder, underwriter, controlling Person or other aforementioned Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter, controlling Person or other aforementioned Person.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement or any of such other Holder's partners, members, directors or officers or any controlling Person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing Persons may become subject, under the Act, the 1934 Act, any state securities laws, any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any Person intended to be indemnified pursuant to this Section 1.9(b) for any legal or other expenses reasonably incurred by such Person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), and provided that in no event shall any indemnity under this Section 1.9(b) exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of liability to the indemnified party under this Section 1.9 to the extent of such prejudice, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations; provided, however, that no contribution by any Holder, when combined with any amounts paid by such Holder pursuant to Section 1.9(b), shall exceed the net proceeds from the offering received by such Holder. The

relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise shall survive the termination of this Agreement.

**1.10 Reports Under the 1934 Act.** With a view to making available to the Holders the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after ninety (90) days after the effective date of the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

**1.11 Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (i) is a subsidiary, parent, partner, limited partner, retired partner, member, retired member or stockholder of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) after such assignment or transfer, holds at least 50,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations), provided: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject

to the terms and conditions of this Agreement; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.

1.12 “Market Stand-Off” Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the effective date of the registration statement relating to the Company’s IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days, which period may be extended upon the request of the managing underwriter, to the extent required by any FINRA rules, for an additional period of up to fifteen (15) days if the Company issues or proposes to issue an earnings or other public release within fifteen (15) days of the expiration of the 180-day lockup period) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock held during such period, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing provisions of this Section 1.12 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holders if all officers, directors and stockholders individually owning more than one percent (1%) of the Company’s outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock) are subject to similar restrictions. The underwriters in connection with the Company’s IPO are intended third party beneficiaries of this Section 1.12 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in the Company’s IPO that are consistent with this Section 1.12 or that are necessary to give further effect thereto.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

#### 1.13 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Act. A transferring Holder will cause any proposed purchaser, pledge, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate or instrument representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event (collectively, the **“Restricted Securities”**), shall (unless otherwise permitted by the provisions of Section 1.13(c)) be stamped or otherwise imprinted with a legend substantially in the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.”

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 1.13.

(c) The holder of each certificate representing the Restricted Securities, by acceptance thereof, agrees to comply in all respects with any applicable provisions of this Section 1. Before any proposed sale, pledge, or transfer of the Restricted Securities, unless there is in effect a registration statement under the Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder’s intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder’s expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Act; (ii) a “no action” letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or “no action” letter (x) in any transaction in compliance with Rule 144 or (y) in any transaction in which such Holder distributes Restricted Securities to an affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Section 1.13. Each certificate or instrument evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to Rule 144, the appropriate restrictive legend set forth in Section 1.13(b), except that such certificate shall not bear such restrictive legend if, in the opinion of counsel of such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Act.

(d) The restrictions on transfer set forth in this Section 1.13 shall not apply to transfers by a Holder to a transferee or assignee that (i) is a subsidiary, parent, partner, limited partner, retired partner, member, retired member or stockholder of a Holder, or (ii) is a Holder’s family member or trust for the benefit of an individual Holder.



1.14 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 1 (i) after five (5) years following the consummation of the IPO or (ii) as to any Holder, such earlier time at which such Holder can sell all Registrable Securities held by it during any three (3) month period without registration in compliance with Rule 144.

1.15 Limitation on Subsequent Registration Rights. After the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder registration rights on a parity with or senior to those granted to the Holders hereunder.

## 2. Covenants of the Company.

2.1 Right of First Offer. Subject to the terms and conditions specified in this Section 2.1 and applicable securities laws, the Company hereby grants to each Investor a right of first offer with respect to future sales by the Company of its New Securities (as hereinafter defined). For purposes of this Section 2.1, the term Investor includes for any entity any general partners, managing members and affiliates of such Investor, and such Investor shall be entitled to apportion the right of first offer hereby granted it among itself and its partners, members and affiliates in such proportions as it deems appropriate.

Except as otherwise set forth herein, if subsequent to the date of this Agreement the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital stock ("**New Securities**"), the Company shall first make an offering of such New Securities to each Investor in accordance with the following provisions:

(a) The Company shall deliver a notice in accordance with Section 4.4 ("**Offer Notice**") to each Investor stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms upon which it proposes to offer such New Securities.

(b) By written notification received by the Company within fifteen (15) calendar days after receipt of the Offer Notice, each Investor may elect to purchase or obtain, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities that equals the proportion that the number of shares of Registrable Securities then held by such Investor bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Preferred Stock and other securities or rights convertible into, or exercisable or exchangeable for, Common Stock, including options and warrants). At the expiration of such fifteen (15) day period, the Company shall promptly, in writing, inform each Investor that elects to purchase all the shares available to it (a "**Fully-Exercising Investor**") of any other Investor's failure to do likewise. During the ten (10) day period commencing after such information is given, each Fully-Exercising Investor may, by giving notice to the Company, elect to purchase, in addition to the number of shares specified above, up to that portion of the New Securities for which Investors were entitled to subscribe but which were not subscribed for by the Investors that is equal to the proportion that the number of shares of Registrable Securities issued and held by such Fully-Exercising Investor bears to the total number of shares of Registrable Securities then held by all Fully-Exercising Investors.

(c) If all New Securities that Investors are entitled to obtain pursuant to Section 2.1(b) are not elected to be obtained as provided in Section 2.1(b) hereof, the Company may, during the forty-five (45) day period following the expiration of the periods provided in Section 2.1(b) hereof, offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than that, and upon terms no more favorable to the offeree than those, specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within sixty (60) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Investors in accordance herewith.

(d) The right of first offer in this Section 2.1 shall not be applicable to any offering of any Exempted Securities as defined in the Company's Certificate of Incorporation, as amended, and shares of Common Stock issued in the IPO.

(e) The rights under this Section 2.1 may be transferred by an Investor to the same parties, subject to the same restrictions, as any transfer of registration rights pursuant to Section 1.11 (clauses (i) and (ii) only). In addition, the rights under this Section 2.1 may be transferred, in whole or in part, by any Major Investor to any other Major Investor.

**2.2 Reservation of Common Stock.** The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

**2.3 Insurance.** The Company shall use commercially reasonable efforts to cause Directors and Officers liability insurance in an amount and on terms and conditions satisfactory to the Board of Directors to be maintained until such time as the Board of Directors determines that such insurance should be discontinued.

**2.4 Board Matters.** The Company shall reimburse the members of the Board of Directors, and any representative acting in a nonvoting observer capacity pursuant to Section 2.8, for all reasonable out-of-pocket travel expenses incurred (on the basis of coach airfare equivalent levels) in connection with attending meetings of the Board of Directors.

**2.5 Financial Information.** The Company will furnish to each Significant Holder or transferee thereof under Section 1.11 the following reports:

(a) As soon as practicable after the end of each fiscal year of the Company, and in any event within one hundred eighty (180) days thereafter, consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of such fiscal year, and consolidated statements of income and cash flows of the Company and its subsidiaries, if any, for such year, prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis and setting forth in each case in comparative form the figures for the previous fiscal year, all audited and certified by independent public accountants selected by the Company and approved by the Board of Directors;

(b) As soon as practicable after the end of each fiscal quarter, and in any event within sixty (60) days thereafter (other than the last fiscal quarter of each fiscal year), unaudited consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of the quarter,

and unaudited consolidated statements of income and cash flows of the Company and its subsidiaries, if any, for such quarter, prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis; provided that such financial statements may be subject to normal year-end adjustments, and footnotes and schedule disclosure appearing in audited financial statements shall not be required, all in reasonable detail;

(c) As soon as practicable after the end of each month, and in any event within thirty (30) days thereafter (other than the last calendar month of each fiscal year), unaudited consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of the month, and unaudited consolidated statements of income and cash flows of the Company and its subsidiaries, if any, for such month, prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis; provided that such financial statements may be subject to normal year-end adjustments, and footnotes and schedule disclosure appearing in audited financial statements shall not be required, all in reasonable detail; and

(d) As soon as practicable, but in any event no more than forty-five (45) days following the beginning of each fiscal year, a budget for such fiscal year, prepared on a monthly basis, and, promptly after prepared, any other updated or revised budgets for such fiscal year prepared by the Company and approved by the Board of Directors.

2.6 Inspection. The Company shall permit each Significant Holder, at such Significant Holder's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Significant Holder; provided, however, that the Company shall not be obligated pursuant to this Section 2.6 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel, it being understood that the financial information to be provided to Significant Holders pursuant to Section 2.5 above shall not be excluded from disclosure herein.

2.7 Proprietary Information and Inventions Agreements. The Company agrees to require each employee of the Company to execute a Proprietary Information and Inventions Agreement and each consultant and advisor of the Company to execute an agreement that provides for confidential treatment of the Company's proprietary information, substantially in a form reasonably acceptable to the Board of Directors, as a condition of employment or continued employment or engagement, as the case may be, unless otherwise approved by the Board of Directors.

2.8 Observer Rights. As long as any Major Investor together with its affiliates owns not less than fifty percent (50%) of the shares of the Preferred Stock it originally purchased or is purchasing under the Purchase Agreement (or an equivalent amount of Common Stock issued upon conversion thereof, the Company shall invite a representative of each such Major Investor to attend all meetings of its Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors (collectively, "**Company Board Materials**"); provided, however, that such representatives shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all Company Board Materials so provided; and, provided further, that the Company reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client

privilege between the Company and its counsel or would result in disclosure of trade secrets or a conflict of interest, or if such Major Investor or its representative is a direct competitor of the Company.

2.9 Qualified Small Business. The Company covenants that so long as any of the shares of Series B Preferred Stock issued pursuant to the Series B Preferred Stock purchase agreement, or the Common Stock into which such shares are converted, are held by a Holder (in whose hands such shares of Common Stock are eligible to qualify as “qualified small business stock” as defined in Section 1202(c) of the Internal Revenue Code of 1986, as amended (the “Code”) (“**Qualified Small Business Stock**”), it will use commercially reasonable efforts to cause such shares of Series B Preferred Stock, or the Common Stock into which such shares are converted, to qualify as Qualified Small Business Stock. The Company shall submit to its stockholders (including the Investors) and to the Internal Revenue Service any reports that may be required under Section 1202(d)(1)(C) of the Code and the regulations promulgated thereunder. In addition, within twenty (20) business days after any Investor’s written request therefor, the Company shall, at its option, either (a) deliver to such Investor a written statement indicating whether (and what portion of) such Investor’s interest in the Company constitutes Qualified Small Business Stock or (b) deliver to such Investor such factual information in the Company’s possession as is reasonably necessary to enable such Investor to determine whether (and what portion of) such Investor’s interest in the Company constitutes Qualified Small Business Stock.

2.10 Future Stockholders Lock-Up. The Company shall use commercially reasonable efforts to cause all persons and entities who acquire securities of the Company representing at least one percent (1%) of the voting power of the then outstanding securities of the Company to become a party to and bound by market stand-off provisions substantially similar to those set forth in Section 1.12 hereof.

2.11 Employee Stock. Unless otherwise approved by the Board of Directors, all future employees of the Company who purchase, receive options to purchase, or receive awards of shares of the Company’s capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months. In addition, unless otherwise approved by the Board of Directors, the Company or its assignee (to the extent permitted under applicable securities laws and regulations) shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

2.12 Termination of Covenants. The covenants set forth in this Section 2 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the 1934 Act, or (iii) the merger or consolidation of the Company with or into another entity or the sale of substantially all of its assets or a majority of its capital stock, whichever event shall first occur.

### 3. Transfers of Securities by Investors.

3.1 Notice. If any Investor (the “**Transferor**”) proposes to sell, assign, hypothecate or otherwise transfer (a “**Transfer**”) any securities of the Company owned by such Investor from and

after the date of this Agreement, other than pursuant to the provisions of Section 3.6 of this Agreement, the Transferor shall first give each of the other Investors the right to purchase such securities by delivering to them a written offer which shall state the price and other terms and conditions of the proposed Transfer (the “**Offer**”). If the Transferor proposes to Transfer the securities for consideration other than solely cash and/or promissory notes, the offer to the Investors shall, to the extent of such consideration, permit each Investor to pay in lieu thereof, cash equal to the fair market value of such consideration, and the offer shall state the estimate of such fair market value as determined in good faith by the Board. The Transferor shall fix the period of the offer which shall be a minimum of twenty (20) days or such longer period as is necessary to determine the fair market value of the consideration referred to in the preceding sentence.

3.2 Acceptance of Offer. An Investor may accept an Offer (“**Purchasing Investor**”) only by giving written notice to the Transferor within fifteen (15) days of delivery of the Offer that such Purchasing Investor has accepted the offer to purchase some or all of the securities offered (the “**Accepted Securities**”); provided, however, that the maximum number or amount of securities a Purchasing Investor shall be entitled to purchase shall be equal to that number or amount of securities to be transferred multiplied by a fraction, the numerator of which shall be the number of Registrable Securities held (or deemed to be held) by such Purchasing Investor and the denominator of which shall be the aggregate number of Registrable Securities held (or deemed to be held) by all Investors, excluding the Transferor’s Registrable Securities. Notwithstanding the foregoing, any Purchasing Investor may, at the time it accepts the offer, subscribe to purchase any or all securities offered which may be available as a result of the rejection, or partial rejection, of the offer by other Investors, which securities shall be allocated on a pro rata basis among those Purchasing Investors subscribing to purchase them.

3.3 Allocation of Securities and Payment. Promptly following the expiration of an offer, the Transferor shall allocate the securities subscribed for among the Purchasing Investors accepting or partially accepting the offer, as set forth in Section 3.2, and shall by written notice (the “**Acceptance Notice**”) advise all Purchasing Investors of the number or amount of securities allocated to each of the Purchasing Investors. Within ten (10) days following receipt of the Acceptance Notice, each of the Purchasing Investors shall deliver to the Transferor payment in full for the Accepted Shares purchased by it against delivery by the Transferor to each Purchasing Investor of a certificate or certificates evidencing the Accepted Securities purchased by it.

3.4 Failure to Exercise. To the extent an Offer pursuant to Section 3.1 is not accepted by the other Investors, the Transferor may, for a period of ninety (90) days thereafter, transfer the unaccepted securities, or any of them, upon terms no more favorable than specified in such offer, to any Person or Persons; provided that such Person or Persons agrees in writing with the Company and the Investors, prior to and as a condition precedent to such Transfer, to be bound by all of the provisions of this Agreement.

3.5 Assignment. The right of first refusal set forth in this Section 3 may not be assigned or transferred, except that each Investor shall have the right to assign its rights to purchase such securities under this Section 3 to any partner, member, retired partner or member or affiliate of such Investor; provided such partner, member, retired partner or member or affiliate agrees in writing with the Company and the Investors, prior to and as a condition precedent to such assignment, to be bound by all of the provisions of this Agreement.

### 3.6 Permitted Transfers.

(a) Notwithstanding anything to the contrary contained herein, any Investor which is a partnership or limited liability company may transfer, without first offering any securities of the Company to any other Investor, all or any of its securities to a partner, limited partner, retired partner, member or retired member of such partnership or to the estate of any such partner, limited partner, retired partner, member or retired member or transfer by will or intestate succession to his or her spouse or to the siblings, lineal descendants or ancestors of such partner, limited partner, retired partner, member or retired member or his spouse or to an affiliate; provided such transferee agrees in writing with the Company and the Investors, prior to and as a condition precedent to such Transfer, to be bound by all of the provisions of this Agreement.

(b) Notwithstanding anything to the contrary contained herein, any Investor which is a corporation may transfer, without first offering any securities of the Company to any other Investor, all or any of its securities to any of its affiliates, provided such affiliate agrees in writing with the Company and the Investors, prior to and as a condition precedent to such Transfer, to be bound by all of the provisions of this Agreement.

(c) Notwithstanding anything to the contrary contained herein, any Investor who is an individual may Transfer, without first offering any securities of the Company to any other Investor, all or any of his securities to his spouse or his or his spouse's siblings, lineal descendants or ancestors, or to any trust for any of the foregoing or any entity that is an affiliate of such Investor; provided such transferee agrees in writing with the Company and the Investors, prior to and as a condition precedent to such Transfer, to be bound by all of the provisions of this Agreement.

(d) Notwithstanding anything to the contrary contained herein, any Investor may transfer, without first offering any securities of the Company to any other Investor, all or any of its securities to any other Investor.

(e) Termination. The right of first refusal granted under this Section 3 shall expire upon the effective date of the initial public offering of the Company and shall not be applicable to any shares sold pursuant thereto.

### 4. Miscellaneous.

4.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

4.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware without regard for conflicts of laws principles.

4.3 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

4.4 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 4.4).

4.5 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

4.6 Entire Agreement; Amendments and Waivers. This Agreement (including the exhibits hereto, if any) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect. Any term of this Agreement may be amended only with the written consent of the Company and the holders of at least a majority of the Registrable Securities then outstanding; provided that the Company may, in its sole discretion, waive compliance with Section 1.13(c); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 2.1 with respect to a particular transaction shall be deemed to apply to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities, each future holder of all such Registrable Securities, and the Company.

4.7 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Company's Preferred Stock after the date hereof, whether pursuant to the Purchase Agreement or otherwise, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

4.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision(s) shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

4.9 Aggregation of Stock. All shares of Registrable Securities held or acquired by affiliated entities (including affiliated venture capital funds) or Persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

4.10 Facsimile. An executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

4.11 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any party's part of any breach, default or noncompliance under the Agreement or any waiver on such party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

4.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**[Signature Page Follows]**



IN WITNESS WHEREOF, the parties have executed this Third Amended and Restated Investors' Rights Agreement as of the date first above written.

**TANDEM DIABETES CARE, INC.**

By: \_\_\_\_\_

Kim D. Blickenstaff  
Chief Executive Officer

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

DELPHI VENTURES VIII, L.P.

By: Delphi Management Partners VIII, LLC  
Its: General Partner

By: \_\_\_\_\_  
Name: Douglas A. Roeder  
Title: Managing Member

DELPHI BIOINVESTMENTS VIII, L.P.

By: Delphi Management Partners VIII, LLC  
Its: General Partner

By: \_\_\_\_\_  
Name: Douglas A. Roeder  
Title: Managing Member

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT**

**INVESTORS:**

HLM VENTURE PARTNERS II, L.P.

By: HLM Venture Associates II, L.L.C.  
Its: General Partner

By: \_\_\_\_\_  
Name:  
Title:

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT**

**INVESTORS:**

KEARNY VENTURE PARTNERS, L.P.

By:     Kearny Venture Associates, L.L.C.  
Its:     General Partner

By: \_\_\_\_\_  
Name:  
Title:

KEARNY VENTURE PARTNERS ENTREPRENEURS’  
FUND, L.P.

By:     Kearny Venture Associates, L.L.C.  
Its:     General Partner

By: \_\_\_\_\_  
Name:  
Title:

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT**

**INVESTORS:**

DOMAIN PARTNERS VII, L.P.

By: One Palmer Square Associates VII, L.L.C.  
Its: General Partner

By: \_\_\_\_\_  
Kathleen K. Schoemaker,  
Managing Member

DP VII ASSOCIATES, L.P.

By: One Palmer Square Associates VII, L.L.C.  
Its: General Partner

By: \_\_\_\_\_  
Kathleen K. Schoemaker,  
Managing Member

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

TPG BIOTECHNOLOGY PARTNERS III, L.P.

By: TPG Biotechnology GenPar III, L.P.

Its: General Partner

By: TPG Biotechnology GenPar III Advisors,  
LLC

Its: General Partner

By: \_\_\_\_\_

Ronald Cami,  
Vice President

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**INVESTOR:**

The Perrone Living Trust

By: \_\_\_\_\_

Arthur D. Perrone, Jr., Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

**Allen Family Trust dated 10/12/81**

By: \_\_\_\_\_  
Dick Allen, Trustee

**Cornerstone Ventures**

By: \_\_\_\_\_  
Dick Allen, Managing Partner

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**



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**INVESTORS:**

**Allen Family Trust, dated June 1, 2012**

By: \_\_\_\_\_  
Bill L. Allen, Trustee

By: \_\_\_\_\_  
Mary L. Allen, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

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Michael R. Chase

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**INVESTORS:**

**The Lortie Community Property Trust dated 11/6/90**

By: \_\_\_\_\_  
Warren H. Lortie, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

**Torres Living Trust, dated August 26, 1994**

By: \_\_\_\_\_

Guillermo M. Torres, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

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Paul DiPerna

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

**Beall Family Trust, U/D/T dated 11/29/85**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT**

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**INVESTORS:**

**Kim Blickenstaff Revocable Trust dated April 15, 2010**

By: \_\_\_\_\_

Kim D. Blickenstaff

Trustee

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**INVESTORS:**

**Chonette Trust**

By: \_\_\_\_\_

David W. Chonette, Trustee

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**INVESTORS:**

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Philip S. Paul

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**INVESTORS:**

**Philip S. Paul Investments, LLC**

By: \_\_\_\_\_

Philip S. Paul, Managing Partner

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

**Michael and Carolyn Balaban Family Trust, dated 4/3/87**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**INVESTORS:**

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Perry Altshule

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Nancy Dee Altshule

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**INVESTORS:**

---

Forrest D. Smith

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**INVESTORS:**

**Davisson Family Trust, u/a dated 11/29/94**

By: \_\_\_\_\_

Roger C. Davisson, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

**Greene Family Trust**

By: \_\_\_\_\_  
Howard E. Greene, Jr., Trustee

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**INVESTORS:**

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John H. Livingston

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Bonnie R. Livingston

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**INVESTORS:**

**Jay S. Skyler Trust**

By: \_\_\_\_\_

Jay S. Skyler, Trustee

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**INVESTORS:**

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Larry T. Smith

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**INVESTORS:**

**Barbara P. Freeman Trust, dated September 15, 1981**

By: \_\_\_\_\_

Barbara P. Freeman, Trustee

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**INVESTORS:**

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Salvatore Lettieri

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**INVESTORS:**

**Wischmeyer Family Trust 05-24-00**

By: \_\_\_\_\_  
Thomas C. Wischmeyer, Trustee

By: \_\_\_\_\_  
Mary F. Wischmeyer, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

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Jerilyn A. Delzell

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**INVESTORS:**

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Geoffrey A. Kruse

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**INVESTORS:**

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Bret R. Henning

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**INVESTORS:**

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Susan M. Morrison

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**INVESTORS:**

**John Cajigas and Mary E. Cajigas Family Trust, dated  
8/11/2005**

By: \_\_\_\_\_  
John Cajigas, Co-Trustee

By: \_\_\_\_\_  
Mary E. Cajigas, Co-Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

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Mark Williamson

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Carolyn Williamson

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**INVESTORS:**

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Michael A. Whittaker

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**INVESTORS:**

**The Berger Family Trust dated April 16, 2008**

By: \_\_\_\_\_

David B. Berger, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

**Christopher R. Hibberd & Avril L. Hibberd Family Trust**

By: \_\_\_\_\_  
Christopher R. Hibberd, Trustee

By: \_\_\_\_\_  
Avril L. Hibberd, Trustee

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**INVESTORS:**

**Nadine E. Padilla Trust dated July 15, 2008**

By: \_\_\_\_\_

Nadine E. Padilla, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

**Kenneth F. Buechler Trust, dated September 24, 2007**

By: \_\_\_\_\_

Kenneth F. Buechler, Trustee

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**INVESTORS:**

**Christopher J. Twomey and Rebecca J. Twomey Family  
Trust U.T.D. September 20, 2002**

By: \_\_\_\_\_  
Christopher J. Twomey, Co-Trustee

By: \_\_\_\_\_  
Rebecca J. Twomey, Co-Trustee

**Twomey Family Investments, LLC**

By: \_\_\_\_\_  
Christopher J. Twomey, Co-Manager

By: \_\_\_\_\_  
Rebecca J. Twomey, Co-Manager

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**INVESTORS:**

**Michael B. Wilkes and Penelope F. Wilkes Joint Trust U-  
ADTD February 20, 1997**

By: \_\_\_\_\_  
Michael B. Wilkes, Co-Trustee

By: \_\_\_\_\_  
Penelope F. Wilkes, Co-Trustee

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**INVESTORS:**

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J. Neil Kazan

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

**Second Technology Capital Investors, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS’ RIGHTS AGREEMENT**

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**INVESTORS:**

---

Loren D. Blickenstaff

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

**Loren D. Blickenstaff IRA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**INVESTORS:**

**Kathryn O. Blickenstaff IRA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**INVESTORS:**

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Rita Blickenstaff

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**



**INVESTORS:**

**Mountain West IRA, Inc. FBO Richard Blickenstaff IRA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**INVESTORS:**

**C. Patrick Machado Revocable Trust dated April 27, 2010**

By: \_\_\_\_\_

C. Patrick Machado, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

**Dotzler Family Trust UDT dated August 9, 2001**

By: \_\_\_\_\_  
Frederick J. Dotzler, Trustee

By: \_\_\_\_\_  
Cassandra L. Dotzler, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**INVESTORS:**

**The Board of Trustees of the Leland Stanford Junior  
University (DAPER I)**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**INVESTORS:**

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Stephen J. Saunders

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**INVESTORS:**

**Lonnie M. Smith TDC GRAT dated 3/5/13**

By: The Trust Company of Oxford

Its: Trustee

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

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Scott Blickenstaff

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**INVESTORS:**

---

Eileen Favorite

---

Martin Perdoux

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**INVESTORS:**

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Janet Elaine England

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**INVESTORS:**

---

Toni Nessi

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---

**INVESTORS:**

---

Erik T. Verhoef

---

Maria S. Verhoef

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**INVESTORS:**

---

Steven Sabicer

---

Amanda Sabicer

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**SCHEDULE A**

**LIST OF INVESTORS**

Delphi Ventures VIII, L.P.

Delphi BioInvestments VIII, L.P.

HLM Venture Partners II, L.P.

Kearny Venture Partners, L.P.

Kearny Venture Partners Entrepreneurs' Fund, L.P.

Domain Partners VII, L.P.

DP VII Associates, L.P.

TPG Biotechnology Partners III, L.P.

Allen Family Trust dated 10/12/81

Cornerstone Ventures

Allen Family Trust, dated June 1, 2012

Michael R. Chase

The Lortie Community Property Trust dated 11/6/90

Philip S. Paul

Philip S. Paul Investments, LLC

Michael and Carolyn Balaban Family Trust, dated 4/3/87

Perry and Nancy Dee Altshule

Forrest D. Smith

Torres Living Trust, dated August 26, 1994

The Perrone Living Trust

Paul DiPerna

Second Technology Capital Investors, LLC

Beall Family Trust, U/D/T dated 11/29/85

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Kim D. Blickenstaff

Chonette Trust

Davisson Family Trust, u/a dated 11/29/94

Greene Family Trust

John H. Livingston and Bonnie R. Livingston, husband and wife as community property

Jay S. Skyler Trust

Larry T. Smith

Barbara P. Freeman Trust, dated September 15, 1981

Salvatore Lettieri

Wischmeyer Family Trust 05-24-00

Jerilyn A. Delzell

Geoffrey A. Kruse

Bret R. Henning

Susan M. Morrison

John Cajigas and Mary E. Cajigas Family Trust, dated 8/11/2005

Mark Williamson and Carolyn Williamson

Michael A. Whittaker

The Berger Family Trust dated April 16, 2008

Christopher R. Hibberd & Avril L. Hibberd Family Trust

Nadine E. Padilla Trust dated July 15, 2008

Kenneth F. Beuchler Trust, dated September 24, 2007

Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002

Michael B. Wilkes and Penny F. Wilkes Joint Trust U-ADTD February 20, 1997



THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

#### WARRANT TO PURCHASE STOCK

|                          |                                                                                                                                                                                                                              |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Company:</b>          | <b>TANDEM DIABETES CARE, INC.</b>                                                                                                                                                                                            |
| <b>Number of Shares:</b> | <b>136,364 (Subject to Section 1.7)</b>                                                                                                                                                                                      |
| <b>Series of Stock:</b>  | <b>Series C Preferred Stock (Subject to Section 1.7)</b>                                                                                                                                                                     |
| <b>Warrant Price:</b>    | <b>\$2.20 per share (Subject to Section 1.7)</b>                                                                                                                                                                             |
| <b>Issue Date:</b>       | <b>March 13, 2012</b>                                                                                                                                                                                                        |
| <b>Expiration Date:</b>  | <b>March 13, 2022 (See also Section 5.1(b))</b>                                                                                                                                                                              |
| <b>Credit Facility:</b>  | This Warrant to Purchase Stock (“ <b>Warrant</b> ”) is issued in connection with that certain Loan and Security Agreement of even date herewith between Silicon Valley Bank and the Company (the “ <b>Loan Agreement</b> ”). |

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, SILICON VALLEY BANK (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, “**Holder**”) is entitled to purchase the number of fully paid and non-assessable shares (the “**Shares**”) of the above-stated Series of Stock (the “**Class**”) of the above-named company (the “**Company**”) at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. Reference is made to Section 5.4 of this Warrant whereby Silicon Valley Bank shall transfer this Warrant to its parent company, SVB Financial Group.

#### SECTION 1. EXERCISE.

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

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

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

where:



- X = the number of Shares to be issued to the Holder;
- Y = the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the Aggregate Warrant Price);
- A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and
- B = the Warrant Price.

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

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

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

1.6 **Treatment of Warrant Upon Acquisition of Company.**

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "Cash/Public Acquisition"), either (i) Holder shall exercise this Warrant pursuant to Section 1.1 and/or 1.2 and such exercise will be deemed effective immediately prior to and contingent upon the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire immediately prior to the consummation of such Acquisition and be of no further force or effect.

(c) The Company shall provide Holder with written notice of its request relating to the Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Cash/Public Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of the proposed Cash/Public Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon such exercise to the Holder and Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof.

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

(e) Notwithstanding any of the foregoing, in the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of equity securities of an acquirer which are not publicly traded, and with respect to which (i) Holder elects not to exercise this Warrant and (ii) the acquirer refuses to assume the obligations of this Warrant despite the Company's commercially reasonable efforts to cause the acquirer to assume the obligations of this Warrant, then the Company shall be permitted, at the Company's sole option, to cause this Warrant to expire upon the consummation of such Acquisition and be of no further force or effect by paying to Holder the amount of Three Hundred Thousand Dollars (\$300,000) on or before the consummation of such Acquisition.

(f) As used in this Warrant, "Marketable Securities" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded on a Trading Market, and (iii) Holder would be able to publicly re-sell, within six (6) months following the closing of such Acquisition, all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise this Warrant in full on or prior to the closing of such Acquisition.

1.7 Adjustment to Class of Shares; Number of Shares; Warrant Price: Adjustments Cumulative. In the event of an equity financing after the Issue Date the gross proceeds of which equal at

least Five Million Dollars (\$5,000,000) (the “**Next Round**”), if the price per share (the “**Next Round Price**”) of Company’s preferred stock issued in the Next Round (the “**Next Round Stock**”) is less than the Warrant Price, Holder shall have the right, in Holder’s sole discretion, to elect to treat this Warrant as (and this Warrant shall be deemed automatically upon such election to be) exercisable for shares of the Next Round Stock at the Next Round Price (with the number of such shares subject of this Warrant automatically adjusted to equal (i) the aggregate Number of Shares for which this Warrant is then exercisable (as adjusted hereunder, but before giving effect to this Section 1.7) multiplied by (ii) the quotient of (x) the Warrant Price divided by (y) the Next Round Price). The Shares for which this Warrant is exercisable upon such election, if at all, shall bear the same rights, preferences, and privileges of such Next Round Stock. Company shall provide Holder no less than fifteen (15) days’ written notice prior to any sale of Next Round Stock. The adjustment provided for in this Section 1.7 shall only apply to the next equity financing that occurs after the Issue Date and shall not apply to any other financing. Any adjustment to the Class of Shares, Number of Shares and/or Warrant Price made as a result of this Section 1.7 shall be in addition to any adjustment(s) to be made in accordance with Section 2 hereof.

1.8 Holder’s Obligation to Execute Voting Agreement. Upon exercise of this Warrant, at the request of the Company, Holder agrees to become a party to that certain Second Amended and Restated Voting Agreement, dated as of May 18, 2009, by and among the Company and certain of the Company’s stockholders, as the same may be amended from time to time, or similar agreement.

## SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

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

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

2.3 Conversion of Preferred Stock. If the Class is a class and series of the Company’s convertible preferred stock, in the event that all outstanding shares of the Class are converted, automatically or by action of the holders thereof, into common stock pursuant to the provisions of the Company’s Certificate of Incorporation, including, without limitation, in connection with the Company’s initial, underwritten public offering and sale of its common stock pursuant to an effective registration statement under the Act (the “**IPO**”), then from and after the date on which all outstanding shares of the Class have been so converted, this Warrant shall be exercisable for such number of shares of common stock into which the Shares would have been converted had the Shares been outstanding on the date of

such conversion, and the Warrant Price shall equal the Warrant Price in effect as of immediately prior to such conversion divided by the number of shares of common stock into which one Share would have been converted, all subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant.

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

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

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

### SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

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

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

(b) All Shares, when issued and delivered and paid for in compliance with the provisions of this Warrant, and all securities, if any, issuable upon conversion of the Shares in compliance with the provisions of the Company's Certificate of Incorporation, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class, common stock and other securities as will be sufficient to permit the exercise in full of this Warrant and the conversion of the Shares into common stock or such other securities.

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

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

- (a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;
- (b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);
- (c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class;
- (d) effect an Acquisition or to liquidate, dissolve or wind up; or
- (e) effect an IPO;

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

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

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

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

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

#### SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

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

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this

Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

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

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

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

4.6 Market Stand-off Agreement. The Holder agrees that the Shares shall be subject to the provisions in Section 1.12 of that certain Second Amended and Restated Investors' Rights Agreement, dated as of May 18, 2009, by and among the Company and certain of the Company's stockholders, as may be amended from time to time, or similar agreement.

4.7 No Stockholder Rights. Except as provided by this Warrant, Holder, as a Holder of this Warrant, will not have any rights as a stockholder of the Company until the exercise of this Warrant.

## SECTION 5. MISCELLANEOUS.

### 5.1 Term and Automatic Conversion Upon Expiration.

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

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

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

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**ACT**”), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO SILICON VALLEY BANK DATED MARCH , 2012, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

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

5.4 Transfer Procedure. After receipt by Silicon Valley Bank of the executed Warrant, Silicon Valley Bank will transfer all of this Warrant to its parent company, SVB Financial Group. By its acceptance of this Warrant, SVB Financial Group hereby makes to the Company each of the representations and warranties set forth in Section 4 hereof and agrees to be bound by all of the terms and conditions of this Warrant as if the original Holder hereof. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee other than SVB Financial Group shall agree in writing with the Company to be bound by all of the terms and conditions of this Warrant. Notwithstanding any contrary provision herein, at all times prior to the IPO, Holder may not, without the Company’s prior written consent, transfer this Warrant or any portion hereof, or any Shares issued upon any exercise hereof, or any shares or other securities issued upon any conversion of any Shares issued upon any exercise hereof, to any person or entity who directly competes with the Company, except in connection with an Acquisition of the Company by such a direct competitor.

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the

recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB FINANCIAL GROUP  
Attn: Treasury Department  
3003 Tasman Drive, HC 215  
Santa Clara, CA 95054  
Telephone: (408) 654-7400  
Facsimile: (408) 988-8317  
Email address: derivatives@svb.com

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

TANDEM DIABETES CARE, INC.  
Attn: Chief Financial Officer  
11045 Roselle Street, Suite 200  
Telephone: (858) 366-6900  
Facsimile: (858) 362-7070  
Email: jcajigas@tandemdiabetes.com

With a copy to:

Bruce Feuchter  
Stradling Yocca Carlson & Rauth  
660 Newport Center Drive, Suite 1600  
Newport Beach, California 92660  
Telephone: (949) 725-4054  
Facsimile: (949) 725-4100  
Email: bfeuchter@sycr.com

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

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

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

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



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

5.11 Business Days. “**Business Day**” is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

*[Balance of Page Intentionally Left Blank]*

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

“COMPANY”

TANDEM DIABETES CARE, INC.

By: /s/ John Cajigas  
Name: John Cajigas  
(Print)  
Title: CFO

“HOLDER”

SILICON VALLEY BANK

By: /s/ R Michael White  
Name: R Michael White  
(Print)  
Title: SRM

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right to purchase \_\_\_\_\_ shares of the Common/Series \_\_\_\_\_ Preferred [circle one] Stock of TANDEM DIABETES CARE, INC. (the “Company”) in accordance with the attached Warrant To Purchase Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

- ☐ check in the amount of \$ \_\_\_\_\_ payable to order of the Company enclosed herewith
- ☐ Wire transfer of immediately available funds to the Company’s account
- ☐ Cashless Exercise pursuant to Section 1.2 of the Warrant
- ☐ Other [Describe] \_\_\_\_\_

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

\_\_\_\_\_  
Holder’s Name

\_\_\_\_\_

\_\_\_\_\_  
(Address)

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

HOLDER:

\_\_\_\_\_

By:

Name:

Title:

Date:

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SCHEDULE 1

Company Capitalization Table

See attached

Schedule 1

NEITHER THIS WARRANT (AS DEFINED BELOW) NOR ANY SECURITIES THAT MAY BE ISSUED UPON EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR OTHERWISE QUALIFIED UNDER ANY STATE SECURITIES LAW. NEITHER THIS WARRANT NOR ANY SUCH SECURITIES MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND REGISTRATION OR OTHER QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY (AS DEFINED BELOW), THAT SUCH REGISTRATION OR OTHER QUALIFICATION IS NOT REQUIRED.

**TANDEM DIABETES CARE, INC.  
PREFERRED STOCK WARRANT**

This Preferred Stock Warrant (this “Warrant”) is issued as of \_\_\_\_\_, 201\_\_ (the “Issuance Date”), in connection with that certain Convertible Promissory Note dated as of even date herewith, in the initial principal amount of \_\_\_\_\_ and \_\_\_\_\_/100 Dollars (\$ \_\_\_\_\_) (the “Note”), which was delivered by Tandem Diabetes Care, Inc., a Delaware corporation (the “Company”), to \_\_\_\_\_ (the “Holder”) according to the terms of that certain Note and Warrant Purchase Agreement, dated as of even date herewith, by and between the Company and the investors party thereto (the “Purchase Agreement”), pursuant to which the Holder subscribed to purchase the Note and this Warrant. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

1. Number of Shares; Exercise Price. Subject to the terms and conditions set forth herein, the Holder is entitled, upon surrender of this Warrant at the principal office of the Company (or at such other place as the Company identifies in a written notice delivered to the Holder), to purchase from the Company a number of shares of the Company’s capital stock as follows:

(a) in the event of a Qualified Financing, to purchase from the Company up to the number of fully paid and nonassessable shares of Qualified Securities sold in such Qualified Financing that equals the quotient obtained by dividing (i) the aggregate Warrant Coverage Amount (as defined below) by (ii) the applicable Exercise Price (as defined below); or

(b) prior to the Qualified Financing, to purchase from the Company up to the number of fully paid and nonassessable shares of Series C Preferred Stock that equals the quotient obtained by dividing (i) the aggregate Warrant Coverage Amount by (ii) the applicable Exercise Price.

(c) The shares of either Qualified Securities or Series C Preferred Stock, as the case may be, that are issuable pursuant to this Section 1 (the “Shares”) also shall be subject to adjustment pursuant to Section 6 hereof.

(d) For purposes of this Warrant, the “Warrant Coverage Amount” shall mean forty percent (40%) of the original principal amount of the Note.

(e) The per share purchase price for the Shares shall be (i) in the case of Qualified Securities, the per share purchase price of Qualified Securities issued in a Qualified Financing or (ii) in the case of Series C Preferred Stock, \$44.00 per share. In each case, such price shall be subject to adjustment pursuant to Section 6 hereof. Such purchase price, as adjusted from time to time, is referred to herein as the “Exercise Price.”

2. **Exercise Period.** This Warrant is exercisable as to the Shares covered hereby during the period commencing on the Issuance Date and continuing until 5:00 p.m. Pacific Time on the date which is ten (10) years following the Issuance Date, at which time this Warrant shall expire (the “Expiration Date”). Notwithstanding anything else to the contrary contained herein, should a Change of Control occur after the issuance of this Warrant and before the Expiration Date, then this Warrant shall be exercisable as to the Shares covered hereby as of immediately prior to the consummation of such Change of Control.

3. **Method of Exercise.**

3.1 **Cash Exercise.** Subject to Sections 1 and 2 above, the Holder may exercise, in whole or in part, the purchase rights evidenced by this Warrant. Such exercise shall be effected by: (i) the surrender of this Warrant, together with a duly executed copy of the form of exercise notice attached hereto as Annex I (the “Exercise Notice”), to the secretary of the Company at its principal office, accompanied by (ii) the payment to the Company by cash, check or wire transfer of an amount equal to the product of (A) the Exercise Price multiplied by (B) the number of Shares being purchased (such product, the “Purchase Price”).

3.2 **Net Issuance.** In lieu of payment of the Purchase Price described in Section 3.1 above, the Holder may elect to receive, without the payment by the Holder of any additional consideration, Shares equal to the value of this Warrant or any portion hereof, by the surrender of this Warrant or such portion to the Company, with the Exercise Notice duly executed and so signifying the net issuance election, to the secretary of the Company at its principal office. Thereupon, the Company shall issue to the Holder such number of fully paid and nonassessable Shares as is computed using the following formula:

where: 
$$X = \frac{Y (A-B)}{A}$$

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

Y = the number of Shares covered by this Warrant in respect of which the net issuance election is made.

A = the “fair market value” of one Share, as determined in accordance with the provisions of this Section 3 as of the date of calculation.

B = the Exercise Price in effect under this Warrant at the time the net issuance election is made.

For purposes of this Section 3, the “fair market value” per Share shall be determined as follows:

(a) if traded on a securities exchange, the fair market value shall be deemed to be the average of the closing prices of the Shares on such exchange over the 30-day period ending three days prior to the closing of such transaction;

(b) if actively traded over-the-counter, the fair market value shall be deemed to be the average of the closing bid prices of the Shares over the 30-day period ending three days prior to the closing of such transaction; or

3.3 if there is no active public market for the Shares, the fair market value shall be determined in good faith by the Board of Directors of the Company.

4. Certificates for Shares. Upon the exercise of the purchase rights evidenced by this Warrant, one or more certificates for the number of Shares so purchased shall be issued and delivered to the Holder as soon as practicable thereafter. Upon any partial exercise of this Warrant, the Company shall forthwith issue and deliver to the Holder a new warrant or warrants of like tenor as this Warrant for the remaining portion of the Shares for which this Warrant may still be exercised.

5. Issuance of Shares.

5.1 The Company covenants that the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully-paid and non-assessable and free from all taxes, liens, and charges with respect to the issuance thereof (except for any applicable transfer taxes, which shall be paid by the Holder).

5.2 Any shares of Common Stock of the Company issuable or issued upon conversion of the Shares shall be deemed to be "Registrable Securities" for the purposes of the Second Amended and Restated Investors' Rights Agreement, dated May 18, 2009, by and among the Company and the investors party thereto, as amended. In addition, the Shares shall also be subject to the terms of the Second Amended and Restated Voting Agreement, dated May 18, 2009, by and among the Company and the other parties thereto, as amended.

6. Adjustment of Exercise Price and Number of Shares. The number of and kind of Shares purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

6.1 Subdivisions, Combinations and Other Issuances. If the Company shall at any time or from time to time prior to the Expiration Date subdivide shares of Common Stock, by forward stock split or otherwise, or combine such shares, or issue additional such shares as a dividend with respect to any such shares, the number of Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case of a subdivision or stock dividend, or proportionately decreased in the case of a combination. Appropriate adjustments shall also be made to the Exercise Price payable per Share, but the Purchase Price payable for the total number of Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 6.1 shall become effective as of the record date of such subdivision, combination, dividend, or other distribution, or in the event that no record date is fixed, upon the making of such subdivision, combination or dividend.

6.2 Merger, Consolidation, Reclassification, Reorganization, Etc. In case of any change in the Shares prior to the Expiration Date (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6.1 above), whether through merger, consolidation, reclassification, reorganization, partial or complete liquidation, purchase of substantially all the assets of the Company, or other change in the capital structure of the Company, then, as a condition of such change, lawful and adequate provision will be made so that the Holder will have the right thereafter to receive upon the exercise of the Warrant the kind and amount of shares of stock or other securities or property to which he would have been entitled if, immediately prior to such event, he had held the number of Shares obtainable upon the exercise of the Warrant. In any such case, appropriate adjustment will be made in the application of the provisions set forth herein with respect to the rights and interest thereafter of the Holder, to the end that the provisions set forth herein will thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the exercise of the Warrant. The Company will not permit any change in its capital structure to occur unless

the issuer of the shares of stock or other securities to be received by the Holder, if not the Company, agrees to be bound by and comply with the provisions of this Warrant.

7. Further Limitations on Disposition. The Holder agrees not to dispose of all or any portion of the Shares unless and until there is then in effect a registration statement under the Securities Act of 1933, as amended (the “Act”) covering such proposed disposition and such disposition is made in accordance with such registration statement, or (a) the Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (b) if reasonably requested by the Company, the Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such Shares under the Act.

8. No Fractional Shares. Notwithstanding any provisions to the contrary in this Warrant, the Company shall not be required to issue certificates representing fractional Shares, but may instead make a payment in cash based on the fair market value of the Company’s Shares as determined in good faith by the Company’s Board of Directors.

9. No Rights as Shareholders. Prior to the exercise of this Warrant, the Holder shall not be entitled to any rights of a shareholder of the Company, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any pre-emptive rights, and the Holder shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein or as otherwise agreed.

10. Loss, Etc. of Warrant. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and of indemnity reasonably satisfactory to the Company if lost, stolen or destroyed, and upon surrender and cancellation of this Warrant if mutilated, and upon reimbursement of the Company’s reasonable incidental expenses, the Company shall execute and deliver to the Holder a new Warrant of like date, tenor and denomination.

11. Miscellaneous.

11.1 Further Acts. Each of the parties hereto agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Warrant.

11.2 Notices. Unless otherwise provided, all notices and other communications required or permitted under this Warrant shall be in writing and shall be mailed by United States first-class mail, postage prepaid, sent by facsimile or delivered personally by hand or by a nationally recognized courier addressed to the party to be notified at the address or facsimile number indicated for such person in the Purchase Agreement, or at such other address or facsimile number as such party may designate by ten (10) days’ advance written notice to the other parties hereto. All such notices and other written communications shall be effective on the date of mailing, confirmed facsimile transfer or delivery.

11.3 Amendments. This Warrant may be amended, modified or terminated and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by the Company and the Holders holding Warrants issued under the Purchase Agreement with the right to purchase a majority of the Shares under all the Warrants issued under the Purchase Agreement (as determined based upon the date of such amendment). Any amendment, modification, termination or waiver so effected shall be binding upon the Company, the Holders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification, termination



or waiver. The Company shall give prompt written notice of any amendment, modification or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, modification, termination or waiver. No waivers of or exceptions to any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

11.4 Transferability. Subject to compliance with applicable federal and state securities laws and any other contractual restrictions between the Company and the Holder, this Warrant and all rights hereunder are transferable in whole or in part by the Holder upon written notice to the Company. Within a reasonable time after the Company's receipt of an executed instrument of assignment, in form and substance reasonably acceptable to the Company, the transfer shall be recorded on the books of the Company upon the surrender of this Warrant, properly endorsed, to the Company at its principal offices, and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. In the event of a partial transfer, the Company shall issue to the new holders one or more appropriate new warrants. Any attempted transfer or assignment of this Warrant (or any portion thereof) not complying with this Section 11.4 shall be null and void.

11.5 Headings; References. The headings of sections contained in this Warrant are included herein for reference purposes only, solely for the convenience of the parties hereto, and shall not in any way be deemed to effect the meaning, interpretation or applicability of this Warrant or any term, condition or provision hereof.

11.6 Successors and Assigns. All of the covenants, stipulations, promises, and agreements in this Warrant shall bind and inure to the benefit of the parties' respective successors and assigns, whether so expressed or not.

11.7 Applicable Law. This Warrant shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents entered into and to be performed entirely within Delaware.

11.8 Attorneys' Fees. In the event that any party to this Warrant shall commence any suit, action, arbitration or other proceeding to interpret this Warrant, or to determine or enforce any right or obligation created hereby, including but not limited to any action for rescission of this Warrant or for a determination that this Warrant is void or ineffective *ab initio*, the prevailing party in such action shall recover such party's reasonable costs and expenses incurred in connection therewith, including reasonable attorneys' fees and costs of appeal, if any. Any court, arbitrator or panel of arbitrators shall, in entering any judgment or making any award in any such suit, action, arbitration or other proceeding, in addition to any and all other relief awarded to such prevailing party, include in such judgment or award such party's costs and expenses as provided in this Section 11.8.

11.9 Entire Agreement. The terms and provisions of the Loan Documents (as defined in the Purchase Agreement) supersede all written and oral agreements and representations made by or on behalf of the Company. The Loan Documents contain the entire agreement of the parties.

11.10 Severability. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

11.11 Execution and Counterparts. This Warrant may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such

counterparts together shall constitute only one instrument. Any one of such counterparts shall be sufficient for the purpose of proving the existence and terms of this Warrant, and no party shall be required to produce an original or all of such counterparts in making such proof.

11.12 Payments. Payments under this Warrant shall be due and payable in lawful money of the United States of America in funds which are or will be available for next business day use by the Company.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

**COMPANY:**  
  
**TANDEM DIABETES CARE, INC.,**  
**a Delaware corporation**

By: \_\_\_\_\_  
Kim Blickenstaff  
Chief Executive Officer

**HOLDER:**  
  
\_\_\_\_\_  
  
By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SIGNATURE PAGE TO WARRANT**

**ANNEX I**

**NOTICE OF EXERCISE**

TO:

1. The undersigned Warrantholder (“**Holder**”) elects to acquire the Shares of Tandem Diabetes Care, Inc. (the “**Company**”), pursuant to the terms of the Warrant dated \_\_\_\_\_, 201\_\_\_\_ (the “**Warrant**”).

2. The Holder exercises its rights under the Warrant as set forth below:

- ☐ The Holder elects to purchase \_\_\_\_\_ Shares as provided in Section 3.1 and tenders herewith a check in the amount of \$ \_\_\_\_\_ as payment of the Purchase Price.
- ☐ The Holder elects to net issue exercise the Warrant for Shares as provided in Section 3.2 of the Warrant.

3. The Holder surrenders the Warrant with this Notice of Exercise.

4. The Holder represents that it is acquiring the aforesaid Shares for investment and not with a view to, or for resale in connection with, distribution and that the Holder has no present intention of distributing or reselling the shares unless in compliance with all applicable federal and state securities laws.

5. Please issue a certificate representing the Shares in the name of the Holder or in such other name as is specified below:

Name:

Address:

Taxpayer

I.D.:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

ANNEX II

## LEASE AGREEMENT

THIS LEASE AGREEMENT (this “**Lease**”) is made this 7th day of March, 2012, between **ARE-11025/11075 ROSELLE STREET, LLC**, a Delaware limited liability company (“**Landlord**”), and **TANDEM DIABETES CARE, INC.**, a Delaware corporation (“**Tenant**”).

**Address:** 11025, 11035 and 11045 Roselle Street, San Diego, California.

**Premises:** That certain portion of the Project consisting of (i) a building containing approximately 18,705 rentable square feet (“**11025 Building**”), (ii) a building containing approximately 17,590 rentable square feet (“**11035 Building**”), and (iii) a building containing approximately 30,147 rentable square feet (“**11045 Building**”). The 11025 Building, the 11035 Building and the 11045 Building are all as shown on **Exhibit A**. The 11025 Building, the 11035 Building and the 11045 Building are collectively referred to herein as the “**Buildings**”.

**Project:** The real property on which the Buildings are located, together with all improvements thereon and appurtenances thereto as described on **Exhibit B**.

**Base Rent:** As provided in the schedule shown on **Exhibit K**

**Rentable Area of Premises:** 66,442 sq. ft.

**Rentable Area of Project:** 66,442 sq. ft.

**Tenant’s Share of Operating Expenses:** 100%

**Security Deposit:** \$375,000

**Base Term:** Beginning on the Commencement Date and ending on May 31, 2017.

**Permitted Use:** Manufacturing of ambulatory pumps and related accessories, research and development, sales, marketing, related office and other related uses consistent with the character of the Project and otherwise in compliance with the provisions of Section 7 hereof.

**Address for Rent Payment:**  
c/o Arco Plaza Station  
P.O. Box 711029  
Los Angeles, California 90071

**Landlord’s Notice Address:**  
385 E. Colorado Boulevard, Suite 299  
Pasadena, CA 91101  
Attention: Corporate Secretary

**Tenant’s Notice Address:**  
11045 Roselle Street, Suite 200  
San Diego, California 92121  
Attention: Kim D. Blickenstaff

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

☒ **EXHIBIT A** - PREMISES DESCRIPTION  
☒ **EXHIBIT C-1** - 11025 BUILDING WORK LETTER  
☒ **EXHIBIT D** - COMMENCEMENT DATE  
☒ **EXHIBIT E** - RULES AND REGULATIONS  
☒ **EXHIBIT G** - HAZARDOUS MATERIALS LIST

☒ **EXHIBIT B** - DESCRIPTION OF PROJECT  
☒ **EXHIBIT C-2** - BUILDING 11045 ADDITIONAL PREMISES WORK LETTER  
☒ **EXHIBIT F** - TENANT’S PERSONAL PROPERTY  
☒ **EXHIBIT H** - ASBESTOS DISCLOSURE



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☒ **EXHIBIT I** - BUILDING 11025 SPACE PLAN  
☒ **EXHIBIT K** - BASE RENT SCHEDULE  
☒ **EXHIBIT L** - BACK-UP GENERATOR LOCATIONS

☒ **EXHIBIT J** - BUILDING 11045 ADDITIONAL  
PREMISES SPACE PLAN

1. **Lease of Premises.** Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. The portions of the Project which are for the non-exclusive use of tenants of the Project are collectively referred to herein as the “**Common Areas**.” Landlord grants Tenant the non-exclusive right to use the Common Areas during the Term. Landlord reserves the right to modify Common Areas, provided that such modifications do not materially and adversely affect Tenant’s access to or use and enjoyment of the Premises for the Permitted Use or reduce the number of parking spaces available for Tenant’s use other than on a temporary basis.

2. **Delivery; Acceptance of Premises; Commencement Date.**

(a) **11025 Building.** The “**11025 Building Commencement Date**” shall be the earlier of (i) the date that Landlord delivers the 11025 Building to Tenant with Landlord’s Work in the 11025 Building Substantially Completed (“**Delivery**” or “**Deliver**”), or (ii) the date Landlord could have Delivered the 11025 Building but for Tenant Delays. Landlord shall use reasonable efforts to Deliver the 11025 Building to Tenant on or before June 1, 2012. If Landlord fails to timely Deliver the 11025 Building, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable. As used in this Section 2(a), the terms “**Landlord’s Work**,” “**Tenant Delays**” and “**Substantially Completed**” shall have the meanings set forth for such terms in the 11025 Building Work Letter attached to this Lease as **Exhibit C-1**.

Except as set forth in the Building 11025 Work Letter: (i) Tenant shall accept the 11025 Building in its condition as of the 11025 Building Commencement Date, subject to all applicable Legal Requirements (as defined in Section 7 hereof); (ii) Landlord shall have no obligation for any defects in the 11025 Building; and (iii) Tenant’s taking possession of the 11025 Building shall be conclusive evidence that Tenant accepts the 11025 Building and that the 11025 Building was in good condition at the time possession was taken. Any occupancy of the 11025 Building by Tenant before the 11025 Building Commencement Date shall be subject to all of the terms and conditions of this Lease.

Except as provided in the 11025 Building Work Letter, for the period of 90 consecutive days after the 11025 Building Commencement Date, Landlord shall, at its sole cost and expense (which shall not constitute an Operating Expense), be responsible for any repairs that are required to be made to the MEP and HVAC systems serving the 11025 Building, unless Tenant or any Tenant Party was responsible for the cause of such repair, in which case Tenant shall pay the cost.

(b) **11035 Building.** The “**11035 Building Commencement Date**” shall be the date of this Lease. Landlord and Tenant acknowledge and agree that, prior to the date this Lease, Tenant occupied the 11035 Building pursuant to that certain Lease Agreement between Landlord and Tenant dated September 16, 2009 (as the same may have been amended, the “**Prior 11035 Building Lease**”). Landlord and Tenant acknowledge and agree that the Prior 11035 Building Lease is terminating as of the date of this Lease, and that Tenant and Landlord shall have no further obligations under the Prior 11035 Building Lease except for those accruing prior to the date of this Lease, including, without limitation, with respect to Tenant, the obligation to pay Rent (as defined in the Prior 11035 Building Lease) through the date of this Lease, and those which, pursuant to the terms of the Prior 11035 Building Lease, survive the expiration or early termination of Prior 11035 Building Lease.

Except as set forth in this Lease: (i) Landlord shall have no obligation for any defects in the 11035 Building; and (iii) Tenant’s occupancy of the 11035 Building under the Prior 11035 Building Lease shall be conclusive evidence that Tenant accepts the 11035 Building in its current condition and that such condition is acceptable to Tenant.



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(c) **11045 Building Existing Premises.** The “**11045 Building Existing Premises Commencement Date**” shall be the date of this Lease. Landlord and Tenant acknowledge and agree that, prior to the date this Lease, Tenant occupied that portion of the 11045 Building, consisting of approximately 21,464 rentable square feet, as reflected on **Exhibit A** as the 11045 Building Existing Premises (“**11045 Building Existing Premises**”), pursuant to that certain Lease Agreement between Landlord and Tenant dated March 31, 2008 (as the same may have been amended, the “**Prior 11045 Building Lease**”). Landlord and Tenant acknowledge and agree that the Prior 11045 Building Lease is terminating as of the date of this Lease, and that Tenant and Landlord shall have no further obligations under the Prior 11045 Building Lease except for those accruing prior to the date of this Lease, including, without limitation, with respect to Tenant, the obligation to pay Rent (as defined in the Prior 11045 Building Lease) through the date of this Lease, and those which, pursuant to the terms of the Prior 11045 Building Lease, survive the expiration or early termination of Prior 11045 Building Lease.

Landlord and its contractors and agents shall have the right to enter portions of the 11045 Building Existing Premises to complete Landlord’s Work (as defined in the 11045 Building Additional Premises Work Letter) in that portion of the 11045 Building Existing Premises identified on **Exhibit J** as the “**11045 Building Existing Premises Improvement Area**” and Tenant shall cooperate with Landlord in connection with the same. Tenant acknowledges that Landlord’s completion of Landlord’s Work in the 11045 Building Existing Premises Improvement Area may temporarily adversely affect Tenant’s use and occupancy of the 11045 Building Existing Premises. Landlord agrees to use reasonable efforts to perform Landlord’s Work in the 11045 Building Existing Premises Improvement Area in a manner which minimizes disruption with Tenant’s use and enjoyment of the 11045 Building Existing Premises. Tenant waives all claims for rent abatement against Landlord in connection with Landlord’s Work in the 11045 Building Existing Premises Improvement Area.

Except as set forth in this Lease: (i) Landlord shall have no obligation for any defects in the 11045 Building Existing Premises; and (iii) Tenant’s occupancy of the 11045 Building Existing Premises under the Prior 11045 Building Lease shall be conclusive evidence that Tenant accepts the 11045 Building Existing Premises in its current condition and that such condition is acceptable to Tenant.

(d) **11045 Building Additional Premises.** The “**11045 Building Additional Premises Commencement Date**” shall be earlier of (i) the date that Landlord Delivers that certain portion of the 11045 Building, consisting of approximately 8,683 rentable square feet, as reflected on **Exhibit A** as the 11045 Building Additional Premises (“**11045 Building Additional Premises**”) to Tenant with Landlord’s Work in the 11045 Building Additional Premises Substantially Completed, or (ii) the date Landlord could have Delivered the 11045 Building Additional Premises to Tenant with Landlord’s Work in the 11045 Building Additional Premises Substantially Completed but for Tenant Delays. Landlord shall use reasonable efforts to Deliver the 11045 Building Additional Premises to Tenant on or before May 1, 2012. If Landlord fails to timely Deliver the 11045 Building Additional Premises, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable. As used in this Section 2(d), the terms “**Landlord’s Work**,” “**Tenant Delays**” and “**Substantially Completed**” shall have the meanings set forth for such terms in the 11045 Building Additional Premises Work Letter attached to this Lease as **Exhibit C-2**.

Except as set forth in the 11045 Building Additional Premises Work Letter: (i) Tenant shall accept the 11045 Building Additional Premises in its condition as of the 11045 Building Additional Premises Commencement Date, subject to all applicable Legal Requirements; (ii) Landlord shall have no obligation for any defects in the 11045 Building Additional Premises; and (iii) Tenant’s taking possession of the 11045 Building Additional Premises shall be conclusive evidence that Tenant accepts the 11045 Building Additional Premises and that the 11045 Building Additional Premises was in good condition at the time possession was taken. Any occupancy of the 11045 Building Additional Premises by Tenant before the 11045 Building Additional Premises Commencement Date shall be subject to all of the terms and conditions of this Lease.



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Except as provided in the 11045 Building Additional Premises Work Letter, for the period of 90 consecutive days after the 11045 Building Additional Premises Commencement Date, Landlord shall, at its sole cost and expense (which shall not constitute an Operating Expense), be responsible for any repairs that are required to be made to the MEP and HVAC systems serving the 11045 Building Additional Premises, unless Tenant or any Tenant Party was responsible for the cause of such repair, in which case Tenant shall pay the cost.

(e) **General.** Upon request of Landlord, Tenant shall execute and deliver a written acknowledgment of the 11025 Building Commencement Date, the 11035 Building Commencement Date, the 11045 Building Existing Premises Commencement Date, the 11045 Building Additional Premises Commencement Date and the expiration date of the Term when such are established in the form of the "Acknowledgement of Commencement Date" attached to this Lease as **Exhibit D**; provided, however, Tenant's failure to execute and deliver such acknowledgment shall not affect Landlord's rights hereunder. The "**Term**" of this Lease shall be the Base Term, as defined above on the first page of this Lease.

Tenant agrees and acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of all or any portion of the Premises or the Project, and/or the suitability of the Premises or the Project for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises or the Project are suitable for the Permitted Use. Landlord represents and warrants that, as of the date of this Lease, Landlord is the owner of the fee interest in the Project. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations which are not contained herein. Landlord in executing this Lease does so in reliance upon Tenant's representations, warranties, acknowledgments and agreements contained herein.

### 3. Rent.

(a) **Base Rent.** The first month's Base Rent for the 11025 Building and the 11045 Building Additional Premises, and the Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. Commencing on (i) the 11025 Building Commencement Date with respect to the 11025 Building, (ii) the 11035 Building Commencement Date with respect to the 11035 Building, (iii) the 11045 Building Existing Premises Commencement Date with respect to the 11045 Building Existing Premises, and (iv) on the 11045 Building Additional Premises Commencement Date with respect to the 11045 Building Additional Premises, and on the first day of each calendar month thereafter during the Term, Tenant shall pay to Landlord in advance, without demand, deduction or set-off, monthly installments of Base Rent in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time to time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any Rent (as defined in Section 5) due hereunder except for any reduction or abatement as may be expressly provided in this Lease.

Notwithstanding anything to the contrary contained in this Lease, commencing on the 1<sup>st</sup> day of the 2<sup>nd</sup> month following the 11025 Building Commencement Date through the expiration of the 5<sup>th</sup> month following the 11025 Building Commencement Date, Tenant shall not be required to pay Base Rent for the 11025 Building only, as reflected on **Exhibit K**. Tenant shall re-commence paying Base Rent for the 11025 Building on the 1<sup>st</sup> day of the 6<sup>th</sup> month after the 11025 Building Commencement Date.

(b) **Additional Rent.** In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("**Additional Rent**"): (i) Tenant's Share of "Operating Expenses" (as defined in Section 5), and (ii) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of



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Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

4. **Base Rent Adjustments.** Base Rent shall be increased during the Base Term as provided for in the schedule set forth on **Exhibit K**. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated.

5. **Operating Expense Payments.** Landlord shall deliver to Tenant a written estimate of Operating Expenses for each calendar year during the Term (the “**Annual Estimate**”), which may be revised by Landlord from time to time during such calendar year (but not more than twice in any given calendar year during the Term. Commencing on (i) the 11025 Building Commencement Date with respect to the 11025 Building, the 11035 Building Commencement Date with respect to the 11035 Building, the 11045 Building Existing Premises Commencement Date with respect to the 11045 Building Existing Premises, and (iv) on the 11045 Building Additional Premises Commencement Date with respect to the 11045 Building Additional Premises, and thereafter on the first day of each month of the Term, Tenant shall pay Landlord an amount equal to 1/12<sup>th</sup> of Tenant’s Share of the Annual Estimate. Payments for any fractional calendar month shall be prorated.

The term “**Operating Expenses**” means all costs and expenses of any kind or description whatsoever incurred or accrued each calendar year by Landlord with respect to the Project (including, without duplication, Taxes (as defined in Section 9), capital repairs and improvements amortized over the lesser of 15 years and the useful life of such capital items, and the costs of Landlord’s third party property manager (not to exceed 3% of Base Rent) or, if there is no third party property manager, administration rent in the amount of 3% of Base Rent). Notwithstanding anything to the contrary contained in this Lease, Operating Expenses shall not include the following:

(a) the original construction costs of the Project and renovation prior to the date of the Lease and costs of correcting defects in such original construction or renovation;

(b) capital expenditures for expansion of the Project;

(c) interest, principal payments, points or fees on any Mortgage (as defined in Section 27) debts of Landlord, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured and all payments of base rent (but not taxes or operating expenses) under any ground lease or other underlying lease of all or any portion of the Project;

(d) depreciation of the Project (except for capital improvements, the cost of which are includable in Operating Expenses);

(e) marketing, advertising, legal and space planning expenses and leasing commissions and other costs and expenses incurred in procuring and leasing space to tenants for the Project, including any leasing office maintained in the Project, free rent and construction allowances for tenants;

(f) legal and other costs and expenses incurred in the negotiation or enforcement of leases;

(g) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for other tenants within their premises, and costs of correcting defects in such work;

(h) costs to be reimbursed by other tenants of the Project or Taxes to be paid directly by Tenant or other tenants of the Project, whether or not actually paid;



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- (i) salaries, wages, benefits and other compensation paid to officers and employees of Landlord who are not assigned in whole or in part to the operation, management, maintenance or repair of the Project;
- (j) general organizational, administrative and overhead costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity, including general corporate, legal and accounting expenses;
- (k) costs (including attorneys' fees and costs of settlement, judgments and payments in lieu thereof) incurred in connection with disputes with tenants, other occupants, or prospective tenants, and costs and expenses, including legal fees, incurred in connection with negotiations or disputes with employees, consultants, management agents, leasing agents, purchasers or mortgagees of the Building;
- (l) costs incurred by Landlord due to the violation by Landlord, its employees, agents or contractors or any tenant of the terms and conditions of any lease of space in the Project or any Legal Requirement (as defined in Section 7);
- (m) penalties, fines or interest incurred as a result of Landlord's inability or failure to make payment of Taxes and/or to file any tax or informational returns when due, or from Landlord's failure to make any payment of Taxes required to be made by Landlord hereunder before delinquency;
- (n) overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;
- (o) costs of Landlord's charitable or political contributions, or of fine art maintained at the Project;
- (p) costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefor by Landlord;
- (q) costs incurred in the sale or refinancing of the Project;
- (r) net income taxes of Landlord or the owner of any interest in the Project, franchise, capital stock, gift, estate or inheritance taxes or any federal, state or local documentary taxes imposed against the Project or any portion thereof or interest therein;
- (s) any costs incurred to remove, study, test, remediate or otherwise related to the presence of Hazardous Materials in or about the Project (provided, however, that nothing herein shall excuse Tenant from its obligations under Sections 28 and 30 of this Lease);
- (t) costs incurred in connection with upgrading the 11025 Building to comply with ADA in effect as of the 11025 Building Commencement Date, including penalties or damages incurred as a result of such non-compliance;
- (u) reserves for future improvements, repairs or replacements; and
- (v) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project.



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Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an “**Annual Statement**”) showing in reasonable detail: (a) the total and Tenant’s Share of actual Operating Expenses for the previous calendar year, and (b) the total of Tenant’s payments in respect of Operating Expenses for such year. If Tenant’s Share of actual Operating Expenses for such year exceeds Tenant’s payments of Operating Expenses for such year, the excess shall be due and payable by Tenant as Rent within 30 days after delivery of such Annual Statement to Tenant. If Tenant’s payments of Operating Expenses for such year exceed Tenant’s Share of actual Operating Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement, except that after the expiration, or earlier termination of the Term or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord.

The Annual Statement shall be final and binding upon Tenant unless Tenant, within 120 days after Tenant’s receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. If, during such 120 day period, Tenant reasonably and in good faith questions or contests the accuracy of Landlord’s statement of Tenant’s Share of Operating Expenses, Landlord will provide Tenant with access to Landlord’s books and records relating to the operation of the Project and such information as Landlord reasonably determines to be responsive to Tenant’s questions (the “**Expense Information**”). If after Tenant’s review of such Expense Information, Landlord and Tenant cannot agree upon the amount of Tenant’s Share of Operating Expenses, then Tenant shall have the right to have a reputable, regionally recognized, independent public accounting firm selected by Tenant, working pursuant to a fee arrangement other than a contingent fee (at Tenant’s sole cost and expense) and approved by Landlord (which approval shall not be unreasonably withheld or delayed), audit and/or review the Expense Information for the year in question (the “**Independent Review**”). The results of any such Independent Review shall be binding on Landlord and Tenant. If the Independent Review shows that the payments actually made by Tenant with respect to Operating Expenses for the calendar year in question exceeded Tenant’s Share of Operating Expenses for such calendar year, Landlord shall at Landlord’s option either (i) credit the excess amount to the next succeeding installments of estimated Operating Expenses or (ii) pay the excess to Tenant within 30 days after delivery of such results, except that after the expiration or earlier termination of this Lease or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. If the Independent Review shows that Tenant’s payments with respect to Operating Expenses for such calendar year were less than Tenant’s Share of Operating Expenses for the calendar year, Tenant shall pay the deficiency to Landlord within 30 days after delivery of such results. If the Independent Review shows that Tenant has overpaid with respect to Operating Expenses by more than 5% then Landlord shall reimburse Tenant for all costs incurred by Tenant for the Independent Review. Operating Expenses for the calendar years in which Tenant’s obligation to share therein begins and ends shall be prorated. Base Rent, Tenant’s Share of Operating Expenses and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as “**Rent**.”

6. **Security Deposit.** Tenant shall deposit with Landlord, upon delivery of an executed copy of this Lease to Landlord, a security deposit (“**Security Deposit**”) for the performance of all of Tenant’s obligations hereunder, in the amount set forth on page 1 of this Lease, which Security Deposit shall be in the form of an unconditional and irrevocable letter of credit (the “**Letter of Credit**”): (i) in form and substance satisfactory to Landlord, (ii) naming Landlord as beneficiary, (iii) expressly allowing Landlord to draw upon it at any time from time to time by delivering to the issuer notice that Landlord is entitled to draw thereunder, (iv) issued by an FDIC-insured financial institution satisfactory to Landlord, and (v) redeemable by presentation of a sight draft in the state of Landlord’s choice. If Tenant does not provide Landlord with a substitute Letter of Credit complying with all of the requirements hereof at least 10 days before the stated expiration date of any then current Letter of Credit, Landlord shall have the right to draw the full amount of the current Letter of Credit and hold the funds drawn in cash without obligation for interest thereon as the Security Deposit. The Security Deposit shall be held by Landlord as security for the performance of Tenant’s obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord’s damages in case of Tenant’s default. Upon each occurrence of



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a Default (as defined in [Section 20](#)), Landlord may use all or any part of the Security Deposit to pay delinquent payments due under this Lease, future rent damages under California Civil Code Section 1951.2, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Landlord's right to use the Security Deposit under this [Section 6](#) includes the right to use the Security Deposit to pay future rent damages following the termination of this Lease pursuant to [Section 21\(c\)](#) below. Upon any use of all or any portion of the Security Deposit, Tenant shall pay Landlord within 5 business days after demand from Landlord the amount that will restore the Security Deposit to the amount set forth on Page 1 of this Lease. Tenant hereby waives the provisions of any law, now or hereafter in force, including, without limitation, California Civil Code Section 1950.7, which 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, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to the filing of such proceedings. Upon any such use of all or any portion of the Security Deposit, Tenant shall, within 5 business days after demand from Landlord, restore the Security Deposit to its original amount. Following the expiration or earlier termination of the Lease, the Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 45 days after the expiration or earlier termination of this Lease. Landlord shall return to Tenant the Letters of Credit (as defined in the Prior 11035 Building Lease and the Prior 11045 Building Lease) delivered to Tenant under the Prior 11035 Building Lease and the Prior 11045 Building Lease promptly following Tenant's delivery to Landlord of the full Security Deposit required under this Lease.

If Landlord transfers its interest in the Project or this Lease, Landlord shall either (a) transfer any Security Deposit then held by Landlord to a person or entity assuming Landlord's obligations under this [Section 6](#), or (b) return to Tenant any Security Deposit then held by Landlord and remaining after the deductions permitted herein. Upon such transfer to such transferee or the return of the Security Deposit to Tenant, Landlord shall have no further obligation with respect to the Security Deposit, and Tenant's right to the return of the Security Deposit shall apply solely against Landlord's transferee. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee, and no interest shall accrue thereon.

If on June 1, 2013, Tenant is not in Default of this Lease and has not been in Default of this Lease more than twice ("**Reduction Requirement**"), then the Security Deposit shall be reduced to \$337,500.00 (the "**Reduced Security Deposit**"). If Tenant has met the Reduction Requirement and delivers a written request to Landlord for such reduction of the Security Deposit, Landlord shall cooperate with Tenant, at no cost, expense or liability to Landlord, to reduce the Letter of Credit then held by Landlord to the amount of the Reduced Security Deposit. If the Security Deposit is reduced as provided herein, then from and after the date of such reduction, the "**Security Deposit**" shall be deemed to be the Reduced Security Deposit, for all purposes of this Lease.

7. **Use.** The Premises shall be used solely for the Permitted Use set forth in the basic lease provisions on page 1 of this Lease, and in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises, and to the use and occupancy thereof, including, without limitation, the Americans With Disabilities Act, 42 U.S.C. § 12101, et seq. (together with the regulations promulgated pursuant thereto, "**ADA**") (collectively, "**Legal Requirements**" and each, a "**Legal Requirement**"). Tenant shall, upon 5 days' written notice from Landlord, discontinue any use of the Premises which is declared by any Governmental Authority (as defined in [Section 9](#)) having jurisdiction to be a violation of a Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose or in any manner



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that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. Tenant shall not permit any part of the Premises to be used as a "place of public accommodation", as defined in the ADA or any similar legal requirement. Tenant shall reimburse Landlord promptly upon demand for any additional premium charged for any such insurance policy by reason of Tenant's failure to comply with the provisions of this Section or otherwise caused by Tenant's use and/or occupancy of the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit or permit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any equipment or machinery to be installed in the Premises so as to reasonably prevent sounds or vibrations from the Premises from extending into Common Areas, or other space in the Project. Tenant shall not place any machinery or equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas of the Project or in the Project elevators without the prior written consent of Landlord. Except as may be provided under Work Letter, Tenant shall not, without the prior written consent of Landlord, use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Project as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use.

Landlord shall, at its sole cost, be responsible for the compliance of the Common Areas of the 11025 Building with the ADA as of the 11025 Building Commencement Date. As of the 11025 Building Commencement Date with respect to the 11025 Building only and as of the date of this Lease with respect to balance of the Project, Landlord shall be responsible, subject to reimbursement as part of Operating Expenses, for the compliance of the Common Areas of the Project with the ADA and all other Legal Requirements following the Commencement Date, except to the extent triggered by Tenant's Alterations or Tenant's particular use or occupancy of the Premises, in which case Tenant shall be responsible for the same. Tenant, at its sole expense, shall make any alterations or modifications to the interior or the exterior of the Premises or the Project that are required by Legal Requirements (including, without limitation, compliance of the Premises with the ADA related to Tenant's use or occupancy of the Premises but only to the extent triggered by Tenant's Alterations or Tenant's particular use or occupancy of the Premises. Notwithstanding any other provision herein to the contrary, except for matters for which Landlord is expressly responsible under this Lease, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "**Claims**") arising out of or in connection with Tenant's failure to comply with Legal Requirements applicable to Tenant's Alterations or Tenant's particular use or occupancy of the Premises, and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement applicable to Tenant's Alterations or Tenant's particular use or occupancy of the Premises.

**8. Holding Over.** If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, (i) unless otherwise agreed in such written consent, such possession shall be subject to immediate termination by Landlord at any time, (ii) all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, (iii) Tenant shall continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as Landlord may indicate, in Landlord's sole and absolute discretion, in such written consent (not to exceed 150% of the Base Rent in effect during the last 30 days of the Term), and (iv) all other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, (A) Tenant shall become a tenant at sufferance upon the terms of this Lease except that the monthly rental shall be



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equal to 150% of Base Rent in effect during the last 30 days of the Term, and (B) Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over, including consequential damages. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the expiration of the Term or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

9. **Taxes.** Landlord shall pay, as part of Operating Expenses, all taxes, levies, assessments and governmental charges of any kind (collectively referred to as "**Taxes**") imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "**Governmental Authority**") during the Term, including, without limitation, all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by, any Governmental Authority, or (v) imposed as a license or other fee on Landlord's business of leasing space in the Project. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. The term "**Taxes**" shall not include any of Landlord's state or federal income taxes, franchise or inheritance taxes unless such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Project, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

10. **Parking.** Subject to all matters of record, Force Majeure, a Taking (as defined in Section 19 below) and the exercise by Landlord of its rights hereunder, Tenant shall have the right, at no additional cost to Tenant, to use all of the parking spaces serving the Project. Tenant parking rights shall be subject to Landlord's rules and regulations. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties.

11. **Utilities, Services.** Landlord shall provide, subject to the terms of this Section 11, water, electricity, heat, light, power, sewer, and other utilities (including gas and fire sprinklers to the extent the Project is plumbed for such services), refuse and trash collection and janitorial services for the Common Areas (collectively, "**Utilities**"). Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation below, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any Governmental Authority or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. The Premises shall be separately metered for electricity. Landlord may cause, at Tenant's expense, any other Utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services which may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of Utilities, from any cause whatsoever other than Landlord's willful



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misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or the abatement of Rent. Tenant agrees to limit use of water and sewer to normal restroom use and that used in the conduct of its business operations. Tenant shall have access to the Premises and Utilities shall be available to the Premises 24 hours per day, 7 days per week, except in the case of emergencies, as the result of Legal Requirements, the failure of any Utility provider to provide such Utilities, the performance by Landlord or any Utility provider of any installation, maintenance or repairs, or any other temporary interruptions. Tenant shall be responsible for obtaining its own janitorial services for the Premises.

**12. Alterations and Tenant's Property.** Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon any doors or windows in the Premises, but excluding installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other than by ordinary plugs or jacks) to Building Systems (as defined in Section 13) ("**Alterations**") shall be subject to Landlord's prior written consent, which may be given or withheld in Landlord's sole discretion if any such Alteration affects the structure or Building Systems and shall not be otherwise unreasonably withheld. Tenant may construct nonstructural Alterations in the Premises without Landlord's prior approval if the aggregate cost of all such work in any 12 month period does not exceed \$40,000 per Building in the Project (a "**Notice-Only Alteration**"), provided Tenant notifies Landlord in writing of such intended Notice-Only Alteration, and such notice shall be accompanied by plans, specifications, work contracts and such other information concerning the nature and cost of the Notice-Only Alteration as may be reasonably requested by Landlord, which notice and accompanying materials shall be delivered to Landlord not less than 15 business days in advance of any proposed construction. If Landlord approves any Alterations, Landlord may impose such conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's reasonable discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to ensure that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall cause, at its sole cost and expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as Additional Rent, on demand an amount equal to 3% of all charges incurred by Tenant or its contractors or agents in connection with any Alteration to cover Landlord's overhead and expenses for plan review, coordination, scheduling and supervision. Before Tenant begins any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup. Tenant shall not be required to and shall have no right to remove the Tenant Improvements.

Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all Alterations work free and clear of liens, and shall provide (and cause each contractor or subcontractor to provide) certificates of insurance for workers' compensation and other coverage in amounts and from an insurance company reasonably satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) "as built" plans for any such Alteration.

Except for Removable Installations (as hereinafter defined), all Installations (as hereinafter defined) shall be and shall remain the property of Landlord during the Term and following the expiration or



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earlier termination of the Term, shall not be removed by Tenant at any time during the Term, and shall remain upon and be surrendered with the Premises as a part thereof. Notwithstanding the foregoing, Landlord may, at the time its approval of any such Installation is requested, or at the time it receives notice of a Notice Only Alteration, notify Tenant that Landlord requires that Tenant remove such Installation upon the expiration or earlier termination of the Term, in which event Tenant shall remove such Installation in accordance with the immediately succeeding sentence. Upon the expiration or earlier termination of the Term, Tenant shall remove (i) all wires, cables or similar equipment which Tenant has installed in the Premises or in the risers or plenums of the Building, (ii) any Installations for which Landlord has given Tenant notice of removal in accordance with the immediately preceding sentence, and (iii) all of Tenant's Property (as hereinafter defined), and Tenant shall restore and repair any damage caused by or occasioned as a result of such removal, including, without limitation, capping off all such connections behind the walls of the Premises and repairing any holes. During any restoration period beyond the expiration or earlier termination of the Term, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant. If Landlord is requested by Tenant or any lender, lessor or other person or entity claiming an interest in any of Tenant's Property to waive any lien Landlord may have against any of Tenant's Property, Landlord shall consent to such waiver so long as such waiver is in a form and content acceptable to Landlord, in Landlord sole and absolute discretion, and Landlord shall be entitled to be paid as administrative rent a fee of \$1,000 per occurrence for its time and effort in preparing and negotiating such a waiver of lien.

For purposes of this Lease, (w) "**Removable Installations**" means any items listed on **Exhibit F** attached hereto and any items agreed by Landlord in writing to be included on **Exhibit F** in the future, (x) "**Tenant's Property**" means Removable Installations and, other than Installations, any furniture, fixtures, equipment, machinery, trade fixtures and other personal property or equipment of Tenant that may be removed without material damage to the Premises, and (z) "**Installations**" means all property of any kind paid for with the TI Fund, all Alterations, all fixtures, and all partitions, hardware, built-in machinery, built-in casework and cabinets and other similar additions, equipment, property and improvements built into the Premises so as to become an integral part of the Premises.

**13. Landlord's Repairs.** Landlord, as an Operating Expense, shall maintain all of the structural, exterior, parking and other Common Areas of the Project, including HVAC, plumbing, fire sprinklers, elevators and all other building systems serving the Premises and other portions of the Project ("**Building Systems**"), in good condition and repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, or by any of Tenant's agents, servants, employees, invitees and contractors (collectively, "**Tenant Parties**") excluded. Losses and damages caused by Tenant or any Tenant Party shall be repaired by Landlord, to the extent not covered by insurance, at Tenant's sole cost and expense. Landlord reserves the right to stop Building Systems services when necessary (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the reasonable judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building Systems services during any such period of interruption; provided, however, that Landlord shall, except in case of emergency, make a commercially reasonable effort to give Tenant 24 hours advance notice of any planned stoppage of Building Systems services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall make a commercially reasonable effort to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives its rights under any state or local law to terminate this Lease or to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set forth herein. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18.

**14. Tenant's Repairs.** Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition (normal wear and tear excepted) all portions of the Premises,



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including, without limitation, entries, interior doors, interior windows, interior walls, and the interior side of demising walls. Such repair and replacement may include capital expenditures and repairs whose benefit may extend beyond the Term. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises, Landlord shall give Tenant notice of such failure. If Tenant fails to commence cure of such failure within 15 days of Landlord's notice, and thereafter diligently prosecute such cure to completion, Landlord may perform such work and shall be reimbursed by Tenant within 15 days after demand therefor; provided, however, that if such failure by Tenant creates or could create an emergency, Landlord may immediately commence cure of such failure and shall thereafter be entitled to recover the costs of such cure from Tenant. Subject to Sections 17 and 18, Tenant shall bear the full uninsured cost of any repair or replacement to any part of the Project that results from damage caused by Tenant or any Tenant Party and any repair that benefits only the Premises.

15. **Mechanic's Liens.** Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 10 business days after receipt of Landlord's written notice of the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be immediately due from Tenant as Additional Rent. If Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement filed as a matter of public record by any lessor or creditor of Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Project be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant.

16. **Indemnification.** Tenant hereby indemnifies and agrees to defend, save and hold Landlord harmless from and against any and all third party Claims against Landlord for injury or death to persons or damage to property occurring within or about the Premises, arising directly or indirectly out of use or occupancy of the Premises or a breach or default by Tenant in the performance of any of its obligations hereunder, except to the extent caused by the willful misconduct or negligence of Landlord. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenant's business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party.

Subject to the waivers in the penultimate paragraph of Section 17 and to the other provisions of this Lease, Landlord hereby indemnifies and agrees to defend, save and hold Tenant harmless from and against any and all Claims for injury or death to persons or damage to property occurring at the Project to the extent caused by the willful misconduct, negligence or gross negligence of Landlord.

17. **Insurance.** Landlord shall maintain all risk property and, if applicable, sprinkler damage insurance covering the full replacement cost of the Project, including Landlord's Work (as such term is defined in the 11025 Building Work Letter and the 11045 Building Additional Premises Work Letter). Landlord shall further procure and maintain commercial general liability insurance with a single loss limit of not less than \$2,000,000 for bodily injury and property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, errors and omissions, rental loss during the period of repair or rebuilding, workers' compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements



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customarily furnished by Landlord without regard to whether or not such are made a part of the Project. All such insurance shall be included as part of the Operating Expenses. The Project may be included in a blanket policy (in which case the cost of such insurance allocable to the Project will be determined by Landlord based upon the insurer's cost calculations).

Except as provided for in the last sentence of this paragraph, Tenant, at its sole cost and expense, shall maintain during the Term: all risk property insurance with business interruption and extra expense coverage, covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial general liability insurance, with a minimum limit of not less than \$4,000,000 per occurrence for bodily injury and property damage with respect to the Premises. The commercial general liability insurance policy shall name Alexandria Real Estate Equities, Inc., and Landlord, its officers, directors, employees, managers, agents, invitees and contractors (collectively, "**Landlord Parties**"), as additional insureds; insure on an occurrence and not a claims-made basis; be issued by insurance companies which have a rating of not less than policyholder rating of A and financial category rating of at least Class X in "Best's Insurance Guide"; shall not be cancelable for nonpayment of premium unless 30 days prior written notice shall have been given to Landlord from the insurer; contain a hostile fire endorsement and a contractual liability endorsement; and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Copies of such policies (if requested by Landlord), or certificates of insurance showing the limits of coverage required hereunder and showing Landlord as an additional insured, along with reasonable evidence of the payment of premiums for the applicable period, shall be delivered to Landlord by Tenant upon commencement of the Term and upon each renewal of said insurance. Tenant's policy may be a "blanket policy" with an aggregate per location endorsement which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 5 days prior to the expiration of such policies, furnish Landlord with renewal certificates. Notwithstanding the foregoing, Tenant shall not be required to maintain business interruption insurance until such time as such insurance is available to Tenant on commercially reasonable terms.

In each instance where insurance is to name Landlord as an additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property on which the Project is located, if the interest of Landlord is or shall become that of a tenant under a ground or other underlying lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective officers, directors, employees, managers, agents, invitees and contractors ("**Related Parties**"), in connection with any loss or damage thereby insured against. Neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under property insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties, for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.



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Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project.

**18. Restoration.** If, at any time during the Term, the Project or the Premises are damaged or destroyed by a fire or other insured casualty, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Project or the Premises, as applicable (the "**Restoration Period**"). If the Restoration Period is estimated to exceed 12 months (the "**Maximum Restoration Period**"), Landlord may, in such notice, elect to terminate this Lease as of the date that is 75 days after the date of discovery of such damage or destruction; provided, however, that notwithstanding Landlord's election to restore, Tenant may elect to terminate this Lease by written notice to Landlord delivered within 10 business days of receipt of a notice from Landlord estimating a Restoration Period for the Premises longer than the Maximum Restoration Period. Unless either Landlord or Tenant so elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds from the applicable insurance policies required to be maintained by Landlord under this Lease (with any deductible to be treated as a current Operating Expense and shall be amortized in equal monthly installments over the remaining Base Term), promptly restore the Premises (excluding the improvements installed by Tenant or by Landlord and paid for by Tenant unless covered by the insurance Landlord is required to maintain pursuant to Section 17 hereof, in which case such improvements shall be included, to the extent of such insurance proceeds, in Landlord's restoration), subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed to obtain any license, clearance or other authorization of any kind required to enter into and restore the Premises issued by any Governmental Authority having jurisdiction over the use, storage, handling, treatment, generation, release, disposal, removal or remediation of Hazardous Materials (as defined in Section 30) in, on or about the Premises (collectively referred to herein as "**Hazardous Materials Clearances**"); provided, however, that if repair or restoration of the Premises is not substantially complete as of the end of the Maximum Restoration Period or, if longer, the Restoration Period, Landlord may, in its sole and absolute discretion, elect not to proceed with such repair and restoration, or Tenant may by written notice to Landlord delivered within 10 business days of the expiration of the Maximum Restoration Period or, if longer, the Restoration Period, elect to terminate this Lease, in which event Landlord shall be relieved of its obligation to make such repairs or restoration and this Lease shall terminate as of the date that is 75 days after the later of: (i) discovery of such damage or destruction, or (ii) the date all required Hazardous Materials Clearances are obtained, but Landlord shall retain any Rent paid and the right to any Rent payable by Tenant prior to such election by Landlord or Tenant.

Tenant, at its expense, shall promptly perform, subject to delays arising from the collection of insurance proceeds or from Force Majeure (as defined in Section 34) events, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, either Landlord or Tenant may terminate this Lease upon written notice to the other if the Premises are damaged during the last year of the Term and Landlord reasonably estimates that it will take more than 2 months to repair such damage; provided, however, that such notice is delivered within 10 business days after the date that Landlord provides Tenant with written notice of the estimated Restoration Period. Landlord shall also have the right to terminate this Lease if insurance proceeds are not available for such restoration. Rent shall be abated from the date of the damage or destruction until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Either the termination of this Lease by Tenant provided for above or such abatement shall be the sole remedy of Tenant, and except as provided in this Section 18, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter



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be in effect shall have no application to this Lease or any damage or destruction to all or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing that this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. **Condemnation.** If the whole or any material part of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a “**Taking**” or “**Taken**”), and the Taking would in Landlord’s reasonable judgment, materially impair Landlord’s ownership or operation of the Project or would in the reasonable judgment of Landlord and Tenant either prevent or materially interfere with Tenant’s use of the Premises (as resolved, if the parties are unable to agree, by arbitration by a single arbitrator with the qualifications and experience appropriate to resolve the matter and appointed pursuant to and acting in accordance with the rules of the American Arbitration Association), then upon written notice by Landlord or Tenant, this Lease shall terminate and Rent shall be equitably apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Project as nearly as is commercially reasonable under the circumstances to their condition prior to such partial Taking and the rentable square footage of the Building, the rentable square footage of the Premises, Tenant’s Share of Operating Expenses and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant’s interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord’s award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant’s trade fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Project. In the event of a temporary Taking of 90 days or less which prevents or materially interferes with Tenant’s use of the Premises, Rent shall be abated from the date 30 days after the Taking until the Premises are restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises.

20. **Events of Default.** Each of the following events shall be an event of default (“**Default**”) by Tenant under this Lease:

(a) **Payment Defaults.** Tenant shall fail to pay any installment of Rent or any other payment hereunder when due; provided, however, that Landlord will give Tenant notice and an opportunity to cure any failure to pay Rent within 3 days of any such notice not more than once in any 12 month period and Tenant agrees that such notice shall be in lieu of and not in addition to, or shall be deemed to be, any notice required by law.

(b) **Insurance.** Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance at least 5 days before the expiration of the current coverage.

(c) **Abandonment.** Tenant shall abandon the Premises. Tenant shall not be deemed to have abandoned the Premises if (i) Tenant provides Landlord with reasonable advance notice prior to vacating and, at the time of vacating the Premises, Tenant completes Tenant’s obligations with respect to the Surrender Plan in compliance with Section 28, (ii) Tenant has made reasonable arrangements with Landlord for the security of the Premises for the balance of the Term, and (iii) Tenant continues during the balance of the Term to satisfy all of its obligations under the Lease as they come due.

(d) **Improper Transfer.** Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant’s interest in this Lease or the Premises except as expressly permitted



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herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(e) **Liens.** Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 20 days after any such lien is filed against the Premises.

(f) **Insolvency Events.** Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**Proceeding for Relief**"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(g) **Estoppel Certificate or Subordination Agreement.** Tenant fails to execute any document required from Tenant under Sections 23 or 27 within 5 business days after a second written notice requesting such document.

(h) **Other Defaults.** Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and, except as otherwise expressly provided herein, such failure shall continue for a period of 30 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(h) hereof shall: (i) specify the alleged default, (ii) demand that Tenant cure such default, (iii) be in lieu of, and not in addition to, or shall be deemed to be, any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default pursuant to Section 20(h) is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30 day period and thereafter diligently prosecutes the same to completion; provided, however, that such cure shall be completed no later than 90 days from the date of Landlord's notice.

## 21. Landlord's Remedies.

(a) **Payment By Landlord; Interest.** Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the "**Default Rate**"), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant's Default hereunder.

(b) **Late Payment Rent.** Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within 5 days after the date such payment is due, Tenant shall pay to Landlord an additional sum equal to 6% of the overdue Rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the 5th day after the



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date due until paid. Notwithstanding anything to the contrary contained in this Section 21, no late charge shall be assessed on the first late payment of Rent made by Tenant in any 12 month period during the Term.

(c) **Remedies.** Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord's option, Tenant's right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21(c)(i) or otherwise, Landlord may recover from Tenant the following:

(A) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(B) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(C) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(D) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(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 applicable law.

The term "**rent**" as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 21(c)(ii)(A) and (B), above, the "**worth at the time of award**" shall be computed by allowing interest at the Default Rate. As used in Section 21(c)(ii)(C), above, the "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(iii) Landlord may continue this Lease in effect after Tenant's Default and recover rent as it becomes due (Landlord and Tenant hereby agreeing that Tenant has the right to sublet or assign hereunder, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.



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(iv) Whether or not Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. Upon Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(v) Independent of the exercise of any other remedy of Landlord hereunder or under applicable law, Landlord may conduct an environmental test of the Premises as generally described in Section 30(c) hereof, at Tenant's expense.

(d) **Effect of Exercise.** Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter, re-take or otherwise obtain possession of the Premises as provided in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant's Default.

## 22. Assignment and Subletting.

(a) **General Prohibition.** Without Landlord's prior written consent subject to and on the conditions described in this Section 22, Tenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises, and any attempt to do any of the foregoing shall be void and of no effect. If Tenant is a corporation, partnership or limited liability company, the shares or other ownership interests thereof which are not actively traded upon a stock exchange or in the over-the-counter market, a transfer or series of transfers whereby 49% or more of the issued and outstanding shares or other ownership interests of such corporation are, or voting control is, transferred (but excepting transfers upon deaths of individual owners) from a person or persons or entity or entities which were owners thereof at time of execution of this Lease to persons or entities who were not owners of shares or other ownership interests of the corporation, partnership or limited liability company at time of execution of this Lease, shall be deemed an assignment of this Lease requiring the consent of Landlord as provided in this Section 22. Notwithstanding the foregoing, Tenant shall have the right to obtain financing from institutional investors (including venture capital funding and corporate partners) which regularly invest in private biotechnology companies or undergo a public offering which results in a change in control of Tenant without such change of control constituting an assignment under this Section 22 requiring Landlord consent, provided that (i) Tenant notifies Landlord in writing of the financing at least 5 business days prior to the closing of the financing, and (ii) provided that in no



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event shall such financing result in a change in use of the Premises from the use contemplated by Tenant at the commencement of the Term.

(b) **Permitted Transfers.** If Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises other than pursuant to a Permitted Assignment (as defined below), then at least 15 business days, but not more than 45 business days, before the date Tenant desires the assignment or sublease to be effective (the “**Assignment Date**”), Tenant shall give Landlord a notice (the “**Assignment Notice**”) containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used, stored handled, treated, generated in or released or disposed of from the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, including a copy of any proposed assignment or sublease in its final form, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 15 business days after receipt of the Assignment Notice: (i) grant such consent, (ii) refuse such consent, in its good faith sole and absolute discretion, if the proposed assignment, hypothecation or other transfer or subletting concerns more than (together with all other then effective subleases) 50% of the Premises, (iii) refuse such consent, in its reasonable discretion, if the proposed subletting concerns (together with all other then effective subleases) 50% or less of the Premises (provided that Landlord shall further have the right to review and approve or disapprove the proposed form of sublease prior to the effective date of any such subletting), or (iv) terminate this Lease with respect to the space described in the Assignment Notice as of the Assignment Date (an “**Assignment Termination**”). If Landlord delivers notice of its election to exercise an Assignment Termination, Tenant shall have the right to withdraw such Assignment Notice by written notice to Landlord of such election within 5 business days after Landlord’s notice electing to exercise the Assignment Termination. If Tenant withdraws such Assignment Notice, this Lease shall continue in full force and effect. If Tenant does not withdraw such Assignment Notice, this Lease, and the term and estate herein granted, shall terminate as of the Assignment Date with respect to the space described in such Assignment Notice. Landlord may not elect an Assignment Termination with respect to a Permitted Assignment. No failure of Landlord to exercise any such option to terminate this Lease, or to deliver a timely notice in response to the Assignment Notice, shall be deemed to be Landlord’s consent to the proposed assignment, sublease or other transfer. Tenant shall reimburse Landlord for all of Landlord’s reasonable out-of-pocket expenses, not to exceed \$2,500.00 in connection with its consideration of any Assignment Notice. Notwithstanding the foregoing, Landlord’s consent to an assignment of this Lease or a subletting of any portion of the Premises to any entity controlling, controlled by or under common control with Tenant (a “**Control Permitted Assignment**”) shall not be required, provided that Landlord shall have the right to approve the form of any such sublease or assignment, which approval shall not be unreasonably withheld or delayed by Landlord. In addition, Tenant shall have the right to assign this Lease, upon 15 days prior written notice to Landlord but without obtaining Landlord’s prior written consent, to a corporation or other entity which is a successor-in-interest to Tenant, by way of merger, consolidation or corporate reorganization, or by the purchase of all or substantially all of the assets or the ownership interests of Tenant provided that (i) such merger or consolidation, or such acquisition or assumption, as the case may be, is for a legitimate business purpose and not principally for the purpose of transferring the Lease, and (ii) the net worth (as determined in accordance with generally accepted accounting principles (“**GAAP**”)) of the assignee is not less than the net worth (as determined in accordance with GAAP) of Tenant as of the date of Tenant’s most current quarterly or annual financial statements, and (iii) such assignee shall agree in writing to assume all of the terms, covenants and conditions of this Lease arising after the effective date of the assignment (a “**Corporate Permitted Assignment**”). Control Permitted Assignments and Corporate Permitted Assignments are hereinafter referred to as “**Permitted Assignments**.”

(c) **Additional Conditions.** As a condition to any such assignment or subletting, whether or not Landlord’s consent is required, Landlord may require:



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(i) that any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such party notice that Tenant is in default under this Lease, such party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under the Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(ii) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use, store, handle, treat, generate in or release or dispose of from the Premises, together with copies of all documents relating to such use, storage, handling, treatment, generation, release or disposal of Hazardous Materials by the proposed assignee or subtenant in the Premises or on the Project, prior to the proposed assignment or subletting, including, without limitation: permits; approvals; reports and correspondence; storage and management plans; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Neither Tenant nor any such proposed assignee or subtenant is required, however, to provide Landlord with any portion(s) of the such documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities.

(d) **No Release of Tenant, Sharing of Excess Rents.** Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease. If the Rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto in any form) exceeds the sum of the rental payable under this Lease, (excluding however, any Rent payable under this Section) and actual and reasonable brokerage fees, legal costs and any tenant improvement costs directly related to and required pursuant to the terms of any such sublease) ("**Excess Rent**"), then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder 50% of such Excess Rent within 10 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any such subletting, and Landlord as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of a Default, Tenant shall have the right to collect such rent.

(e) **No Waiver.** The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under the Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

23. **Estoppel Certificate.** Tenant shall, within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing in any form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that there are not any uncured defaults on the part of Landlord hereunder, or specifying



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such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as may be requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall, at the option of Landlord, constitute a Default under this Lease, and, in any event, shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. **Quiet Enjoyment.** So long as Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. **Prorations.** All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. **Rules and Regulations.** Tenant shall, at all times during the Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. Landlord shall not establish any rules and regulations in a discriminatory manner. The current rules and regulations are attached hereto as **Exhibit E**. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project and shall not enforce such rules and regulations in a discriminatory manner.

27. **Subordination.** This Lease and Tenant's interest and rights hereunder are hereby made and shall be subject and subordinate at all times to the lien of any Mortgage now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises shall not be disturbed by the Holder of any such Mortgage. Tenant agrees, at the election of the Holder of any such Mortgage, to attorn to any such Holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination, and such instruments of attornment as shall be requested by any such Holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set forth in Section 24 hereof. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "**Mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**Holder**" of a Mortgage shall be deemed to include the beneficiary under a deed of trust. As of the date of this Lease, there is no existing Mortgage encumbering the Project. Upon written request from Tenant, Landlord shall use reasonable efforts to obtain for execution by Tenant a non-disturbance and attornment agreement executed by the Holder of any future Mortgage with a lien on the Project on the form proscribed by the Holder; provided, however, that Landlord shall request that Holder make any changes to the SNDA requested by Tenant. Landlord's failure to cause the Holder to enter into the SNDA with Tenant (or make any of the changes requested by Tenant) shall not be a default by Landlord under this Lease. As of the date of this Lease, there is no existing Mortgage encumbering the Project.

28. **Surrender.** Upon the expiration of the Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, subject



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to any Alterations or Installations permitted by Landlord to remain in the Premises, free of Hazardous Materials for which Tenant is responsible under this Lease, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 18 and 19 excepted.

Tenant shall immediately return to Landlord all keys and/or access cards to parking, the Project, restrooms or all or any portion of the Premises furnished to or otherwise procured by Tenant. If any such access card or key is lost, Tenant shall pay to Landlord, at Landlord's election, either the cost of replacing such lost access card or key or the cost of reprogramming the access security system in which such access card was used or changing the lock or locks opened by such lost key. Any Tenant's Property, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term, including the obligations of Tenant under Section 30 hereof, shall survive the expiration or earlier termination of the Term, including, without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises.

**29. Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY LAW, TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

### **30. Environmental Requirements.**

(a) **Prohibition/Compliance.** Except for Hazardous Material contained in products customarily used by tenants in de minimis quantities for ordinary cleaning and office purposes and the Hazardous Materials described on Exhibit G, Tenant shall not permit or cause any party to bring any Hazardous Material upon the Premises or the Project or use, store, handle, treat, generate, manufacture, transport, release or dispose of any Hazardous Material in, on or from the Premises or the Project without Landlord's prior written consent which may be withheld in Landlord's sole discretion. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall remove or remediate in a manner satisfactory to Landlord any Hazardous Materials released on or from the Project by Tenant or any Tenant Party. Tenant shall complete and certify disclosure statements as requested by Landlord from time to time relating to Tenant's use, storage, handling, treatment, generation, manufacture, transportation, release or disposal of Hazardous Materials on or from the Premises. The term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any Governmental Authority regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the Project, or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "**operator**" of Tenant's "**facility**" and the "**owner**" of all Hazardous Materials brought on the Premises by Tenant or any Tenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

(b) **Indemnity.** Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all actions (including, without



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limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages and damages based upon diminution in value of the Premises or the Project, or the loss of, or restriction on, use of the Premises or any portion of the Project), expenses (including, without limitation, attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses (collectively, "**Environmental Claims**") which arise during or after the Term as a result of contamination for which Tenant is responsible hereunder. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local Governmental Authority because of Hazardous Materials present in the air, soil or ground water above, on, or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises, the Project or any adjacent property caused or permitted by Tenant or any Tenant Party results in any contamination of the Premises, the Project or any adjacent property, Tenant shall promptly take all actions at its sole expense and in accordance with applicable law as are necessary to return the Premises, the Project or any adjacent property to the condition existing prior to the time of such contamination, provided that Landlord's approval of such action shall first be obtained, which approval shall not unreasonably be withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Project. Notwithstanding anything to the contrary contained in Section 28 or in this Section 30, Tenant shall not be responsible for, and the indemnification and hold harmless obligation set forth in this paragraph shall not apply to (i) contamination in the Premises which Tenant can prove to Landlord's reasonable satisfaction existed in the Premises immediately prior to the Commencement Date, or (ii) the presence of any Hazardous Materials in the Premises which Tenant can prove to Landlord's reasonable satisfaction migrated from outside of the Premises into the Premises, unless in either case, the presence of such Hazardous Materials (x) is the result of a breach by Tenant of any of its obligations under this Lease, or (y) was caused, contributed to or exacerbated by Tenant or any Tenant Party.

(c) **Landlord's Tests.** 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 Section 30, or the environmental condition of the Premises or the Project. In connection with such testing, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Tenant or any Tenant Party. 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. Tenant shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with all Environmental Requirements. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord may have against Tenant.

(d) **Tenant's Obligations.** Landlord's and Tenant's obligations under this Section 30 shall survive the expiration or earlier termination of the Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to complete the removal from the Premises of any Hazardous Materials for which Tenant is responsible under this Lease (including, without limitation, the release and termination of any licenses or permits restricting the use of the Premises and the completion of the approved Surrender Plan), Tenant shall continue to pay the full Rent in accordance with this Lease for any portion of the Premises not relet by Landlord in Landlord's sole discretion, which Rent shall be prorated daily.

31. **Tenant's Remedies/Limitation of Liability.** Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from



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Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any Holder of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such Holder and/or landlord a reasonable opportunity to cure the default, including time to obtain possession of the Project by power of sale or a judicial action if such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder.

Notwithstanding the foregoing, if any claimed Landlord default hereunder will immediately, materially and adversely affect Tenant's ability to conduct its business in the Premises (a "**Material Landlord Default**"), Tenant shall, as soon as reasonably possible, but in any event within 2 business days of obtaining knowledge of such claimed Material Landlord Default, give Landlord written notice of such claim which notice shall specifically state that a Material Landlord Default exists and telephonic notice to Tenant's principal contact with Landlord. Landlord shall then have 10 business days to commence cure of such claimed Material Landlord Default and shall diligently prosecute such cure to completion. If such claimed Material Landlord Default is not a default by Landlord hereunder, or if Tenant failed to give Landlord the notice required hereunder within 5 business days of learning of the conditions giving rise to the claimed Material Landlord Default, Landlord shall be entitled to recover from Tenant, as Additional Rent, any costs incurred by Landlord in connection with such cure in excess of the costs, if any, that Landlord would otherwise have been liable to pay hereunder. If Landlord fails to commence cure of any claimed Material Landlord Default as provided above, Tenant may commence and prosecute such cure to completion (so long as Tenant's prosecution of such cure does not affect Building Systems or any portion of the Project outside the Premises), and shall be entitled to recover the costs of such cure (but not any consequential or other damages) from Landlord by way of reimbursement from Landlord with no right to offset against Rent, to the extent of Landlord's obligation to cure such claimed Material Landlord Default hereunder, subject to the limitations set forth in the immediately preceding sentence of this paragraph and the other provisions of this Lease.

All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "**Landlord**" in this Lease shall mean only the owner for the time being of the Premises. Upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner's ownership.

**32. Inspection and Access.** Landlord and Landlord's representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the Premises, showing the Premises to prospective purchasers and, during the 6 months of the Term, to prospective tenants or for any other business purpose. Upon such entry into the Premises, Landlord and its agents, representatives and contractors shall use reasonable efforts to minimize interference with Tenant's business operations in the Premises. Tenant shall have the right to designate certain areas of the Premises as "Secured Areas" which shall not be entered into by Landlord or Landlord's representatives without a Tenant representative except in the case of an emergency. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate Common Areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially, adversely affects Tenant's use or occupancy of the Premises for the Permitted Use. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions. Tenant shall at all times, except in the case of emergencies, have the right to escort Landlord or its agents, representatives,



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contractors or guests while the same are in the Premises, provided such escort does not materially and adversely affect Landlord's access rights hereunder.

33. **Security.** Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

34. **Force Majeure.** Except for the payment of Rent, neither Landlord nor Tenant shall be held responsible or liable for delays in the performance of its obligations hereunder when caused by, related to, or arising out of acts of God, strikes, lockouts, or other labor disputes, embargoes, quarantines, weather, national, regional, or local disasters, calamities, or catastrophes, inability to obtain labor or materials (or reasonable substitutes therefor) at reasonable costs or failure of, or inability to obtain, utilities necessary for performance, governmental restrictions, orders, limitations, regulations, or controls, national emergencies, delay in issuance or revocation of permits, enemy or hostile governmental action, terrorism, insurrection, riots, civil disturbance or commotion, fire or other casualty, and other causes or events beyond their reasonable control ("**Force Majeure**").

35. **Brokers.** Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, "**Broker**") in connection with this transaction and that no Broker brought about this transaction other than Jones Lang LaSalle and Cassidy Turley. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than the broker, if any named in this Section 35, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction.

36. **Limitation on Landlord's Liability.** NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED SOLELY TO LANDLORD'S INTEREST IN THE PROJECT OR ANY PROCEEDS FROM SALE OR CONDEMNATION THEREOF AND ANY INSURANCE PROCEEDS PAYABLE IN RESPECT OF LANDLORD'S INTEREST IN THE PROJECT OR IN CONNECTION WITH ANY SUCH LOSS; AND (C) IN NO EVENT SHALL ANY PERSONAL LIABILITY BE ASSERTED AGAINST LANDLORD IN CONNECTION WITH THIS LEASE NOR SHALL ANY RECOURSE BE HAD TO ANY OTHER PROPERTY OR ASSETS OF LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS. UNDER NO CIRCUMSTANCES SHALL LANDLORD OR ANY OF LANDLORD'S OFFICERS,



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DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE FOR INJURY TO TENANT'S BUSINESS OR FOR ANY LOSS OF INCOME OR PROFIT THEREFROM.

37. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, 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 the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in effect to such illegal, invalid or unenforceable clause or provision as shall be legal, valid and enforceable.

38. **Signs; Exterior Appearance.** Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's sole discretion: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Project, (ii) coat or otherwise sunscreen the interior or exterior of any windows, (iii) place any bottles, parcels, or other articles on the window sills, (iv) place any equipment, furniture or other items of personal property on any exterior balcony, or (v) paint, affix or exhibit on any part of the Premises or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises. Tenant shall have the right to have its name inscribed, painted or affixed by Landlord on the door of the entrance to the Premises, at Tenant's sole cost and expense, subject to Landlord's signage requirements and applicable Legal Requirements. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering.

Tenant shall have the right to display, at Tenant's sole cost and expense, 1 sign bearing Tenant's name on the top of each Building in the Project in a location reasonably acceptable to Landlord. Tenant shall also have the exclusive right to include, at Tenant's sole cost and expense, its name on the existing building monument signs at the Project; provided, however, that all of Tenant's signage including, without limitation, the size, color and type, shall be subject to Landlord's prior written approval and shall be consistent throughout the Project, and otherwise consistent Landlord's signage program at the Project and applicable Legal Requirements. Tenant shall, at Tenant's sole cost and expense, remove all of Tenant's signs at the expiration or earlier termination of this Lease and repair all damage resulting from such removal. Notwithstanding anything to the contrary contained herein, Landlord reserves the right to maintain signage on the building monument signs at the Project identifying Alexandria Real Estate Equities and the Project.

39. **Asbestos.**

(a) **Notification of Asbestos.** Landlord hereby notifies Tenant of the presence of asbestos-containing materials ("ACMs") and/or presumed asbestos-containing materials ("PACMs") within or about the Premises in the location identified in Exhibit H.

(b) **Tenant Acknowledgement.** Tenant hereby acknowledges receipt of the notification in paragraph (a) of this Section 39 and understands that the purpose of such notification is to make Tenant and any agents, employees, and contractors of Tenant, aware of the presence of ACMs and/or PACMs within or about the Building in order to avoid or minimize any damage to or disturbance of such ACMs and/or PACMs.



Tenant's  
Initials

(c) **Acknowledgement from Contractors/Employees.** Tenant shall give Landlord at least 14 days' prior written notice before conducting, authorizing or permitting any of the activities listed below within or about the Premises, and before soliciting bids from any person to perform such services. Such notice shall identify or describe the proposed scope, location, date and time of such activities and the



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name, address and telephone number of each person who may be conducting such activities. Thereafter, Tenant shall grant Landlord reasonable access to the Premises to determine whether any ACMs or PACMs will be disturbed in connection with such activities. Tenant shall not solicit bids from any person for the performance of such activities without Landlord's prior written approval. Upon Landlord's request, Tenant shall deliver to Landlord a copy of a signed acknowledgement from any contractor, agent, or employee of Tenant acknowledging receipt of information describing the presence of ACMs and/or PACMs within or about the Premises in the locations identified in Exhibit H prior to the commencement of such activities. Nothing in this Section 39 shall be deemed to expand Tenant's rights under the Lease or otherwise to conduct, authorize or permit any such activities.

(i) Removal of thermal system insulation ("TSI") and surfacing ACMs and PACMs (i.e., sprayed-on or troweled-on material, e.g., textured ceiling paint or fireproofing material);

(ii) Removal of ACMs or PACMs that are not TSI or surfacing ACMs or PACMs; or

(iii) Repair and maintenance of operations that are likely to disturb ACMs or PACMs.

**40. Termination Right.** If, on or before the expiration of the 48<sup>th</sup> month of the Base Term, Tenant has entered into a new lease agreement ("**New Lease**") with Landlord or an entity controlled by, under common control with, or controlling Landlord including, without limitation, any of the constituent members of Landlord or Alexandria Real Estate Equities, Inc. (any such entity, an "**Affiliate**") pursuant to which Tenant shall lease space of a rentable square footage in excess of the square footage leased by Tenant under this Lease in the San Diego area ("**New Premises**"), for a term acceptable to Landlord and/or Affiliate with base rent payable at the then fair market rental rate for such New Premises (taking into consideration the unamortized value of the Tenant Improvements (as defined in the 11025 Building Work Letter), the Tenant Improvements (as defined in the 11045 Building Additional Premises Work Letter) and any other Tenant Improvements in the Premises (as defined in the Prior 11035 Building Lease and the Property 11045 Building Lease), and any broker commissions paid by Landlord in connection with this Lease, the Prior 11035 Building Lease and the Prior 11045 Building Lease) and, otherwise, upon terms and conditions acceptable to Landlord or Affiliate and Tenant in their respective sole discretion, this Lease shall terminate upon the date ("**New Lease Commencement Date**") that Tenant commences paying base rent under the New Lease for the New Premises. Tenant acknowledges that nothing contained herein shall obligate Landlord or Affiliate in any way to enter into the New Lease nor shall anything contained herein be construed to grant to Tenant any option or right to lease any space at another property owned by Landlord or Affiliate. If this Lease is terminated pursuant to this Section 40, then Tenant shall vacate the Premises and deliver possession thereof to Landlord in the condition required by the terms of this Lease on or before the New Lease Commencement Date and Tenant shall have no further obligations under this Lease except for those accruing prior to the New Lease Commencement Date, including the obligation to pay Rent through the New Lease Commencement Date, and those which, pursuant to the terms of this Lease, survive the expiration or early termination of this Lease.

#### **41. Miscellaneous.**

(a) **Notices.** All notices or other communications between the parties shall be in writing and shall be deemed duly given upon delivery or refusal to accept delivery by the addressee thereof if delivered in person, or upon actual receipt if delivered by reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

(b) **Joint and Several Liability.** If and when included within the term "**Tenant**," as used in this instrument, there is more than one person or entity, each shall be jointly and severally liable for the obligations of Tenant.



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(c) **Financial Information.** If not publicly available to Landlord, Tenant shall deliver to Landlord Tenant's most recent financial statements within 121 days after the end of each calendar year or, if applicable, the end of Tenant's fiscal year. If such financial statements have been audited, Tenant shall deliver audited financial statements. Tenant shall also deliver to Landlord any other financial information or summaries that Tenant typically provides to its lenders or shareholders. Landlord shall treat all such materials and information contained therein as confidential information.

(d) **Recordation.** Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(e) **Interpretation.** The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(f) **Not Binding Until Executed.** The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) **Limitations on Interest.** It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(h) **Choice of Law.** Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(i) **Time.** Time is of the essence as to the performance of Tenant's obligations under this Lease.

(j) **OFAC.** Tenant, and all beneficial owners of Tenant, are currently (a) in compliance with and shall at all times during the Term of this Lease remain in compliance with the regulations of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury and any statute, executive order, or regulation relating thereto (collectively, the "OFAC Rules"), (b) not listed on, and shall not during the term of this Lease be listed on, the Specially Designated Nationals and Blocked Persons List maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation, and (c) not a person or entity with whom a U.S. person is prohibited from conducting business under the OFAC Rules.

(k) **Incorporation by Reference.** All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.



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(l) **Entire Agreement.** This Lease, including the exhibits attached hereto, constitutes the entire agreement between Landlord and Tenant pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, letters of intent, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements, express or implied, made to either party by the other party in connection with the subject matter hereof except as specifically set forth herein.

(m) **Alternative Premises.** During the Term of this Lease, Tenant shall not enter into any lease agreement with any third party for space in the San Diego area unless Landlord has had the opportunity, if it so elects and without any obligation to do so, to lease to Tenant alternative premises which satisfies in part or in its entirety the premises being sought by Tenant ("**Alternative Premises**") on market terms at the Project or, if Landlord so elects, at another property in the San Diego area owned or controlled by an entity controlled by, under common control with, or controlling Landlord including, without limitation, any of the constituent members of Landlord or Alexandria Real Estate Equities, Inc. (any such entity, an "**Affiliate**"). Landlord and/or any Affiliate, as the case may be, shall have the right, if it so elects and without any obligation to do so, to acquire a new project or redevelop any existing project it then owns to provide the Alternative Premises. Such new lease shall, if entered into, otherwise be upon terms and conditions acceptable to Landlord or Affiliate, as the case may be, and Tenant in their respective good faith sole discretion. Tenant shall be required to negotiate in good faith with Landlord (or its Affiliate) with respect to any Alternative Premises offered by Landlord (or its Affiliate). The provisions of this Section 41 (m) shall only apply so long as ARE-11 025/11075 Roselle Street, LLC, or an Affiliate is the owner of the Project.

42. **Satellite Dish.** As long as Tenant is not in default under this Lease, Tenant shall have the right at its sole cost and expense, subject to compliance with all Legal Requirements, to install, maintain, and remove on the top of the roof of each Building directly above the Premises one satellite dish weighing up to 50 pounds and having a diameter or height of up to 20 inches and ancillary cable and other related equipment for the transmission or reception of communication of signals as Tenant may from time to time desire (collectively, "**Satellite Dish**") on the following terms and conditions:

(a) **Requirements.** Tenant shall submit to Landlord (i) the plans and specifications for the installation of the Satellite Dish, (ii) copies of all required governmental and quasi-governmental permits, licenses, and authorizations that Tenant will and must obtain at its own expense, with the cooperation of Landlord, if necessary for the installation and operation of the Satellite Dish, and (iii) an insurance policy or certificate of insurance evidencing insurance coverage as required by this Lease and any other insurance as reasonably required by Landlord for the installation and operation of the Satellite Dish. Landlord shall not unreasonably withhold or delay its approval for the installation and operation of the Satellite Dish; provided, however, that Landlord may reasonably withhold its approval if the installation or operation of the Satellite Dish (A) may damage the structural integrity of the Building, (B) may void, terminate, or invalidate any applicable roof warranty, (C) may interfere with any service provided by Landlord, (D) may reduce the leaseable space in the Building, or (E) is not properly screened from the viewing public.

(b) **No Damage to Roof.** If installation of the Satellite Dish requires Tenant to make any roof cuts or perform any other roofing work, such cuts shall only in the manner designated in writing by Landlord; and any such installation work (including any roof cuts or other roofing work) shall be performed by Tenant, at Tenant's sole cost and expense by a roofing contractor designated by Landlord. If Tenant or its agents shall otherwise cause any damage to the roof during the installation, operation, and removal of the Satellite Dish such damage shall be repaired promptly at Tenant's expense and the roof shall be restored in the same condition it was in before the damage. Landlord shall not charge Tenant Additional Rent for the installation and use of the Satellite Dish. If, however, Landlord's insurance premium or Tax assessment increases as a result of the Satellite Dish, Tenant shall pay such increase as Additional Rent within ten (10) days after receipt of a reasonably detailed invoice from Landlord. Tenant shall not be entitled to any abatement or reduction in the amount of Rent payable under this Lease if for any reason



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Tenant is unable to use the Satellite Dish. In no event whatsoever shall the installation, operation, maintenance, or removal of the Satellite Dish by Tenant or its agents void, terminate, or invalidate any applicable roof warranty.

(c) **Protection.** The installation, operation, and removal of the Satellite Dish shall be at Tenant's sole risk. Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all claims, costs, damages, liabilities and expenses (including, but not limited to, attorneys' fees) of every kind and description that may arise out of or be connected in any way with Tenant's installation, operation, or removal of the Satellite Dish.

(d) **Removal.** At the expiration or earlier termination of this Lease or the discontinuance of the use of the Satellite Dish by Tenant, Tenant shall, at its sole cost and expense, remove the Satellite Dish from the Building. Tenant shall leave the portion of the roof where the Satellite Dish was located in good order and repair, reasonable wear and tear excepted. If Tenant does not so remove the Satellite Dish, Tenant hereby authorizes Landlord to remove and dispose of the Satellite Dish and charge Tenant as Additional Rent for all costs and expenses incurred by Landlord in such removal and disposal. Tenant agrees that Landlord shall not be liable for any Satellite Dish or related property disposed of or removed by Landlord.

(e) **No Interference.** The Satellite Dish shall not interfere with the proper functioning of any telecommunications equipment or devices that have been installed or will be installed by Landlord or for any future tenant of the Building. Tenant agrees that any other tenant of the Building that in the future takes possession of any portion of the Building will be permitted to install such telecommunication equipment that is of a type and frequency that will not cause unreasonable interference to the Satellite Dish.

(f) **Relocation.** Landlord shall have the right, at its expense and after 60 days prior notice to Tenant, to relocate the Satellite Dish to another site on the roof of the Building as long as such site reasonably meets Tenant's sight line and interference requirements and does not unreasonably interfere with Tenant's use and operation of the Satellite Dish.

(g) **Access.** Landlord grants to Tenant the right of ingress and egress on a 24 hour 7 day per week basis to install, operate, and maintain the Satellite Dish. Before receiving access to the roof of the Building, Tenant shall give Landlord at least 24 hours' advance written or oral notice, except in emergency situations, in which case 2 hours' advance oral notice shall be given by Tenant. Landlord shall supply Tenant with the name, telephone, and pager numbers of the contact individual(s) responsible for providing access during emergencies.

(h) **Appearance.** If permissible by Legal Requirements, the Satellite Dish shall be painted the same color as the Building so as to render the Satellite Dish virtually invisible from ground level.

(i) **No Assignment.** The right of Tenant to use and operate the Satellite Dish shall be personal solely to Tandem Diabetes Care, Inc., a Delaware corporation, and (i) no other person or entity shall have any right to use or operate the Satellite Dish, and (ii) Tenant shall not assign, convey, or otherwise transfer to any person or entity any right, title, or interest in all or any portion of the Satellite Dish or the use and operation thereof.

43. **Back-Up Generators.** Subject to Tenant complying with all of the provisions of this Lease including, without limitation, Section 12 hereof, and all applicable Legal Requirements and Landlord's rules and regulations, Tenant shall have the right to install, at Tenant's sole cost and expense, 3 back-up generators (1 generator serving each Building) (collectively, the "**Generators**") in the areas depicted on **Exhibit L** (collectively, the "**Generator Areas**"). Tenant may not use any portion of the TI Allowance available to Tenant under the 11025 Building Work Letter or the 11045 Building Additional Premises Work Letter for costs incurred by Tenant in connection with the Generators. The Generators



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shall be of a design and type and with screening acceptable to Landlord, in Landlord's sole and absolute discretion. Landlord shall have the right, in its sole and absolute discretion, to require Tenant to remove the Generators and restore the Generator Areas to their original use and condition upon the expiration or earlier termination of the Term. Tenant's parking spaces provided for in this Lease shall be reduced by the number of parking spaces impacted by Tenant's installation of the Generators and Tenant shall not be entitled to any additional parking rights in the Project. Landlord shall have no obligation to maintain, repair or replace the Generators and Tenant shall maintain the same, at Tenant's sole cost and expense, in good repair and condition during the Term as though the same were part of the Premises. At the expiration or earlier termination of the Term, Tenant shall, at Tenant's sole cost and expense, deliver the Generator Areas to Landlord free of any debris and trash and free of any Hazardous Materials.

**[Signatures are on the next page]**



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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

**TENANT:**

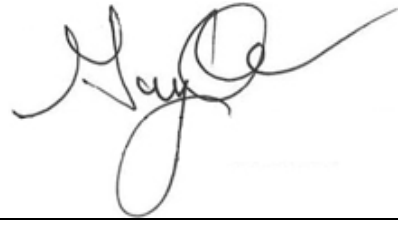
**TANDEM DIABETES CARE, INC.,**  
a Delaware corporation

By: Its: LFA**LANDLORD:**

**ARE-11025/11075 ROSELLE STREET, LLC,**  
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.,  
a Delaware limited partnership, managing member

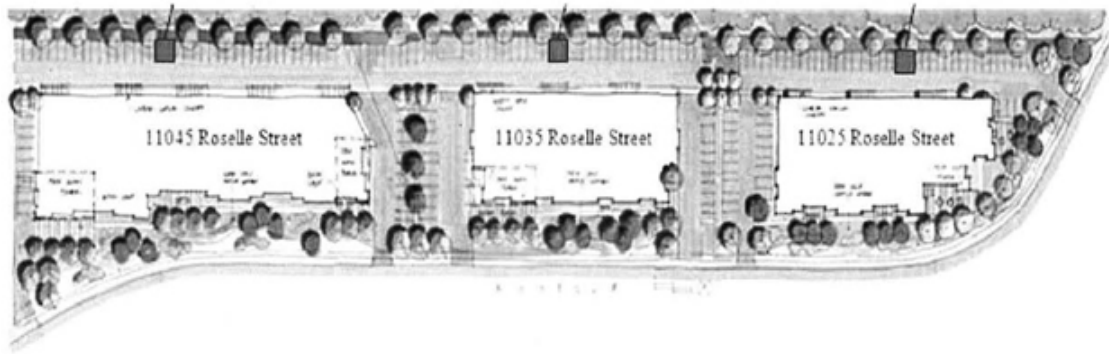
By: ARE-QRS CORP.,  
a Maryland corporation,  
general partner

By: Its: Gary DeanVP - RE LEGAL AFFAIRS

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EXHIBIT A TO LEASE

DESCRIPTION OF PREMISES



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**EXHIBIT B TO LEASE****DESCRIPTION OF PROJECT****LEGAL DESCRIPTION**

ALL OF BLOCK 5 AND LOTS 1 AND 12 IN BLOCK 6 OF SORRENTO LANDS AND TOWNSITE, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 483 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, FEBRUARY 9, 1983.

ALSO THE ALLEY IN SAID BLOCK 5, AS VACATED AND CLOSED TO PUBLIC USE.

ALSO THAT PORTION OF THE ALLEY IN SAID BLOCK 6 LYING BETWEEN SAID LOTS 1 AND 12 IN BLOCK 6 AND SOUTHEASTERLY OF A LINE WHICH IS PARALLEL WITH THE 50 FEET NORTHWESTERLY FROM THE NORTHWESTERLY LINE OF HELIOTROPE STREET.

ALSO THAT PORTION OF THE NORTHWESTERLY HALF OF GOLDEN ROD STREET LYING SOUTHEASTERLY OF AND ADJACENT TO SAID BLOCK 5, LYING NORTHEASTERLY OF THE NORTHWESTERLY LINE OF SMILAX STREET AND SOUTHWESTERLY OF THE SOUTHWESTERLY LINE OF THE ATCHISON, TOPEKA AND SANTA RAILROAD COMPANY'S RIGHT OF WAY.

ALSO THAT PORTION OF HELIOTROPE STREET LYING BETWEEN SAID BLOCKS 5 AND 6, LYING NORTHEASTERLY OF THE NORTHEASTERLY LINE OF SMILAX STREET AND SOUTHWESTERLY OF THE SOUTHWESTERLY LINE OF THAT ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY'S RIGHT OF WAY.

EXCEPTING FROM THE ABOVE DESCRIBED PROPERTY, THAT PORTION LYING NORTHEASTERLY OF THE LINE PARALLEL WITH AND 136.34 FEET SOUTHWESTERLY OF THE SOUTHWESTERLY LINE OF THE ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY'S RIGHT OF WAY.

ALSO EXCEPTING THAT PORTION LYING SOUTHWESTERLY OF A LINE DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST WESTERLY CORNER OF LOT 12, BLOCK 6 OF SAID MAP NO. 483; THENCE ALONG THE SOUTHWESTERLY LINE OF SAID BLOCK 6, TO AND ALONG THE SOUTHWESTERLY LINE OF SAID BLOCK 5, SOUTH 39°07'21" EAST, 348.30 FEET TO A POINT IN THE ARC OF A NON TANGENT 235.00 FOOT RADIUS CURVE, CONCAVE NORTHERLY, A RADIAL LINE BEARS NORTH 7°12'50" EAST FROM SAID POINT, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE EASTERLY ALONG THE ARC OF SAID CURVE THROUGH AN ANGLE OF 3°45'35", A DISTANCE OF 15.42 FEET; THENCE SOUTH 86°32'48" EAST, 113.12 FEET TO THE BEGINNING OF A TANGENT 165.00 FOOT RADIUS CURVE, CONCAVE SOUTHERLY; THENCE EASTERLY ALONG THE ARC OF SAID CURVE THROUGH AN ANGLE OF 2°11'12", A DISTANCE OF 6.30 FEET TO THE SOUTHEASTERLY LINE OF THE NORTHWESTERLY HALF OF SAID GOLDEN ROD STREET.



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LEGAL DESCRIPTION

PARCEL 1:

LOTS 1 THROUGH 4 INCLUSIVE, OF PACIFIC SORRENTO INDUSTRIAL PARK, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 7748 FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, SEPTEMBER 25, 1973.



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## LEGAL DESCRIPTION

## PARCEL 2:

PARCEL 2 OF PARCEL MAP NO. 3392, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO A MAP ON FILE IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, BEING A DIVISION OF LOT 5 OF PACIFIC SORRENTO INDUSTRIAL PARK, ACCORDING TO MAP THEREOF NO. 7748, IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY.



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## EXHIBIT C-1 TO LEASE

11025 BUILDING WORK LETTER

THIS 11025 BUILDING WORK LETTER dated MARCH 7TH, 2012 (this "**11025 Building Work Letter**") is made and entered into by and between **ARE-11025/11075 ROSELLE STREET, LLC**, a Delaware limited liability company ("**Landlord**"), and **TANDEM DIABETES CARE, INC.**, a Delaware corporation ("**Tenant**"), and is attached to and made a part of the Lease dated MARCH 7TH, 2012 (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

**1. General Requirements.**

(a) **Tenant's Authorized Representative.** Tenant designates Kim D. Blickenstaff (such individual acting alone, "**Tenant's Representative**") as the only person authorized to act for Tenant pursuant to this 11025 Building Work Letter. Landlord shall not be obligated to respond to or act upon any request, approval, inquiry or other communication ("**Communication**") from or on behalf of Tenant in connection with this 11025 Building Work Letter unless such Communication is in writing from Tenant's Representative. Tenant may change either Tenant's Representative at any time upon not less than 5 business days advance written notice to Landlord. Neither Tenant nor Tenant's Representative shall be authorized to direct Landlord's contractors in the performance of Landlord's Work (as hereinafter defined).

(b) **Landlord's Authorized Representative.** Landlord designates Thomas Brennan and Rodney Hunt (either such individual acting alone, "**Landlord's Representative**") as the only persons authorized to act for Landlord pursuant to this 11025 Building Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this 11025 Building Work Letter unless such Communication is in writing from Landlord's Representative. Landlord may change either Landlord's Representative at any time upon not less than 5 business days advance written notice to Tenant. Landlord's Representative shall be the sole persons authorized to direct Landlord's contractors in the performance of Landlord's Work.

(c) **Architects, Consultants and Contractors.** Landlord and Tenant hereby acknowledge and agree that: (i) the general contractor and any subcontractors for the Tenant Improvements shall be selected by Landlord, subject to Tenant's approval, which approval shall not be unreasonably withheld, conditioned or delayed, and (ii) DGA shall be the architect (the "**TI Architect**") for the Tenant Improvements.

**2. Tenant Improvements.**

(a) **Tenant Improvements Defined.** As used herein, "**Tenant Improvements**" shall mean all improvements to the 11025 Building of a fixed and permanent nature as shown on the TI Construction Drawings, as defined in Section 2(c) below. Other than Landlord's Work (as defined in Section 3(a) below, Landlord shall not have any obligation whatsoever with respect to the finishing of the 11025 Building for Tenant's use and occupancy.

(b) **Tenant's Space Plans.** Landlord and Tenant acknowledge and agree that the plan prepared by the TI Architect attached hereto as **Exhibit I** to the Lease (the "**Space Plan**") has been approved by both Landlord and Tenant. Landlord and Tenant further acknowledge and agree that any changes to the Space Plan constitutes a Change Request the cost of which changes shall be paid for by Tenant. Tenant shall be solely responsible for all costs incurred by Landlord to alter the Building (or Landlord's plans for the Building) as a result of Tenant's requested changes.

(c) **Working Drawings.** Landlord shall cause the TI Architect to prepare and deliver to Tenant for review and comment construction plans, specifications and drawings for the Tenant



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Improvements (“**TI Construction Drawings**”), which TI Construction Drawings shall be prepared substantially in accordance with the Space Plan. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant’s requirements for the Tenant Improvements. Tenant shall deliver its written comments on the TI Construction Drawings to Landlord not later than 10 business days after Tenant’s receipt of the same; provided, however, that Tenant may not disapprove any matter that is consistent with the Space Plan without submitting a Change Request. Landlord and the TI Architect shall consider all such comments in good faith and shall, within 10 business days after receipt, notify Tenant how Landlord proposes to respond to such comments, but Tenant’s review rights pursuant to the foregoing sentence shall not delay the design or construction schedule for the Tenant Improvements. Any disputes in connection with such comments shall be resolved in accordance with Section 2(d) hereof. Provided that the design reflected in the TI Construction Drawings is consistent with the Space Plan, Tenant shall approve the TI Construction Drawings submitted by Landlord, unless Tenant submits a Change Request. Once approved by Tenant, subject to the provisions of Section 4 below, Landlord shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the TI Permit (as defined in Section 3(b) below).

(d) **Approval and Completion.** Upon any dispute regarding the design of the Tenant Improvements, which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant may make the final decision regarding the design of the Tenant Improvements, provided (i) Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord’s and Tenant’s positions with respect to such dispute, (ii) that all costs and expenses resulting from any such decision by Tenant shall be payable out of the TI Fund (as defined in Section 5(d) below), and (iii) Tenant’s decision will not affect the base Building, structural components of the Building or any Building systems. Any changes to the TI Construction Drawings following Landlord’s and Tenant’s approval of same requested by Tenant shall be processed as provided in Section 4 hereof.

### 3. Performance of Landlord’s Work.

(a) **Definition of Landlord’s Work.** As used herein, “**Landlord’s Work**” shall mean the work of constructing the Tenant Improvements. Landlord shall cause Landlord’s Work to comply in all respects with the following: (i) Legal Requirements, as each may apply according to the rulings of the controlling public official, agent or other authority; (ii) building material manufacturer’s specifications; and (iii) the TI Construction Drawings.

(b) **Commencement and Permitting.** Landlord shall commence construction of the Tenant Improvements upon obtaining a building permit (the “**TI Permit**”) authorizing the construction of the Tenant Improvements consistent with the TI Construction Drawings approved by Tenant. The cost of obtaining the TI Permit shall be payable from the TI Fund. Tenant shall assist Landlord in obtaining the TI Permit. If any Governmental Authority having jurisdiction over the construction of Landlord’s Work or any portion thereof shall impose terms or conditions upon the construction thereof that: (i) are inconsistent with Landlord’s obligations hereunder, (ii) increase the cost of constructing Landlord’s Work, or (iii) will materially delay the construction of Landlord’s Work, Landlord and Tenant shall reasonably and in good faith seek means by which to mitigate or eliminate any such adverse terms and conditions.

(c) **Completion of Landlord’s Work.** Landlord shall substantially complete or cause to be substantially completed Landlord’s Work in a good and workmanlike manner, in accordance with the TI Permit subject, in each case, to Minor Variations and normal “punch list” items of a non-material nature that do not interfere with the use of the 11025 Building (“**Substantial Completion**” or “**Substantially Complete**”). Upon Substantial Completion of Landlord’s Work, Landlord shall require the TI Architect and the general contractor to execute and deliver, for the benefit of Tenant and Landlord, a Certificate of Substantial Completion in the form of the American Institute of Architects (“**AIA**”) document G704. For purposes of this 11025 Building Work Letter, “Minor Variations” shall mean any modifications reasonably required: (i) to comply with all applicable Legal Requirements and/or to obtain or to comply with any required permit (including the TI Permit); (ii) to comply with any request by Tenant for modifications to



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Landlord's Work; (iii) to comport with good design, engineering, and construction practices that are not material; or (iv) to make reasonable adjustments for field deviations or conditions encountered during the construction of Landlord's Work.

(d) **Selection of Materials.** Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Landlord and Tenant, the option will be selected at Landlord's sole and absolute subjective discretion. Unless the manufacturer thereof is specified on the TI Construction Drawings, as to all building materials and equipment that Landlord is obligated to supply under this 11025 Building Work Letter, Landlord shall select the manufacturer thereof in its sole and absolute subjective discretion.

(e) **Delivery of the 11025 Building.** When Landlord's Work is Substantially Complete, subject to the remaining terms and provisions of this Section 3(e), Tenant shall accept the 11025 Building. Tenant's taking possession and acceptance of the 11025 Building shall not constitute a waiver of: (i) any warranty with respect to workmanship (including installation of equipment) or material (exclusive of equipment provided directly by manufacturers), (ii) any non-compliance of Landlord's Work with applicable Legal Requirements, or (iii) any claim that Landlord's Work was not completed substantially in accordance with the TI Construction Drawings (subject to Minor Variations and such other changes as are permitted hereunder) (collectively, a "**Construction Defect**"). Tenant shall have one year after Substantial Completion within which to notify Landlord of any such Construction Defect discovered by Tenant, and Landlord shall remedy or cause the responsible contractor to remedy any such Construction Defect within 30 days thereafter, or as soon as reasonably possible thereafter.

Tenant shall be entitled to receive the benefit of all construction warranties and manufacturer's equipment warranties relating to equipment installed in the 11025 Building. If requested by Tenant, Landlord shall cooperate with Tenant, at no cost to Landlord (provided that if Tenant agrees to reimburse Landlord fully for all out-of-pocket costs incurred by Landlord in connection with such cooperation, it shall be deemed to be at no cost to Landlord), to obtain the benefit of such warranties for Tenant. If requested by Tenant, Landlord shall attempt to obtain extended warranties from manufacturers and suppliers of such equipment, but the cost of any such extended warranties shall be borne solely out of the TI Fund. Landlord shall promptly undertake and complete, or cause to be completed, all punch list items.

(f) **Commencement Date Delay.** Except as otherwise provided in the Lease, Delivery of the 11025 Building shall occur when Landlord's Work has been Substantially Completed, except to the extent that Substantial Completion of Landlord's Work shall have been actually delayed by any one or more of the following causes ("**Tenant Delay**"):

- (i) Tenant's Representative was not available to give or receive any Communication or to take any other action required to be taken by Tenant hereunder within the time limits set forth herein;
- (ii) Tenant's request for Change Requests (as defined in Section 4(a) below) whether or not any such Change Requests are actually performed;
- (iii) Construction of any Change Requests;
- (iv) Tenant's request for materials, finishes or installations requiring unusually long lead times, but only if Landlord notifies Tenant of such long lead times prior to any delay in the completion of Landlord's Work;
- (v) Tenant's delay in reviewing, revising or approving plans and specifications beyond the periods set forth herein;



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(vi) Tenant's delay in providing information critical to the normal progression of the Project. Tenant shall provide such information as soon as reasonably possible, but in no event longer than one week after receipt of any request for such information from Landlord;

(vii) Tenant's delay in making payments to Landlord for Excess TI Costs (as defined in Section 5(d) below) beyond the time periods set forth herein; or

(viii) Any other act or omission by Tenant or any Tenant Party (as defined in the Lease), or persons employed by any of such persons.

If Delivery is delayed for any of the foregoing reasons, then Landlord shall cause the TI Architect to certify the date on which the Tenant Improvements would have been Substantially Completed but for such Tenant Delay and such certified date shall be the date of Delivery.

**4. Changes.** Any changes requested by Tenant to the Tenant Improvements after the delivery and approval by Landlord of the Space Plan shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord and the TI Architect, such approval not to be unreasonably withheld, conditioned or delayed.

(a) **Tenant's Request For Changes.** If Tenant shall request changes to the Tenant Improvements ("**Changes**"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "**Change Request**"), which Change Request shall detail the nature and extent of any such Change. Such Change Request must be signed by Tenant's Representative. Landlord shall, before proceeding with any Change, use commercially reasonable efforts to respond to Tenant as soon as is reasonably possible with an estimate of: (i) the time it will take, and (ii) the architectural and engineering fees and costs that will be incurred, to analyze such Change Request (which costs shall be paid from the TI Fund to the extent actually incurred, whether or not such change is implemented). Landlord shall thereafter submit to Tenant in writing, within 5 business days of receipt of the Change Request (or such longer period of time as is reasonably required depending on the extent of the Change Request), an analysis of the additional cost or savings involved, including, without limitation, architectural and engineering costs and the period of time, if any, that the Change will extend the date on which Landlord's Work will be Substantially Complete. Any such delay in the completion of Landlord's Work caused by a Change, including any suspension of Landlord's Work while any such Change is being evaluated and/or designed, shall be Tenant Delay.

(b) **Implementation of Changes.** If Tenant: (i) approves in writing the cost or savings and the estimated extension in the time for completion of Landlord's Work, if any, and (ii) deposits with Landlord any Excess TI Costs required in connection with such Change, Landlord shall cause the approved Change to be instituted. Notwithstanding any approval or disapproval by Tenant of any estimate of the delay caused by such proposed Change, the TI Architect's determination of the amount of Tenant Delay in connection with such Change shall be final and binding on Landlord and Tenant.

## 5. Costs.

(a) **Budget For Tenant Improvements.** A preliminary detailed breakdown by trade of the costs incurred or that will be incurred in connection with the design and construction of the Tenant Improvements is set forth on Schedule 1 attached hereto (the "**Budget**"). The Budget includes a payment to Landlord of administrative rent ("**Administrative Rent**") equal to 4% of the TI Costs for monitoring and inspecting the construction of the Tenant Improvements and Changes, which sum shall be payable from the TI Fund (as defined in Section 5(d)). The Budget may be revised before the commencement of construction of the Tenant Improvements based upon the TI Construction Drawings approved by Tenant. Administrative Rent shall include, without limitation, all out-of-pocket costs, expenses and fees incurred by or on behalf of Landlord arising from, out of, or in connection with monitoring the construction of the Tenant Improvements and Changes, and shall be payable out of the TI Fund. If the Budget is greater



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than the TI Allowance, Tenant shall deposit with Landlord the Excess TI Costs, in cash, in accordance with Section 5(d).

(b) **TI Allowance.** Landlord shall provide to Tenant a tenant improvement allowance (the “**TI Allowance**”) of \$50.00 per rentable square foot of the 11025 Building, or \$935,250 in the aggregate. On or before the date that is 10 days after the mutual execution and delivery of the Lease by the parties, Tenant shall notify Landlord how much of the TI Allowance Tenant has elected to receive from Landlord. Such election shall be final and binding on Tenant, and may not thereafter be modified without Landlord’s consent, which may be granted or withheld in Landlord’s sole and absolute subjective discretion. The TI Allowance shall be disbursed by Landlord in accordance with the Lease and this 11025 Building Work Letter.

Tenant shall have no right to the use or benefit (including any reduction to or payment of Base Rent) of any portion of the TI Allowance not required for the design or construction of (i) the Tenant Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) or any Changes pursuant to Section 4, and (ii) costs resulting from Tenant Delays.

(c) **Costs Includable in TI Fund.** The TI Fund shall be used solely for the payment of the cost of preparing the TI Design Drawings and the TI Construction Drawings, all costs set forth in the Budget, including Landlord’s Administrative Rent, data and telecommunications wiring and cabling, a security system, fire alarm system and minor upgrades, costs resulting from Tenant Delays and the cost of Changes (collectively, “**TI Costs**”). Notwithstanding anything to the contrary contained herein, the TI Fund shall not be used to purchase any furniture, personal property or other non-Building system materials or equipment other than data and telecommunications wiring and cabling, a security system and minor upgrades.

(d) **Excess TI Costs.** Landlord shall have no obligation to bear any portion of the cost of any of the Tenant Improvements except to the extent of the TI Allowance. If at any time the remaining TI Costs under the Budget exceed the remaining unexpended TI Allowance, Tenant shall deposit with Landlord, as a condition precedent to Landlord’s obligation to complete the Tenant Improvements, 2/3 of the then current TI Cost in excess of the remaining TI Allowance (“**Excess TI Costs**”) upon the commencement of construction of the Tenant Improvements and the balance of the Excess TI Costs upon completion of the Tenant Improvements. If Tenant fails to deposit any Excess TI Costs with Landlord as required under this Section 5(d), Landlord shall have all of the rights and remedies set forth in the Lease for nonpayment of Rent (including, but not limited to, the right to interest at the Default Rate and the right to assess a late charge). For purposes of any litigation instituted with regard to such amounts, those amounts will be deemed Rent under the Lease. The TI Allowance and Excess TI Costs are herein referred to as the “**TI Fund**.” Funds deposited by Tenant shall be the first disbursed to pay TI Costs. Notwithstanding anything to the contrary set forth in this Section 5(d), Tenant shall be fully and solely liable for TI Costs and the cost of Minor Variations in excess of the TI Allowance. If upon Substantial Completion of the Tenant Improvements and the payment of all sums due in connection therewith there remains any undisbursed portion of the TI Fund, Tenant shall be entitled to such undisbursed TI Fund solely to the extent of any Excess TI Costs deposit Tenant has actually made with Landlord.

## 6. Tenant Access.

(a) **Tenant’s Access Rights.** Landlord hereby agrees to permit Tenant access, at Tenant’s sole risk and expense, to the Building (i) 15 business days prior to the anticipated Commencement Date to perform any work (“**Tenant’s Work**”) required by Tenant within the 11025 Building other than Landlord’s Work, provided that such Tenant’s Work is coordinated with the TI Architect and the general contractor, and complies with the Lease and all other reasonable restrictions and conditions Landlord may impose, and (ii) prior to the completion of Landlord’s Work, to inspect and observe work in process; all such access shall be during normal business hours or at such other times as are reasonably



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designated by Landlord. Landlord shall use reasonable efforts to notify Tenant (which notification may be provided at periodic construction meetings) of the anticipated Commencement Date at least 20 days before the anticipated Commencement Date. Tenant shall not be required to pay Base Rent or Operating Expenses during such access period. Notwithstanding the foregoing, Tenant shall have no right to enter onto the 11025 Building unless and until Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord demonstrating that any insurance reasonably required by Landlord (which requirement Landlord shall describe in reasonable detail in a writing delivered to Tenant reasonably in advance of the access period) in connection with such pre-commencement access (including, but not limited to, any insurance that Landlord may require pursuant to the Lease) is in full force and effect. Any entry by Tenant shall comply with all established safety practices of Landlord's contractor and Landlord until completion of Landlord's Work and acceptance thereof by Tenant. Immediately prior to the delivery of the 11025 Building to Tenant, Landlord shall remove all rubbish and debris therefrom and clean the 11025 Building.

(b) **No Interference.** Neither Tenant nor any Tenant Party (as defined in the Lease) shall interfere with the performance of Landlord's Work, nor with any inspections or issuance of final approvals by applicable Governmental Authorities, and upon any such interference, Landlord shall have the right to exclude Tenant and any Tenant Party from the 11025 Building until Substantial Completion of Landlord's Work.

(c) **No Acceptance of the 11025 Building.** The fact that Tenant may, with Landlord's consent, enter into the Building prior to the date Landlord's Work is Substantially Complete for the purpose of performing Tenant's Work within the 11025 Building shall not be deemed an acceptance by Tenant of possession of the 11025 Building, but in such event Tenant shall defend with counsel reasonably acceptable by Landlord, indemnify and hold Landlord harmless from and against any loss of or damage to Tenant's property, completed work, fixtures, equipment, materials or merchandise, and from liability for death of, or injury to, any person, caused by the act or omission of Tenant or any Tenant Party.

## 7. Miscellaneous.

(a) **Consents.** Whenever consent or approval of either party is required under this 11025 Building Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, unless expressly set forth herein to the contrary.

(b) **Modification.** No modification, waiver or amendment of this 11025 Building Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.



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## SCHEDULE 1 TO 11025 BUILDING WORK LETTER

BUDGET

Updated 3/6/2012

**Alexandria Real Estate  
"11025 Building" TI Budget Estimate**

|                                                     | COST              | 18,705<br>Cost/SAF | COMMENTS                      |
|-----------------------------------------------------|-------------------|--------------------|-------------------------------|
| <b><u>TI Construction Budget</u></b>                |                   |                    |                               |
| Construction Budget                                 | \$ 835,411        | \$ 44.66           | Based on 01.06.2012 BNB Prici |
| Fire alarm system                                   | \$ 8,500          | \$ 0.45            | Allowance                     |
| Card Access System                                  | \$ 18,447         | \$ 0.99            | CCS Quote                     |
| CCTV System                                         | \$ 27,765         | \$ 1.48            | CCS Quote                     |
| Smoke Alarm                                         | \$ 12,467         | \$ 0.67            | Allowance                     |
| Security                                            | \$ 9,106          | \$ 0.49            | CCS Quote                     |
| Cabling                                             | \$ 33,326         | \$ 1.78            | Firstlink Quote               |
| <b>Total Direct Construction Costs</b>              | <b>\$ 911,696</b> | <b>\$ 48.74</b>    |                               |
| <b><u>TI CONSTRUCTION CONTINGENCY</u></b>           | <b>5%</b>         | <b>\$45,584.78</b> | <b>\$ 2.44</b>                |
| <b>TI DIRECT CONSTRUCTION AND CONTINGENCY COSTS</b> | <b>\$ 957,280</b> | <b>\$ 51.18</b>    |                               |
| <b>TI SOFT COSTS</b>                                |                   |                    |                               |
| <b><u>DESIGN &amp; CONSULTANT COSTS</u></b>         |                   |                    |                               |
| Design Fees                                         | \$ 74,820         | \$ 4.00            |                               |
| MEP Design Fees                                     | \$ 37,410         | \$ 2.00            |                               |
| <b>SUBTOTAL DESIGN &amp; CONSULTANT</b>             | <b>\$ 112,230</b> | <b>\$ 6.00</b>     |                               |
| <b><u>CITY FEES &amp; REIMBURSABLES</u></b>         |                   |                    |                               |
| Reimbursables                                       | 7.50%             | \$ 8,417           | \$ 0.45                       |
| Permits & Plan Check                                | 1.50%             | \$ 14,359          | \$ 0.77                       |
| <b>SUBTOTAL CITY &amp; UTILITY</b>                  |                   | <b>\$ 14,359</b>   | <b>\$ 0.77</b>                |
| <b><u>Soft Cost Contingency</u></b>                 | <b>5%</b>         | <b>6,329</b>       | <b>\$ 0.34</b>                |
| <b>TI TOTAL SOFT COSTS</b>                          |                   | <b>\$ 132,919</b>  | <b>\$ 7.11</b>                |
| <b>TI PROJ ECT BUDGET WITHOUT MANAGEMENT FEE</b>    |                   | <b>\$1,090,199</b> | <b>\$ 58.28</b>               |
| Owner Management Fee                                | 4%                | \$ 43,608          |                               |
| <b>TI PROJ ECT BUDGET WITH MANAGEMENT FEE</b>       |                   | <b>\$1,133,807</b> | <b>\$ 60.62</b>               |
| <b>TI Work Letter</b>                               |                   | <b>\$ 935,250</b>  | <b>\$ 50</b>                  |
| <b>Tenant Out of Pocket TI Expense</b>              |                   | <b>\$ 198,557</b>  | <b>\$ 10.62</b>               |

**Qualifications** - Excludes all furniture, movable benches/tables, lab equipment, IT equipment, moving expenses, and any other Tandem related expenses



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## EXHIBIT C-2 TO LEASE

**11045 BUILDING ADDITIONAL PREMISES WORK LETTER**

THIS 11045 BUILDING ADDITIONAL PREMISES WORK LETTER dated MARCH 7TH, 2012 (this "**11045 Building Additional Premises Work Letter**") is made and entered into by and between **ARE-11025/11075 ROSELLE STREET, LLC**, a Delaware limited liability company ("**Landlord**"), and **TANDEM DIABETES CARE, INC.**, a Delaware corporation ("**Tenant**"), and is attached to and made a part of Lease Agreement dated MARCH 7TH, 2012 (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

**1. General Requirements.**

(a) **Tenant's Authorized Representative.** Tenant designates Kim D. Blickenstaff (such individual acting alone, "**Tenant's Representative**") as the only person authorized to act for Tenant pursuant to this 11045 Building Additional Premises Work Letter. Landlord shall not be obligated to respond to or act upon any request, approval, inquiry or other communication ("**Communication**") from or on behalf of Tenant in connection with this 11045 Building Additional Premises Work Letter unless such Communication is in writing from Tenant's Representative. Tenant may change either Tenant's Representative at any time upon not less than 5 business days advance written notice to Landlord. Neither Tenant nor Tenant's Representative shall be authorized to direct Landlord's contractors in the performance of Landlord's Work (as hereinafter defined).

(b) **Landlord's Authorized Representative.** Landlord designates Thomas Brennan and Rodney Hunt (either such individual acting alone, "**Landlord's Representative**") as the only persons authorized to act for Landlord pursuant to this 11045 Building Additional Premises Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this 11045 Building Additional Premises Work Letter unless such Communication is in writing from Landlord's Representative. Landlord may change either Landlord's Representative at any time upon not less than 5 business days advance written notice to Tenant. Landlord's Representative shall be the sole persons authorized to direct Landlord's contractors in the performance of Landlord's Work.

(c) **Architects, Consultants and Contractors.** Landlord and Tenant hereby acknowledge and agree that: (i) the general contractor and any subcontractors for the 11045 Building Additional Premises Tenant Improvements shall be selected by Landlord, subject to Tenant's approval, which approval shall not be unreasonably withheld, conditioned or delayed, and (ii) DGA shall be the architect (the "**TI Architect**") for the 11045 Building Additional Premises Tenant Improvements.

**2. 11045 Building Additional Premises Tenant Improvements.**

(a) **11045 Building Additional Premises Tenant Improvements Defined.** As used herein, "**11045 Building Additional Premises Tenant Improvements**" shall mean all improvements to the 11045 Building Additional Premises and the 11045 Building Existing Premises Improvement Area of a fixed and permanent nature as shown on the TI Construction Drawings, as defined in Section 2(c) below. Other than Landlord's Work (as defined in Section 3(a) below, Landlord shall not have any obligation whatsoever with respect to the finishing of the 11045 Building Additional Premises for Tenant's use and occupancy.

(b) **Tenant's Space Plans.** Landlord and Tenant acknowledge and agree that the plan prepared by the TI Architect attached hereto as **Exhibit J** to the Lease (the "**Space Plan**") has been approved by both Landlord and Tenant. Landlord and Tenant further acknowledge and agree that any changes to the Space Plan constitutes a Change Request the cost of which changes shall be paid for by



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Tenant. Tenant shall be solely responsible for all costs incurred by Landlord to alter the Building (or Landlord's plans for the Building) as a result of Tenant's requested changes.

(c) **Working Drawings.** Landlord shall cause the TI Architect to prepare and deliver to Tenant for review and comment construction plans, specifications and drawings for the 11045 Building Additional Premises Tenant Improvements ("**TI Construction Drawings**"), which TI Construction Drawings shall be prepared substantially in accordance with the Space Plan. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant's requirements for the 11045 Building Additional Premises Tenant Improvements. Tenant shall deliver its written comments on the TI Construction Drawings to Landlord not later than 10 business days after Tenant's receipt of the same; provided, however, that Tenant may not disapprove any matter that is consistent with the Space Plan without submitting a Change Request. Landlord and the TI Architect shall consider all such comments in good faith and shall, within 10 business days after receipt, notify Tenant how Landlord proposes to respond to such comments, but Tenant's review rights pursuant to the foregoing sentence shall not delay the design or construction schedule for the 11045 Building Additional Premises Tenant Improvements. Any disputes in connection with such comments shall be resolved in accordance with Section 2(d) hereof. Provided that the design reflected in the TI Construction Drawings is consistent with the Space Plan, Tenant shall approve the TI Construction Drawings submitted by Landlord, unless Tenant submits a Change Request. Once approved by Tenant, subject to the provisions of Section 4 below, Landlord shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the TI Permit (as defined in Section 3(b) below).

(d) **Approval and Completion.** It is hereby acknowledged by Landlord and Tenant that the TI Construction Drawings must be completed and approved not later than October 30, 2009, in order for Landlord's Work to be Substantially Complete by the Target Commencement Date (as defined in the Lease). Upon any dispute regarding the design of the 11045 Building Additional Premises Tenant Improvements, which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant may make the final decision regarding the design of the 11045 Building Additional Premises Tenant Improvements, provided (i) Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord's and Tenant's positions with respect to such dispute, (ii) that all costs and expenses resulting from any such decision by Tenant shall be payable out of the TI Fund (as defined in Section 5(d) below), and (iii) Tenant's decision will not affect the base Building, structural components of the Building or any Building systems. Any changes to the TI Construction Drawings following Landlord's and Tenant's approval of same requested by Tenant shall be processed as provided in Section 4 hereof.

### 3. Performance of Landlord's Work.

(a) **Definition of Landlord's Work.** As used herein, "**Landlord's Work**" shall mean the work of constructing the 11045 Building Additional Premises Tenant Improvements. Landlord shall cause Landlord's Work to comply in all respects with the following: (i) Legal Requirements, as each may apply according to the rulings of the controlling public official, agent or other authority; (ii) building material manufacturer's specifications; and (iii) the TI Construction Drawings.

(b) **Commencement and Permitting.** Landlord shall commence construction of the 11045 Building Additional Premises Tenant Improvements upon obtaining a building permit (the "**TI Permit**") authorizing the construction of the 11045 Building Additional Premises Tenant Improvements consistent with the TI Construction Drawings approved by Tenant. The cost of obtaining the TI Permit shall be payable from the TI Fund. Tenant shall assist Landlord in obtaining the TI Permit. If any Governmental Authority having jurisdiction over the construction of Landlord's Work or any portion thereof shall impose terms or conditions upon the construction thereof that: (i) are inconsistent with Landlord's obligations hereunder, (ii) increase the cost of constructing Landlord's Work, or (iii) will materially delay the construction of Landlord's Work, Landlord and Tenant shall reasonably and in good faith seek means by which to mitigate or eliminate any such adverse terms and conditions.



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(c) **Completion of Landlord's Work.** Landlord shall substantially complete or cause to be substantially completed Landlord's Work in a good and workmanlike manner, in accordance with the TI Permit subject, in each case, to Minor Variations and normal "punch list" items of a non-material nature that do not interfere with the use of the 11045 Building Additional Premises ("**Substantial Completion**" or "**Substantially Complete**"). Upon Substantial Completion of Landlord's Work, Landlord shall require the TI Architect and the general contractor to execute and deliver, for the benefit of Tenant and Landlord, a Certificate of Substantial Completion in the form of the American Institute of Architects ("**AIA**") document G704. For purposes of this 11045 Building Additional Premises Work Letter, "Minor Variations" shall mean any modifications reasonably required: (i) to comply with all applicable Legal Requirements and/or to obtain or to comply with any required permit (including the TI Permit); (ii) to comply with any request by Tenant for modifications to Landlord's Work; (iii) to comport with good design, engineering, and construction practices that are not material; or (iv) to make reasonable adjustments for field deviations or conditions encountered during the construction of Landlord's Work.

(d) **Selection of Materials.** Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Landlord and Tenant, the option will be selected at Landlord's sole and absolute subjective discretion. Unless the manufacturer thereof is specified on the TI Construction Drawings, as to all building materials and equipment that Landlord is obligated to supply under this 11045 Building Additional Premises Work Letter, Landlord shall select the manufacturer thereof in its sole and absolute subjective discretion.

(e) **Delivery of the 11045 Building Additional Premises.** When Landlord's Work is Substantially Complete, subject to the remaining terms and provisions of this Section 3(e), Tenant shall accept the 11045 Building Additional Premises. Tenant's taking possession and acceptance of the 11045 Building Additional Premises shall not constitute a waiver of: (i) any warranty with respect to workmanship (including installation of equipment) or material (exclusive of equipment provided directly by manufacturers), (ii) any non-compliance of Landlord's Work with applicable Legal Requirements, or (iii) any claim that Landlord's Work was not completed substantially in accordance with the TI Construction Drawings (subject to Minor Variations and such other changes as are permitted hereunder) (collectively, a "**Construction Defect**"). Tenant shall have one year after Substantial Completion within which to notify Landlord of any such Construction Defect discovered by Tenant, and Landlord shall remedy or cause the responsible contractor to remedy any such Construction Defect within 30 days thereafter, or as soon as reasonably possible thereafter.

Tenant shall be entitled to receive the benefit of all construction warranties and manufacturer's equipment warranties relating to equipment installed in the 11045 Building Additional Premises. If requested by Tenant, Landlord shall cooperate with Tenant, at no cost to Landlord, to obtain the benefit of such warranties for Tenant. If requested by Tenant, Landlord shall attempt to obtain extended warranties from manufacturers and suppliers of such equipment, but the cost of any such extended warranties shall be borne solely out of the TI Fund. Landlord shall promptly undertake and complete, or cause to be completed, all punch list items.

(f) **Commencement Date Delay.** Except as otherwise provided in the Lease, Delivery of the 11045 Building Additional Premises shall occur when Landlord's Work has been Substantially Completed, except to the extent that Substantial Completion of Landlord's Work shall have been actually delayed by any one or more of the following causes ("**Tenant Delay**"):

- (i) Tenant's Representative was not available to give or receive any Communication or to take any other action required to be taken by Tenant hereunder within the time limits set forth herein;
- (ii) Tenant's request for Change Requests (as defined in Section 4(a) below) whether or not any such Change Requests are actually performed;



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- (iii) Construction of any Change Requests;
- (iv) Tenant's request for materials, finishes or installations requiring unusually long lead times, but only if Landlord notifies Tenant of such long lead times prior to any delay in the completion of Landlord's Work;
- (v) Tenant's delay in reviewing, revising or approving plans and specifications beyond the periods set forth herein;
- (vi) Tenant's delay in providing information critical to the normal progression of the Project. Tenant shall provide such information as soon as reasonably possible, but in no event longer than one week after receipt of any request for such information from Landlord;
- (vii) Tenant's delay in making payments to Landlord for Excess TI Costs (as defined in Section 5(d) below) beyond the time periods set forth herein; or
- (viii) Any other act or omission by Tenant or any Tenant Party (as defined in the Lease), or persons employed by any of such persons.

If Delivery is delayed for any of the foregoing reasons, then Landlord shall cause the TI Architect to certify the date on which the 11045 Building Additional Premises Tenant Improvements would have been Substantially Completed but for such Tenant Delay and such certified date shall be the date of Delivery.

**4. Changes.** Any changes requested by Tenant to the 11045 Building Additional Premises Tenant Improvements after the delivery and approval by Landlord of the Space Plan shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord and the TI Architect, such approval not to be unreasonably withheld, conditioned or delayed.

(a) **Tenant's Request For Changes.** If Tenant shall request changes to the 11045 Building Additional Premises Tenant Improvements ("**Changes**"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "**Change Request**"), which Change Request shall detail the nature and extent of any such Change. Such Change Request must be signed by Tenant's Representative. Landlord shall, before proceeding with any Change, use commercially reasonable efforts to respond to Tenant as soon as is reasonably possible with an estimate of: (i) the time it will take, and (ii) the architectural and engineering fees and costs that will be incurred, to analyze such Change Request (which costs shall be paid from the TI Fund to the extent actually incurred, whether or not such change is implemented). Landlord shall thereafter submit to Tenant in writing, within 5 business days of receipt of the Change Request (or such longer period of time as is reasonably required depending on the extent of the Change Request), an analysis of the additional cost or savings involved, including, without limitation, architectural and engineering costs and the period of time, if any, that the Change will extend the date on which Landlord's Work will be Substantially Complete. Any such delay in the completion of Landlord's Work caused by a Change, including any suspension of Landlord's Work while any such Change is being evaluated and/or designed, shall be Tenant Delay.

(b) **Implementation of Changes.** If Tenant: (i) approves in writing the cost or savings and the estimated extension in the time for completion of Landlord's Work, if any, and (ii) deposits with Landlord any Excess TI Costs required in connection with such Change, Landlord shall cause the approved Change to be instituted. Notwithstanding any approval or disapproval by Tenant of any estimate of the delay caused by such proposed Change, the TI Architect's determination of the amount of Tenant Delay in connection with such Change shall be final and binding on Landlord and Tenant.



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## 5. Costs.

(a) **Budget For 11045 Building Additional Premises Tenant Improvements.** A preliminary detailed breakdown by trade of the costs incurred or that will be incurred in connection with the design and construction of the 11045 Building Additional Premises Tenant Improvements is set forth on **Schedule 1** attached hereto (the “**Budget**”). The Budget includes a payment to Landlord of administrative rent (“**Administrative Rent**”) equal to 4% of the TI Costs for monitoring and inspecting the construction of the 11045 Building Additional Premises Tenant Improvements and Changes, which sum shall be payable from the TI Fund (as defined in Section 5(d)). The Budget may be revised before the commencement of construction of the 11045 Building Additional Premises Tenant Improvements based upon the TI Construction Drawings approved by Tenant. Administrative Rent shall include, without limitation, all out-of-pocket costs, expenses and fees incurred by or on behalf of Landlord arising from, out of, or in connection with monitoring the construction of the 11045 Building Additional Premises Tenant Improvements and Changes, and shall be payable out of the TI Fund. If the Budget is greater than the TI Allowance, Tenant shall deposit with Landlord the Excess TI Costs, in cash, in accordance with Section 5(d).

(b) **TI Allowance.** Landlord shall provide to Tenant a tenant improvement allowance (the “**TI Allowance**”) of \$217,075 in the aggregate. On or before the date that is 10 days after the mutual execution and delivery of the Lease by the parties, Tenant shall notify Landlord how much of the TI Allowance Tenant has elected to receive from Landlord. Such election shall be final and binding on Tenant, and may not thereafter be modified without Landlord’s consent, which may be granted or withheld in Landlord’s sole and absolute subjective discretion. The TI Allowance shall be disbursed by Landlord in accordance with the Lease and this 11045 Building Additional Premises Work Letter.

Tenant shall have no right to the use or benefit (including any reduction to or payment of Base Rent) of any portion of the TI Allowance not required for the design or construction of (i) the 11045 Building Additional Premises Tenant Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) or any Changes pursuant to Section 4, (ii) costs resulting from Tenant Delays, and (iii) data and telecommunications wiring and cabling, a security system and minor upgrades.

(c) **Costs Includable in TI Fund.** The TI Fund shall be used solely for the payment of the cost of preparing the TI Design Drawings and the TI Construction Drawings, all costs set forth in the Budget, including Landlord’s Administrative Rent, data and telecommunications wiring and cabling, a security system, fire alarm system and minor upgrades, costs resulting from Tenant Delays and the cost of Changes (collectively, “**TI Costs**”). Notwithstanding anything to the contrary contained herein, the TI Fund shall not be used to purchase any furniture, personal property or other non-Building system materials or equipment other than data and telecommunications wiring and cabling, a security system and minor upgrades.

(d) **Excess TI Costs.** Landlord shall have no obligation to bear any portion of the cost of any of the 11045 Building Additional Premises Tenant Improvements except to the extent of the TI Allowance. If at any time the remaining TI Costs under the Budget exceed the remaining unexpended TI Allowance, Tenant shall deposit with Landlord, as a condition precedent to Landlord’s obligation to complete the 11045 Building Additional Premises Tenant Improvements, 1/3 of the then current TI Cost in excess of the remaining TI Allowance (“**Excess TI Costs**”) at the time the Space Plan is approved. Tenant shall deposit 1/3 of the Excess TI Costs upon the commencement of construction of the 11045 Building Additional Premises Tenant Improvements and the balance of the Excess TI Costs upon completion of the 11045 Building Additional Premises Tenant Improvements. If Tenant fails to deposit any Excess TI Costs with Landlord as required under this Section 5(d), Landlord shall have all of the rights and remedies set forth in the Lease for nonpayment of Rent (including, but not limited to, the right to interest at the Default Rate and the right to assess a late charge). For purposes of any litigation instituted with regard to such amounts, those amounts will be deemed Rent under the Lease. The TI Allowance and Excess TI Costs are herein referred to as the “**TI Fund**.” Funds deposited by Tenant shall be the first



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disbursed to pay TI Costs. Notwithstanding anything to the contrary set forth in this Section 5(d), Tenant shall be fully and solely liable for TI Costs and the cost of Minor Variations in excess of the TI Allowance. If upon Substantial Completion of the 11045 Building Additional Premises Tenant Improvements and the payment of all sums due in connection therewith there remains any undisbursed portion of the TI Fund, Tenant shall be entitled to such undisbursed TI Fund solely to the extent of any Excess TI Costs deposit Tenant has actually made with Landlord.

#### 6. Tenant Access.

(a) **Tenant's Access Rights.** Landlord hereby agrees to permit Tenant access, at Tenant's sole risk and expense, to the 11045 Building Additional Premises (i) 15 business days prior to the 11045 Building Additional Premises Commencement Date to perform any work ("**Tenant's Work**") required by Tenant within the 11045 Building Additional Premises other than Landlord's Work, provided that such Tenant's Work is coordinated with the TI Architect and the general contractor, and complies with the Lease and all other reasonable restrictions and conditions Landlord may impose, and (ii) prior to the completion of Landlord's Work, to inspect and observe work in process; all such access shall be during normal business hours or at such other times as are reasonably designated by Landlord. Landlord shall use reasonable efforts to notify Tenant (which notification may be provided at periodic construction meetings) of the anticipated Commencement Date at least 20 days before the anticipated Commencement Date. Tenant shall not be required to pay Base Rent or Operating Expenses during such access period. Notwithstanding the foregoing, Tenant shall have no right to enter onto the 11045 Building Additional Premises unless and until Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord demonstrating that any insurance reasonably required by Landlord (which requirement Landlord shall describe in reasonable detail in a writing delivered to Tenant reasonably in advance of the access period) in connection with such pre-commencement access (including, but not limited to, any insurance that Landlord may require pursuant to the Lease) is in full force and effect. Any entry by Tenant shall comply with all established safety practices of Landlord's contractor and Landlord until completion of Landlord's Work and acceptance thereof by Tenant. Immediately prior to the delivery of the 11045 Building Additional Premises to Tenant, Landlord shall remove all rubbish and debris therefrom and clean the 11045 Building Additional Premises.

(b) **No Interference.** Neither Tenant nor any Tenant Party (as defined in the Lease) shall interfere with the performance of Landlord's Work, nor with any inspections or issuance of final approvals by applicable Governmental Authorities, and upon any such interference, Landlord shall have the right to exclude Tenant and any Tenant Party from the 11045 Building Additional Premises until Substantial Completion of Landlord's Work.

(c) **No Acceptance of the 11045 Building Additional Premises.** The fact that Tenant may, with Landlord's consent, enter into the 11045 Building Additional Premises prior to the date Landlord's Work is Substantially Complete for the purpose of performing Tenant's Work within the 11045 Building Additional Premises shall not be deemed an acceptance by Tenant of possession of the 11045 Building Additional Premises, but in such event Tenant shall defend with counsel reasonably acceptable by Landlord, indemnify and hold Landlord harmless from and against any loss of or damage to Tenant's property, completed work, fixtures, equipment, materials or merchandise, and from liability for death of, or injury to, any person, caused by the act or omission of Tenant or any Tenant Party.

#### 7. Miscellaneous.

(a) **Consents.** Whenever consent or approval of either party is required under this 11045 Building Additional Premises Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, unless expressly set forth herein to the contrary.



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(b) **Modification.** No modification, waiver or amendment of this 11045 Building Additional Premises Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.



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## Schedule 1

Budget

Updated 3/6/2012

**Alexandria Real Estate  
"11045 Building Additional Premises" TI Budget Estimate**

|                                                     |           | COST               | 8,683<br>Cost/\$AF | COMMENTS              |
|-----------------------------------------------------|-----------|--------------------|--------------------|-----------------------|
| <b><u>TI Construction Budget</u></b>                |           |                    |                    |                       |
| Construction Budget                                 |           | \$ 428,283         | \$ 49.32           | Based on BNB estimate |
| Fire alarm system                                   |           | \$ 4,000           | \$ 0.45            | Allowance             |
| Card Access System                                  |           | \$ 4,500           | \$ 0.50            | Allowance             |
| CCTV System                                         |           | \$ 8,000           | \$ 0.90            | Allowance             |
| Smoke Alarm                                         |           | \$ 12,467          | \$ 0.65            | CCS Quote             |
| Security                                            |           | \$ 4,342           | \$ 0.50            |                       |
| Cabling                                             |           |                    |                    |                       |
| <b>Total Direct Construction Costs</b>              |           | <b>\$ 461,591</b>  | <b>\$ 53.16</b>    |                       |
| <b><u>TI CONSTRUCTION CONTINGENCY</u></b>           | <b>5%</b> | <b>\$23,079.57</b> | <b>\$ 2.66</b>     |                       |
| <b>TI DIRECT CONSTRUCTION AND CONTINGENCY COSTS</b> |           | <b>\$ 484,671</b>  | <b>\$ 55.82</b>    |                       |
| <b>TI SOFT COSTS</b>                                |           |                    |                    |                       |
| <b><u>DESIGN &amp; CONSULTANT COSTS</u></b>         |           |                    |                    |                       |
| Design Fees                                         |           | \$ 46,200          | \$ 5.32            |                       |
| MEP Design Fees                                     |           | \$ 36,790          | \$ 4.24            |                       |
| <b>SUBTOTAL DESIGN &amp; CONSULTANT</b>             |           | <b>\$ 82,990</b>   | <b>\$ 9.56</b>     |                       |
| <b><u>CITY FEES &amp; REIMBURSABLES</u></b>         |           |                    |                    |                       |
| Reimbursables                                       | 7.50%     | \$ 6,224           | \$ 0.72            |                       |
| Permits & Plan Check                                | 1.50%     | \$ 7,270           | \$ 0.84            |                       |
| <b>SUBTOTAL CITY &amp; UTILITY</b>                  |           | <b>\$ 7,270</b>    | <b>\$ 0.84</b>     |                       |
| <b><u>Soft Cost Contingency</u></b>                 | <b>5%</b> | <b>4,513</b>       | <b>\$ 0.52</b>     |                       |
| <b>TI TOTAL SOFT COSTS</b>                          |           | <b>\$ 94,773</b>   | <b>\$ 10.91</b>    |                       |
| <b>TI PROJECT BUDGET WITHOUT MANAGEMENT FEE</b>     |           | <b>\$ 579,444</b>  | <b>\$ 66.73</b>    |                       |
| Owner Management Fee                                | 4%        | \$ 23,178          |                    |                       |
| <b>TI PROJECT BUDGET WITH MANAGEMENT FEE</b>        |           | <b>\$ 602,622</b>  | <b>\$ 69.40</b>    |                       |
| <b>TI Work Letter</b>                               |           | <b>\$ 217,075</b>  | <b>\$ 25</b>       |                       |
| <b>Tenant Out of Pocket TI Expense</b>              |           | <b>\$ 385,547</b>  | <b>\$ 44.40</b>    |                       |

**Qualifications** - Excludes all furniture, movable benches/tables, lab equipment, IT equipment, moving expenses, and any other Tandem related expenses



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Updated 3/612012

**Alexandria Real Estate**  
**“11045 Building Existing Premises Improvement Area” TI Budget Estimate**  
**Clean Room/Gowning/Receiving**

|                                                     |           | COST               | 3,540<br>Cost/SAF | COMMENTS              |
|-----------------------------------------------------|-----------|--------------------|-------------------|-----------------------|
| <b><u>TI Construction Budget</u></b>                |           |                    |                   |                       |
| Construction Budget                                 |           | \$ 302,635         | \$ 85.49          | Based on BNB estimate |
| Fire alarm system                                   |           | \$ 4,000           | \$ 0.45           | Allowance             |
| Card Access System                                  |           |                    |                   |                       |
| CCTV System                                         |           |                    |                   |                       |
| Smoke Alarm                                         |           | \$ 5,750           | \$ 0.65           | Allowance             |
| Security                                            |           |                    |                   |                       |
| Cabling                                             |           |                    |                   |                       |
| <b>Total Direct Construction Costs</b>              |           | <b>\$ 312,385</b>  | <b>\$ 88.24</b>   |                       |
| <b><u>TI CONSTRUCTION CONTINGENCY</u></b>           | <b>5%</b> | <b>\$15,619.25</b> | <b>\$ 4.41</b>    |                       |
| <b>TI DIRECT CONSTRUCTION AND CONTINGENCY COSTS</b> |           | <b>\$ 328,004</b>  | <b>\$ 92.66</b>   |                       |
| <b>TI SOFT COSTS</b>                                |           |                    |                   |                       |
| <b><u>DESIGN &amp; CONSULTANT COSTS</u></b>         |           |                    |                   |                       |
| Design Fees                                         |           | \$ 18,835          | \$ 5.32           |                       |
| MEP Design Fees                                     |           | \$ 14,999          | \$ 4.24           |                       |
| <b>SUBTOTAL DESIGN &amp; CONSULTANT</b>             |           | <b>\$ 33,834</b>   | <b>\$ 9.56</b>    |                       |
| <b><u>CITY FEES &amp; REIMBURSABLES</u></b>         |           |                    |                   |                       |
| Reimbursables                                       | 7.50%     | \$ 2,538           | \$ 0.72           |                       |
| Permits & Plan Check                                | 1.50%     | \$ 4,920           | \$ 0.84           |                       |
| <b>SUBTOTAL CITY &amp; UTILITY</b>                  |           | <b>\$ 4,920</b>    | <b>\$ 0.84</b>    |                       |
| <b><u>Soft Cost Contingency</u></b>                 | <b>5%</b> | <b>1,938</b>       | <b>\$ 0.52</b>    |                       |
| <b>TI TOTAL SOFT COSTS</b>                          |           | <b>\$ 40,692</b>   | <b>\$ 11.49</b>   |                       |
| <b>TI PROJECT BUDGET WITHOUT MANAGEMENT FEE</b>     |           | <b>\$ 368,696</b>  | <b>\$104.15</b>   |                       |
| Owner Management Fee                                | 4%        | \$ 14,748          |                   |                       |
| <b>TI PROJECT BUDGET WITH MANAGEMENT FEE</b>        |           | <b>\$ 383,444</b>  | <b>\$108.32</b>   |                       |
| <b>TI Work Letter</b>                               |           | <b>\$ 0</b>        | <b>\$ 0</b>       |                       |
| <b>Tenant Out of Pocket TI Expense</b>              |           | <b>\$ 383,444</b>  | <b>\$108.32</b>   |                       |

**Qualifications** - Excludes all furniture, movable benches/tables, lab equipment, IT equipment, moving expenses, and any other Tandem related expenses

**This budget is not intended to be funded from any Tenant Improvement Allowance.**



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## EXHIBIT D TO LEASE

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This **ACKNOWLEDGMENT OF COMMENCEMENT DATE** is made this      day of      ,      , between **ARE-11025/11075 ROSELLE STREET, LLC**, a Delaware limited liability company ("**Landlord**"), and **TANDEM DIABETES CARE, INC.**, a Delaware corporation ("**Tenant**"), and is attached to and made a part of the Lease dated      , 20      (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the Commencement Date of the Base Term of the Lease is      , 20      , and the termination date of the Base Term of the Lease shall be midnight on      , 20      . In case of a conflict between the terms of the Lease and the terms of this Acknowledgment of Commencement Date, this Acknowledgment of Commencement Date shall control for all purposes.

IN WITNESS WHEREOF, Landlord and Tenant have executed this ACKNOWLEDGMENT OF COMMENCEMENT DATE to be effective on the date first above written.

**TENANT:**

**TANDEM DIABETES CARE, INC.**,  
a Delaware corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**LANDLORD:**

**ARE-11025/11075 ROSELLE STREET, LLC**,  
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P., a  
Delaware limited partnership, managing member

By: ARE-QRS CORP.,  
a Maryland corporation,  
general partner

By: \_\_\_\_\_  
Its: \_\_\_\_\_



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**EXHIBIT E TO LEASE****Rules and Regulations**

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or any Tenant Party, or used by them for any purpose other than ingress and egress to and from the Premises.
2. Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project.
3. Except for animals assisting the disabled, no animals shall be allowed in the offices, halls, or corridors in the Project.
4. Tenant shall not disturb the occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.
5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how the wires may be introduced; and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.
6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project exclusive of the diesel fuel storage and diesel backup generators.
7. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Except for the overnight parking of operative vehicles, no vehicle of any type shall be stored in the parking areas at any time. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord.
8. Tenant shall use commercially reasonable efforts to maintain the Premises free from rodents, insects and other pests.
9. 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 the Rules and Regulations of the Project.
10. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.
11. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.



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12. Tenant shall not permit storage outside the Premises, including without limitation, outside storage of trucks and other vehicles, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

13. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.

14. No auction, public or private, will be permitted on the Premises or the Project.

15. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.

16. The Premises shall not be used for lodging, sleeping or cooking (except in the kitchen or break room) or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.

17. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

18. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

19. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.



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EXHIBIT F TO LEASE

TENANT’S PERSONAL PROPERTY

None.



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**EXHIBIT G TO LEASE**

**HAZARDOUS MATERIALS LIST**

The following hazardous materials which shall be used in quantities small enough to qualify as “de minimus” quantities:

1. Lead Solder
2. Cleaners, including:
  - Isopropanol
  - Ethanol
  - Heptane
  - Nitro Methane
  - Acetone
  - Tolunene



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## FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this “**First Amendment**”) is made as of APRIL 24TH 2012, by and between **ARE-11025/11075 ROSELLE STREET, LLC**, a Delaware limited liability company (“**Landlord**”), and **TANDEM DIABETES CARE, INC.**, a Delaware corporation (“**Tenant**”).

### RECITALS

**A.** Landlord and Tenant are now parties to that certain Lease Agreement dated as of March 7, 2012 (the “**Lease**”). Pursuant to the Lease, Tenant leases certain premises consisting of approximately 66,442 rentable square feet (“**Premises**”) in buildings located at 11025, 11035 and 11045 Roselle Street, San Diego, California. The Premises are more particularly described in the Lease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Lease.

**B.** Landlord and Tenant desire, subject to the terms and conditions set forth below, to amend the Lease to, among other things, to provide Tenant with an additional tenant improvement allowance of (i) \$174,302 in the aggregate with respect to the tenant improvements to be constructed pursuant to the 11025 Building Work Letter and (ii) \$691,843 in the aggregate with respect to the tenant improvements to be constructed pursuant to the 11045 Building Work Letter.

**NOW, THEREFORE**, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual promises and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

#### 1. **Additional TI Allowance.**

**a. 11025 Building Work Letter.** Section 5(b) of the 11025 Building Work Letter is hereby deleted in its entirety and replaced with the following:

“(b) **TI Allowance.** Landlord shall provide to Tenant a tenant improvement allowance (collectively, the “**TI Allowance**”) as follows:

1. a “**Tenant Improvement Allowance**” in the amount of \$935,250 in the aggregate, which is included in the Base Rent set forth in the Lease; and

2. an “**Additional 11025 Tenant Improvement Allowance**” in the amount of \$174,302 in the aggregate, which shall result in adjustments to the Base Rent as set forth in the Lease.

Tenant hereby elects to use all of the Tenant Improvement Allowance and the Additional 11025 Tenant Improvement Allowance. Such election shall be final and binding on Tenant. The TI Allowance shall be disbursed in accordance with this 11025 Building Work Letter and the Lease.

Tenant shall have no right to the use or benefit (including any reduction to or payment of Base Rent) of any portion of the TI Allowance not required for the construction of (i) the Tenant Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) or any Changes pursuant to Section 4, and (ii) costs resulting from Tenant Delays.”

**b. 11045 Building Work Letter.** Section 5(b) of the 11045 Building Work Letter is hereby deleted in its entirety and replaced with the following:



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“(b) **TI Allowance.** Landlord shall provide to Tenant a tenant improvement allowance (collectively, the “**TI Allowance**”) as follows:

1. a “**Tenant Improvement Allowance**” in the amount of \$217,075 in the aggregate, which is included in the Base Rent set forth in the Lease; and
2. an “**Additional 11045 Tenant Improvement Allowance**” in the amount of \$691,843 in the aggregate, which shall result in adjustments to the Base Rent as set forth in the Lease.

Tenant hereby elects to use all of the Tenant Improvement Allowance and the Additional 11045 Tenant Improvement Allowance. Such election shall be final and binding on Tenant. The TI Allowance shall be disbursed in accordance with this 11045 Building Work Letter and the Lease.

Tenant shall have no right to the use or benefit (including any reduction to or payment of Base Rent) of any portion of the TI Allowance not required for the construction of (i) the Tenant Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) or any Changes pursuant to Section 4, (ii) costs resulting from Tenant Delays and (iii) data and telecommunications wiring and cabling, a security system and minor upgrades.”

c. **Additional TI Allowance Definition.** The Additional 11025 Tenant Improvement Allowance together with the Additional 11045 Tenant Improvement Allowance is hereinafter collectively referred to as the “**Additional TI Allowance**”.

2. **Base Rent Adjustments.** As a result of Tenant’s election to receive the Additional TI Allowance, Base Rent will increase by the amount set forth on Exhibit A to this First Amendment under the heading “TI Rent”. Accordingly, Exhibit K to the Lease is hereby deleted in its entirety and replaced with Exhibit A to this First Amendment.
3. **Brokers.** Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, “**Broker**”) in connection with this First Amendment (other than Jones LangLaSalle. and Cassidy Turley) and that no Broker brought about this transaction (other than Jones LangLaSalle. and Cassidy Turley). Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than the broker named in this Section 3, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this First Amendment.
4. **Miscellaneous.**
  - a. This First Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This First Amendment may be amended only by an agreement in writing, signed by the parties hereto.
  - b. This First Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.
  - c. Tenant acknowledges that it has read the provisions of this First Amendment, understands them, and is bound by them. Time is of the essence in this First Amendment.
  - d. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the



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same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this First Amendment attached thereto.

e. Except as amended and/or modified by this First Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this First Amendment. In the event of any conflict between the provisions of this First Amendment and the provisions of the Lease, the provisions of this First Amendment shall prevail. Whether or not specifically amended by this First Amendment, all of the terms and provisions of the Lease are hereby amended to the extent necessary to give effect to the purpose and intent of this First Amendment.

**[Signatures are on the next page.]**



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IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first above written.

**TENANT:**

**TANDEM DIABETES CARE, INC.,**  
a Delaware corporation

By: 

Its: LFA

**LANDLORD:**

**ARE-11025/11075 ROSELLE STREET, LLC,**  
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.,  
a Delaware limited partnership,  
managing member

By: ARE-QRS CORP.,  
a Maryland corporation,  
general partner

By: 

GARY DEAN  
VP - RE LEGAL AFFAIRS



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**Exhibit A**

**Base Rent Schedule**

| <u>Space RSF Building Date</u> | <b>11025 Building<br/>18,705 RSF<br/>11025</b> |             | <b>11035 Building<br/>17,590 RSF<br/>11035</b> |             | <b>11045 Building<br/>21,464 RSF<br/>(Existing Premises)<br/>Rent</b> |             | <b>11045 Building<br/>8,683 RSF<br/>Additional Premises</b> |             | <b>TI Rent<br/>66,442 RSF<br/>11025/11045</b> |             | <b>Total Rent</b> |
|--------------------------------|------------------------------------------------|-------------|------------------------------------------------|-------------|-----------------------------------------------------------------------|-------------|-------------------------------------------------------------|-------------|-----------------------------------------------|-------------|-------------------|
|                                | <b>Rate</b>                                    | <b>Rent</b> | <b>Rate</b>                                    | <b>Rent</b> | <b>Rate</b>                                                           | <b>Rent</b> | <b>Rate</b>                                                 | <b>Rent</b> | <b>Rate</b>                                   | <b>Rent</b> |                   |
| Mar-12                         | —                                              | —           | 1.44                                           | 25,364.76   | 1.94                                                                  | 41,645.66   | —                                                           | —           | —                                             | —           | 67,010.44         |
| Apr-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 1.94                                                                  | 41,645.66   | —                                                           | —           | —                                             | —           | 67,771.36         |
| May-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 1.94                                                                  | 41,645.66   | 1.75                                                        | 15,195.25   | —                                             | —           | 82,966.63         |
| Jun-12                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 1.94                                                                  | 41,645.66   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 133,680.13        |
| Jul-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 1.94                                                                  | 41,645.66   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 100,946.38        |
| Aug-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Sep-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Oct-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Nov-12                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Dec-12                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Jan-13                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Feb-13                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Mar-13                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Apr-13                         | 1.75                                           | 32,733.75   | 1.53                                           | 26,909.50   | 2.01                                                                  | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,921.50        |
| May-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 2.01                                                                  | 43,103.26   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 137,898.76        |
| Jun-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 2.01                                                                  | 43,103.26   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 137,898.76        |
| Jul-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 2.01                                                                  | 43,103.26   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 137,898.76        |
| Aug-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Sep-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Oct-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Nov-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.50        |
| Dec-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Jan-14                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Feb-14                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Mar-14                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Apr-14                         | 1.80                                           | 33,715.76   | 1.58                                           | 27,716.78   | 1.85                                                                  | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 135,311.19        |
| May-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.85                                                                  | 39,708.40   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 137,347.77        |
| Jun-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.85                                                                  | 39,708.40   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 137,347.77        |
| Jul-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.85                                                                  | 39,708.40   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 137,347.77        |
| Aug-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Sep-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Oct-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Nov-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Dec-14                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Jan-15                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Feb-15                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Mar-15                         | 1.86                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Apr-15                         | 1.86                                           | 34,727.24   | 1.62                                           | 28,548.28   | 1.91                                                                  | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 139,370.52        |
| May-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.91                                                                  | 40,899.65   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 141,468.20        |
| Jun-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.91                                                                  | 40,899.65   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 141,468.20        |
| Jul-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.91                                                                  | 40,899.65   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 141,468.20        |
| Aug-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Sep-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Oct-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Nov-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Dec-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Jan-16                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Feb-16                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Mar-16                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Apr-16                         | 1.91                                           | 35,769.05   | 1.67                                           | 29,404.73   | 1.96                                                                  | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 143,551.64        |
| May-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 1.96                                                                  | 42,126.64   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,712.25        |
| Jun-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 1.96                                                                  | 42,126.64   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,712.25        |
| Jul-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 1.96                                                                  | 42,126.64   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,712.25        |
| Aug-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Sep-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Oct-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Nov-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Dec-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Jan-17                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Feb-17                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Mar-17                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 146,976.05        |
| Apr-17                         | 1.97                                           | 36,842.12   | 1.72                                           | 30,286.87   | 2.02                                                                  | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 147,858.19        |
| May-17                         | 2.03                                           | 37,947.39   | 1.72                                           | 30,286.87   | 2.02                                                                  | 43,390.44   | 2.03                                                        | 17,615.46   | 0.31                                          | 20,843.45   | 150,083.61        |



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## SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (this “**First Amendment**”) is made as of July 31, 2012, by and between **ARE-11 025/11075 ROSELLE STREET, LLC**, a Delaware limited liability company (“**Landlord**”), and **TANDEM DIABETES CARE, INC.**, a Delaware corporation (“**Tenant**”).

### RECITALS

**A.** Landlord and Tenant are now parties to that certain Lease Agreement dated as of March 7, 2012, as amended by that certain First Amendment to Lease dated as of April 24, 2012 (as so amended, the “**Lease**”). Pursuant to the Lease, Tenant leases certain premises consisting of approximately 66,442 rentable square feet (“**Premises**”) in buildings located at 11025, 11035 and 11045 Roselle Street, San Diego, California. The Premises are more particularly described in the Lease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Lease.

**B.** Landlord and Tenant desire, subject to the terms and conditions set forth below, to amend the Lease to, among other things, (i) confirm the 11025 Building Commencement Date, (ii) confirm the 11045 Building Additional Premises Commencement Date and (iii) amend the schedule of Base Rent as shown on Exhibit K to the Lease.

**NOW, THEREFORE**, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual promises and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. **11025 Building Commencement Date.** Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the 11025 Building Commencement Date is July 13, 2012.
2. **11045 Building Additional Premises Commencement Date.** Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the 11045 Additional Premises Commencement Date is July 9, 2012.
3. **Base Rent.** Exhibit K to the Lease is hereby deleted in its entirety and replaced with Exhibit A to this Second Amendment.
4. **Brokers.** Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, “**Broker**”) in connection with this Second Amendment and that no Broker brought about this transaction. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than the broker named in this Section 3, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this Second Amendment.
5. **Miscellaneous.**
  - a. This Second Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This Second Amendment may be amended only by an agreement in writing, signed by the parties hereto.
  - b. This Second Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.



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c. Tenant acknowledges that it has read the provisions of this Second Amendment, understands them, and is bound by them. Time is of the essence in this Second Amendment.

d. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this Second Amendment attached thereto.

e. Except as amended and/or modified by this Second Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this Second Amendment. In the event of any conflict between the provisions of this Second Amendment and the provisions of the Lease, the provisions of this Second Amendment shall prevail. Whether or not specifically amended by this Second Amendment, all of the terms and provisions of the Lease are hereby amended to the extent necessary to give effect to the purpose and intent of this Second Amendment.

**[Signatures are on the next page.]**



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IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and year first above written.

**TENANT:**

**TANDEM DIABETES CARE, INC.,**  
a Delaware corporation

By: 

Its: DIRECTOR IT & FACILITIES

**LANDLORD:**

**ARE-11025/11075 ROSELLE STREET, LLC,**  
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.,  
a Delaware limited partnership,  
managing member

By: ARE-QRS CORP.,  
a Maryland corporation,  
general partner

By: 

GARY DEAN  
VP - RE LEGAL AFFAIRS



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**Exhibit A**

**Base Rent Schedule**

| <u>Space RSF Building Date</u> | <b>11025 Building<br/>18,705 RSF<br/>11025</b> |             | <b>11035 Building<br/>17,590 RSF<br/>11035</b> |             | <b>11045 Building<br/>21,464 RSF<br/>(Existing Premises)</b> |             | <b>11045 Building<br/>8,683 RSF<br/>Additional Premises</b> |             | <b>TI Rent<br/>66,442 RSF<br/>11025/11045</b> |             | <b>Total Rent</b> |
|--------------------------------|------------------------------------------------|-------------|------------------------------------------------|-------------|--------------------------------------------------------------|-------------|-------------------------------------------------------------|-------------|-----------------------------------------------|-------------|-------------------|
|                                | <b>Rate</b>                                    | <b>Rent</b> | <b>Rate</b>                                    | <b>Rent</b> | <b>Rate</b>                                                  | <b>Rent</b> | <b>Rate</b>                                                 | <b>Rent</b> | <b>Rate</b>                                   | <b>Rent</b> |                   |
| Mar-12                         | —                                              | —           | 1.44                                           | 25,364.78   | 1.94                                                         | 41,645.66   | —                                                           | —           | —                                             | —           | 67,010.44         |
| Apr-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 1.94                                                         | 41,645.66   | —                                                           | —           | —                                             | —           | 67,771.38         |
| May-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 1.94                                                         | 41,645.66   | —                                                           | —           | —                                             | —           | 67,771.38         |
| Jun-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 1.94                                                         | 41,645.66   | —                                                           | —           | 0.27                                          | 17,979.75   | 85,751.13         |
| Jul-12                         | 1.75                                           | 20,731.38   | 1.49                                           | 26,125.72   | 1.94                                                         | 41,645.66   | 1.75                                                        | 11,649.69   | 0.27                                          | 17,979.75   | 118,132.20        |
| Aug-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Sep-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Oct-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Nov-12                         | —                                              | —           | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 102,403.98        |
| Dec-12                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Jan-13                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Feb-13                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Mar-13                         | 1.75                                           | 32,733.75   | 1.49                                           | 26,125.72   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,137.73        |
| Apr-13                         | 1.75                                           | 32,733.75   | 1.53                                           | 26,909.50   | 2.01                                                         | 43,103.26   | 1.75                                                        | 15,195.25   | 0.27                                          | 17,979.75   | 135,921.50        |
| May-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 2.01                                                         | 43,103.26   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 137,898.76        |
| Jun-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 2.01                                                         | 43,103.26   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 137,898.76        |
| Jul-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 2.01                                                         | 43,103.26   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 137,898.76        |
| Aug-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Sep-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Oct-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Nov-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Dec-13                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Jan-14                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Feb-14                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Mar-14                         | 1.80                                           | 33,715.76   | 1.53                                           | 26,909.50   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 134,503.90        |
| Apr-14                         | 1.80                                           | 33,715.76   | 1.58                                           | 27,716.78   | 1.85                                                         | 39,708.40   | 1.80                                                        | 15,651.11   | 0.28                                          | 18,519.14   | 135,311.19        |
| May-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.85                                                         | 39,708.40   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 137,347.77        |
| Jun-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.85                                                         | 39,708.40   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 137,347.77        |
| Jul-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.85                                                         | 39,708.40   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 137,347.77        |
| Aug-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Sep-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Oct-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Nov-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Dec-14                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Jan-15                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Feb-15                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Mar-15                         | 1.85                                           | 34,727.24   | 1.58                                           | 27,716.78   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 138,539.02        |
| Apr-15                         | 1.85                                           | 34,727.24   | 1.62                                           | 28,548.28   | 1.91                                                         | 40,899.65   | 1.86                                                        | 16,120.64   | 0.29                                          | 19,074.71   | 139,370.52        |
| May-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.91                                                         | 40,899.65   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 141,468.20        |
| Jun-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.91                                                         | 40,899.65   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 141,468.20        |
| Jul-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.91                                                         | 40,899.65   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 141,468.20        |
| Aug-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Sep-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Oct-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Nov-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Dec-15                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Jan-16                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Feb-16                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Mar-16                         | 1.91                                           | 35,769.05   | 1.62                                           | 28,548.28   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 142,695.19        |
| Apr-16                         | 1.91                                           | 35,769.05   | 1.67                                           | 29,404.73   | 1.96                                                         | 42,126.64   | 1.91                                                        | 16,604.26   | 0.30                                          | 19,646.95   | 143,551.64        |
| May-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 1.96                                                         | 42,126.64   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,712.25        |
| Jun-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 1.96                                                         | 42,126.64   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,712.25        |
| Jul-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 1.96                                                         | 42,126.64   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,712.25        |
| Aug-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Sep-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Oct-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Nov-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Dec-16                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Jan-17                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Feb-17                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Mar-17                         | 1.97                                           | 36,842.12   | 1.67                                           | 29,404.73   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 145,976.05        |
| Apr-17                         | 1.97                                           | 36,842.12   | 1.72                                           | 30,286.87   | 2.02                                                         | 43,390.44   | 1.97                                                        | 17,102.39   | 0.30                                          | 20,236.36   | 147,858.19        |
| May-17                         | 2.03                                           | 37,947.39   | 1.72                                           | 30,286.87   | 2.02                                                         | 43,390.44   | 2.03                                                        | 17,615.46   | 0.31                                          | 20,843.45   | 180,083.61        |



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**EXHIBIT H TO LEASE****ASBESTOS DISCLOSURE****NOTIFICATION OF THE PRESENCE OF ASBESTOS CONTAINING MATERIALS**

This notification provides certain information about asbestos within or about the Premises at 11025 Roselle Street, San Diego, CA ("Building") in accordance with California Code of Regulations, title 8, section 1529 and Section 25915 et. seq. of the California Health and Safety Code.

Historically, asbestos was commonly used in building products used in the construction of buildings across the country. Asbestos-containing building products were used because they are fire-resistant and provide good noise and temperature insulation. Because of their prevalence, asbestos-containing materials, or ACMs, are still sometimes found in buildings today.

ACMs were not identified in the materials sampled during a survey performed in 2003. However, roofing materials were not sampled and are presumed asbestos-containing materials or PACMs. These materials were observed in good condition and may be managed in place.

Because PACMs are present and may continue to be present within or about the Building, we have hired an independent environmental consulting firm to prepare an operations and maintenance program ("**O&M Program**"). The O&M Program is designed to minimize the potential of any harmful asbestos exposure to any person within or about the Building. The O&M Program includes a description of work methods to be taken in order to maintain any ACMs or PACMs within or about the Building in good condition and to prevent any significant disturbance of such ACMs or PACMs. Appropriate personnel receive regular periodic training on how to properly administer the O&M Program.

The O&M Program describes the risks associated with asbestos exposure and how to prevent such exposure through appropriate work practices. ACMs and PACMs generally are not thought to be a threat to human health unless asbestos fibers are released into the air and inhaled. This does not typically occur unless (1) the ACMs are in a deteriorating condition, or (2) the ACMs have been significantly disturbed (such as through abrasive cleaning, or maintenance or renovation activities). If inhaled, asbestos fibers can accumulate in the lungs and, as exposure increases, the risk of disease (such as asbestosis or cancer) increases. However, measures to minimize exposure, and consequently minimize the accumulation of asbestos fibers, reduce the risks of adverse health effects.

The O&M Program describes a number of activities that should be avoided in order to prevent a release of asbestos fibers. In particular, you should be aware that some of the activities which may present a health risk include moving, drilling, boring, or otherwise disturbing ACMs. Consequently, such activities should not be attempted by any person not qualified to handle ACMs.

The O&M Program is available for review during regular business hours at the Landlord's office located at 4660 La Jolla Village Drive, Suite 725, San Diego, CA 92122.



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## NOTIFICATION OF THE PRESENCE OF ASBESTOS CONTAINING MATERIALS

This notification provides certain information about asbestos within or about the Premises at 11035 Roselle Street, San Diego, CA (“**Building**”) in accordance with California Code of Regulations, title 8, section 1529 and Section 25915 et. seq. of the California Health and Safety Code.

Historically, asbestos was commonly used in building products used in the construction of buildings across the country. Asbestos-containing building products were used because they are fire-resistant and provide good noise and temperature insulation. Because of their prevalence, asbestos-containing materials, or ACMs, are still sometimes found in buildings today.

ACMs found during an asbestos survey at the Building included sink coating, vinyl sheet flooring, trasite hoods, transite panels, and silver roof coating. Additionally, the main roofing material (beneath the silver coating) was not sampled and is considered presumed asbestos containing or PACM. During February 2003, the sink coating, vinyl sheet flooring, and transite hoods were removed from the Building. The remaining materials (transite panels, silver roof coating, and roofing materials) were observed in good condition and may be managed in place.

Because ACMs and PACMs are present and may continue to be present within or about the Building, we have hired an independent environmental consulting firm to prepare an operations and maintenance program (“**O&M Program**”). The O&M Program is designed to minimize the potential of any harmful asbestos exposure to any person within or about the Building. The O&M Program includes a description of work methods to be taken in order to maintain any ACMs or PACMs within or about the Building in good condition and to prevent any significant disturbance of such ACMs or PACMs. Appropriate personnel receive regular periodic training on how to properly administer the O&M Program.

The O&M Program describes the risks associated with asbestos exposure and how to prevent such exposure through appropriate work practices. ACMs and PACMs generally are not thought to be a threat to human health unless asbestos fibers are released into the air and inhaled. This does not typically occur unless (1) the ACMs are in a deteriorating condition, or (2) the ACMs have been significantly disturbed (such as through abrasive cleaning, or maintenance or renovation activities). If inhaled, asbestos fibers can accumulate in the lungs and, as exposure increases, the risk of disease (such as asbestosis or cancer) increases. However, measures to minimize exposure, and consequently minimize the accumulation of asbestos fibers, reduce the risks of adverse health effects.

The O&M Program describes a number of activities that should be avoided in order to prevent a release of asbestos fibers. In particular, you should be aware that some of the activities which may present a health risk include moving, drilling, boring, or otherwise disturbing ACMs. Consequently, such activities should not be attempted by any person not qualified to handle ACMs.

The O&M Program is available for review during regular business hours at the Landlord’s office located at 4660 La Jolla Village Drive, Suite 725, San Diego, CA 92122.



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**TANDEM DIABETES CARE, INC.****2006 STOCK INCENTIVE PLAN**

This 2006 STOCK INCENTIVE PLAN (the “Plan”) is hereby established by Tandem Diabetes Care, Inc., a Delaware corporation (the “Company”), and adopted by its predecessor’s Board of Directors as of September 22, 2006 (the “Effective Date”). The Plan has been amended September 24, 2007, June 5, 2008 and May 14, 2009.

**ARTICLE 1.****PURPOSES OF THE PLAN**

**1.1 Purposes.** The purposes of the Plan are (a) to enhance the Company’s ability to attract and retain the services of qualified employees, officers and directors (including non-employee officers and directors), and consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company’s business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

**ARTICLE 2.****DEFINITIONS**

For purposes of this Plan, the following terms shall have the meanings indicated:

**2.1 Administrator.** “Administrator” means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

**2.2 Affiliated Company.** “Affiliated Company” means any “parent corporation” or “subsidiary corporation” of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively.

**2.3 Award** “Award” means any unexercised Option or Stock Purchase Agreement granted by the Plan Administrator from time to time.

**2.4 Board.** “Board” means the Board of Directors of the Company.

**2.5 Change in Control.** “Change in Control” shall mean:

(a) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company, provided, however, that a Change in Control shall not result upon such acquisition of beneficial ownership if such acquisition occurs as a result of a public offering of the Company’s securities or any financing transaction or series of financing transactions.

(b) The consummation of a merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity immediately after such merger or consolidation;

(c) A reverse merger in which the Company is the surviving entity, except for a transaction in which securities possessing fifty percent (50%) or less of the total combined voting power of all outstanding voting securities of the Company are transferred to or acquired by the acquiring entity;

(d) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company;

(e) The approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company; or

(f) Any other event determined by the Board to constitute a Change in Control for purposes of the Plan.

**2.6 Code.** “Code” means the Internal Revenue Code of 1986, as amended from time to time.

**2.7 Committee.** “Committee” means a committee of two or more members of the Board appointed to administer the Plan, as set forth in Section 7.1 hereof.

**2.8 Common Stock.** “Common Stock” means the Common Stock of the Company, including Common Stock that is convertible into preferred stock of the Company, subject to adjustment pursuant to Section 4.2 hereof.

**2.9 Consultant.** “Consultant” means any consultant or advisor if: (i) the consultant or advisor renders bona fide services to the Company or any Affiliated Company; (ii) the services rendered by the consultant or advisor are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities; and (iii) the consultant or advisor is a natural person who has contracted directly with the Company or any Affiliated Company to render such services.

**2.10 Covered Employee.** “Covered Employee” means the chief executive officer of the Company (or the individual acting in such capacity) and the four (4) other individuals that are the highest compensated officers of the Company for the relevant taxable year for whom total compensation is required to be reported to stockholders under the Exchange Act. Provisions in this Plan making reference to a Covered Employee shall apply only at such time that the Company is Publicly Held.

**2.11 Disability.** “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator’s determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

**2.12 Effective Date.** “Effective Date” means the date on which the Plan is adopted by the Board, as set forth on the first page hereof.

**2.13 Exchange Act.** “Exchange Act” means the Securities and Exchange Act of 1934, as amended.

**2.14 Exercise Price.** “Exercise Price” means the purchase price per share of Common Stock payable upon exercise of an Option.

**2.15 Fair Market Value.** “Fair Market Value” on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq market system or such exchange on the next preceding day for which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of evaluation, which determination shall be conclusive and binding on all interested parties.

**2.16 Incentive Option.** “Incentive Option” means any Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

**2.17 Incentive Option Agreement.** “Incentive Option Agreement” means an Option Agreement with respect to an Incentive Option.

**2.18 NASD Dealer.** “NASD Dealer” means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

**2.19 Nonqualified Option.** “Nonqualified Option” means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.6 below, it shall to that extent constitute a Nonqualified Option.

**2.20 Nonqualified Option Agreement.** “Nonqualified Option Agreement” means an Option Agreement with respect to a Nonqualified Option.

**2.21 Option.** “Option” means any option to purchase Common Stock granted pursuant to the Plan.

**2.22 Option Agreement.** “Option Agreement” means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

**2.23 Optionee.** “Optionee” means a Participant who holds an Option.

**2.24 Participant.** “Participant” means an individual or entity who holds an Option or Restricted Stock under the Plan.

**2.25 Publicly Held.** “Publicly Held” means, with respect to the Company, any point in time in which any class of common equity securities of the Company are required to be registered under Section 12 of the Exchange Act.

**2.26 Purchase Price.** “Purchase Price” means the purchase price per share of Restricted Stock.

**2.27 Restricted Stock.** “Restricted Stock” means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

**2.28 Service Provider.** “Service Provider” means a Consultant or other natural person the Administrator authorizes to become a Participant in the Plan and who provides services to (i) the Company, (ii) an Affiliated Company, or (iii) any other business venture designated by the Administrator in which the Company (or any entity that is a successor to the Company) or an Affiliated Company has a significant ownership interest.

**2.29 Stock Purchase Agreement.** “Stock Purchase Agreement” means the written agreement entered into between the Company and a Participant with respect to the purchase of Restricted Stock under the Plan.

**2.30 10% Stockholder.** “10% Stockholder” means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

### ARTICLE 3.

#### ELIGIBILITY

**3.1 Incentive Options.** Only employees of the Company or of an Affiliated Company (including officers of the Company and members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

**3.2 Nonqualified Options and Restricted Stock.** Employees of the Company or of an Affiliated Company, officers of the Company and members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options or acquire Restricted Stock under the Plan.

**3.3 Section 162(m) Limitation.** Subject to the provisions of Section 4.2, no employee of the Company or of an Affiliated Company shall be eligible to be granted Options covering more than One Million Five Hundred Thousand (1,500,000) shares of Common Stock during any calendar year.

The foregoing shall not apply, however, until the first date upon which the Company is Publicly Held, and following the date that the Company is Publicly Held, this Section 3.3 shall not apply until the earliest time as required by Section 162(m) of the Code and the rules and regulations thereunder.

## **ARTICLE 4.**

### **PLAN SHARES**

#### **4.1 Shares Subject to the Plan.**

(a) A total of Eight Million Two Hundred Thousand (8,200,000) shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan. Notwithstanding the preceding sentence, at no time shall the aggregate number of shares of Common Stock issuable under the Plan and the total number of shares of Common Stock provided for under any stock bonus or similar plan or agreement of the Company exceed the applicable percentage set forth in Rule 260.140.45 of Title 10 of the California Code of Regulations.

(b) A total of Eight Million Two Hundred Thousand (8,200,000) shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.

**4.2 Changes in Capital Structure.** In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be automatically made to the aggregate number and kind of shares subject to this Plan, the number and kind of shares and the price per share subject to outstanding Option Agreements and Stock Purchase Agreements and the limit on the number of shares under Section 3.3, all in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

**4.3 Section 409A of the Code.** Notwithstanding anything in this Plan to the contrary, (a) any adjustments made pursuant to this Section 4 to Awards that are considered “deferred compensation” within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to Section 4 to Awards that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 4 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto.

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## ARTICLE 5.

### OPTIONS

**5.1 Option Agreement.** Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement that shall specify the number of shares subject thereto, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable, including, without limitation, the imposition of any rights of first refusal and resale obligations upon any shares of Common Stock acquired pursuant to an Option Agreement. Each Option Agreement may be different from each other Option Agreement.

**5.2 Exercise Price.** The Exercise Price per share of Common Stock covered by each Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, (b) the Exercise Price of a Nonqualified Option shall not be less than 100% of Fair Market Value on the date the Nonqualified Option is granted, and (c) if the person to whom an Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Option is granted. However, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the Code.

**5.3 Payment of Exercise Price.** Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock acquired pursuant to the exercise of an Option (provided that shares acquired pursuant to the exercise of options granted by the Company must have been held by the Optionee for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the Optionee's promissory note in a form and on terms acceptable to the Administrator, provided that an amount equal to at least the aggregate par value of the shares purchased upon exercise of an Option shall be paid in such other form of consideration permitted under the Colorado General Corporation Law; (e) the cancellation of indebtedness of the Company to the Optionee; (f) the waiver of compensation due or accrued to the Optionee for services rendered; (g) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; (h) provided that a public market for the Common Stock exists, a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (i) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

**5.4 Term and Termination of Options.** The term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than ten (10) years after the date it is granted. An Incentive Option granted to a person who is a 10% Stockholder on the date of grant shall not be exercisable more than five (5) years after the date it is granted.

**5.5 Vesting and Exercise of Options.** Each Option shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives, as shall be determined by the Administrator. An Option granted to an employee who is not an officer, a director or Consultant of the Company must vest at a rate of at least 20% per year over a period of five years from the date of grant, subject to reasonable conditions such as continued employment. Notwithstanding the foregoing, to the extent required by applicable law, each Option shall provide that the Optionee shall have the right to exercise the vested portion of any Option held at termination for at least 30 days following termination for any reason other than Cause, and that the Optionee shall have the right to exercise the Option for at least six months if such termination was due to the death or Disability of the Optionee. For purposes of the foregoing, the term “Cause” shall have the same meaning specified in the applicable Stock Option Agreement or the Restricted Share Purchase Agreement.

**5.6 Annual Limit on Incentive Options.** To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock shall not, with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year, exceed \$100,000.

**5.7 Nontransferability of Options.** Except as otherwise provided by the Administrator in an Option Agreement and as permissible under applicable law, no Option shall be assignable or transferable except by will or the laws of descent and distribution, and during the life of the Optionee shall be exercisable only by such Optionee.

**5.8 Rights as Stockholder.** An Optionee or permitted transferee of an Option shall have no rights or privileges as a stockholder with respect to any shares covered by an Option until such Option has been duly exercised and certificates representing shares purchased upon such exercise have been issued to such person.

**5.9 Unvested Shares.** The Administrator shall have the discretion to grant Options which are exercisable for unvested shares of Common Stock. Should the Optionee cease being an employee, a Service Provider, an officer, director or Consultant of the Company while owning such unvested shares, the Company shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Administrator and set forth in the document evidencing such repurchase right. The Administrator may not impose a vesting schedule upon any Option grant or the shares of Common Stock subject to that Option which is more restrictive than twenty percent (20%) per year vesting, with the initial vesting to occur not later than one (1) year after the Option grant date. However, such limitation shall not be applicable to any Option grants made to individuals who are officers, directors or Consultants of the Company.



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## ARTICLE 6.

### RESTRICTED STOCK

**6.1 Issuance and Sale of Restricted Stock.** The Administrator shall have the right to issue shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives. The Purchase Price of Restricted Stock shall be determined by the Administrator, provided that (a) the Purchase Price shall not be less than 85% of Fair Market Value of the stock on the date the Restricted Stock is granted or at the time the purchase is consummated, or (b) if the person to whom a right to purchase Restricted Stock is granted is a 10% Stockholder on the date of grant, the Purchase Price shall not be less than 100% of Fair Market Value of the stock on the date the Restricted Stock is granted or at the time the purchase is consummated.

**6.2 Restricted Stock Purchase Agreements.** A Participant shall have no rights with respect to the shares of Restricted Stock covered by a Stock Purchase Agreement until the Participant has paid the full Purchase Price to the Company in the manner set forth in Section 6.3 hereof and has executed and delivered to the Company the Stock Purchase Agreement. Each Stock Purchase Agreement shall be in such form, and shall set forth the Purchase Price and such other terms, conditions and restrictions of the Restricted Stock, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable. Each Stock Purchase Agreement may be different from each other Stock Purchase Agreement.

**6.3 Payment of Purchase Price.** Subject to any legal restrictions, payment of the Purchase Price may be made, in the discretion of the Administrator, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant that have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes, which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the Participant's promissory note in a form and on terms acceptable to the Administrator, provided that an amount equal to at least the aggregate par value of the shares purchased pursuant to a Stock Purchase Agreement shall be paid in such other form of consideration permitted under the Colorado General Corporation Law; (e) the cancellation of indebtedness of the Company to the Participant; (f) the waiver of compensation due or accrued to the Participant for services rendered; or (g) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

**6.4 Rights as a Stockholder.** Upon complying with the provisions of Section 6.2 hereof, a Participant shall have the rights of a stockholder with respect to the Restricted Stock purchased pursuant to a Stock Purchase Agreement, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in such Stock Purchase Agreement. Unless the Administrator shall determine otherwise, certificates evidencing shares of Restricted Stock shall remain in the possession of the Company until such shares have vested in accordance with the terms of the Stock Purchase Agreement.

**6.5 Restrictions.** Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in the Stock Purchase Agreement. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider status for any reason whatsoever (including death or disability),

the Stock Purchase Agreement may provide, in the discretion of the Administrator, that the Company shall have the right, exercisable at the discretion of the Administrator, to repurchase (i) at the original Purchase Price, any shares of Restricted Stock which have not vested as of the date of termination (provided that the right to repurchase at the original Purchase Price shall lapse at the rate of at least 20% per year over five (5) years from the date of the Stock Purchase Agreement for Participants other than directors, officers and Consultants of the Company), and (ii) at Fair Market Value, any shares of Restricted Stock which have vested as of such date, on such terms as may be provided in the Stock Purchase Agreement.

In any event, the right to repurchase must be exercised within ninety (90) days of the termination of Participant's Continuous Service and may be paid by the Company or its assignee, by cash, check, or cancellation of indebtedness within thirty (30) days of the expiration of the right to exercise.

**6.6 Vesting of Restricted Stock.** Subject to Section 6.5 above, the Stock Purchase Agreement shall specify the date or dates, the performance goals or objectives which must be achieved, and any other conditions on which the Restricted Stock may vest.

**6.7 Dividends.** If payment for shares of Restricted Stock is made by promissory note, any cash dividends paid with respect to the Restricted Stock may be applied, in the discretion of the Administrator, to repayment of such note.

## ARTICLE 7.

### ADMINISTRATION OF THE PLAN

**7.1 Administrator.** Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of two (2) or more members of the Board (the "Committee"). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Board may limit the composition of the Committee to those persons necessary to comply with the requirements of Section 162(m) of the Code and Section 16 of the Exchange Act. As used herein, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

**7.2 Powers of the Administrator.** In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which, Incentive Options or Nonqualified Options or rights to purchase Restricted Stock shall be granted, the number of shares to be represented by each Option and the number of shares of Restricted Stock to be offered, and the consideration to be received by the Company upon the exercise of such Options or sale of such Restricted Stock; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements and Stock Purchase Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option or Stock Purchase Agreement under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement or Stock Purchase Agreement; (g) to accelerate the vesting of any Option or release or waive any repurchase rights of the Company

with respect to Restricted Stock; (h) to extend the exercise date of any Option or acceptance date of any Restricted Stock; (i) to provide for rights of first refusal and/or repurchase rights; (j) to amend outstanding Option Agreements and Stock Purchase Agreements to provide for, among other things, any change or modification which the Administrator could have included in the original Agreement or in furtherance of the powers provided for herein; and (k) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

**7.3 Section 409A of the Code.** Notwithstanding anything in this Plan to the contrary, (a) any adjustments made pursuant to this Section 7 to Awards that are considered “deferred compensation” within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to Section 7 to Awards that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 7 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto.

**7.4 Limitation on Liability.** No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person’s conduct in the performance of duties under the Plan.

## **ARTICLE 8.**

### **CHANGE IN CONTROL**

**8.1 Change in Control.** In the sole discretion of the Administrator, an Option may provide that in the event it is outstanding as of a Change in Control of the Company, vesting shall accelerate automatically effective as of immediately prior to the consummation of the Change in Control. If vesting of outstanding Options will accelerate, the Administrator in its sole discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or “spread”) between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the Exercise Price of the Option.

**(a)** The Administrator shall have the discretion to provide in each Option Agreement other terms and conditions that relate to (i) vesting of such Option in the event of a Change in Control, and (ii) assumption of such Options or issuance of comparable securities or New Incentives in the event of a Change in Control. The aforementioned terms and conditions may vary in

each Option Agreement, and may be different from and have precedence over the provisions set forth in Sections 8.1(a) - 8.1(d) herein.

(b) Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(c) If outstanding Options will not be assumed by the acquiring or successor entity (or parent thereof), the Administrator shall cause written notice of a proposed Change in Control transaction to be given to Optionees not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

(d) In the event of a Change in Control of the Company, all Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control, and the shares of Common Stock subject to such terminated Repurchase Rights shall immediately vest in full, except to the extent that: (i) in connection with such Change in Control, the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of Stock Purchase Agreements or the substitution of new agreements of comparable value covering shares of a successor corporation, with appropriate adjustments as to the number and kind of shares and purchase price, or (ii) such accelerated vesting is precluded by other limitations imposed by the Administrator in the Stock Purchase Agreement at the time the Restricted Stock is issued. If the Repurchase Rights shall terminate pursuant to this subsection (e), then the Administrator shall cause written notice of the proposed Change in Control transaction to be given to Purchasers not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

(e) The Administrator in its discretion may provide in any Stock Purchase Agreement that if, upon a Change in Control, the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of such Stock Purchase Agreement or the substitution of new agreements of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and purchase price), then any Repurchase Right provided for in such Stock Purchase Agreement shall terminate, and the shares of Common Stock subject to the terminated Repurchase Right or any substituted shares shall immediately vest in full, if the Participant's service as an employee, director, officer, consultant or other service provider to the acquiring or successor entity (or a parent or subsidiary thereof) is terminated involuntarily or voluntarily under certain circumstances within a specified period following consummation of a Change in Control pursuant to such terms and conditions as shall be set forth in the Stock Purchase Agreement.

## **ARTICLE 9.**

### **AMENDMENT AND TERMINATION OF THE PLAN**

**9.1 Amendments.** The Board may from time to time alter, amend, suspend or terminate the Plan in such respects as the Board may deem advisable. No such alteration, amendment, suspension or termination shall be made which shall (i) substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Stock Purchase Agreement without such Participant's consent, or (ii) cause this Plan, or any Award granted pursuant to it, to violate Code Section 409A. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax

treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

**9.2 Plan Termination.** Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options or Restricted Stock may be granted under the Plan thereafter, but Option Agreements and Stock Purchase Agreements then outstanding shall continue in effect in accordance with their respective terms.

## **ARTICLE 10.**

### **TAX WITHHOLDING**

**10.1 Withholding.** The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements with respect to any Options exercised or Restricted Stock issued under the Plan. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise of an Option or as a result of the purchase of or lapse of restrictions on Restricted Stock or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

## **ARTICLE 11.**

### **MISCELLANEOUS**

**11.1 Benefits Not Alienable.** Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

**11.2 No Enlargement of Employee Rights.** This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to limit the right of the Company or any Affiliated Company to discharge any Participant at any time.

**11.3 Application of Funds.** The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Stock Purchase Agreements, except as otherwise provided herein, will be used for general corporate purposes.

**11.4 Annual and Other Periodic Reports.** To the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall provide to each Participant, not

less frequently than annually during the period such Participant has one or more Options or rights to purchase Restricted Stock outstanding, and in the case of an individual who acquires shares pursuant to the Plan, during the period such individual owns such shares, copies of annual financial statements. Notwithstanding the preceding sentence, the Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

**11.5 Stockholder Approval.** The Company shall obtain stockholder approval of the Plan within twelve (12) months before or after the adoption of the Plan by the Board of Directors.

Option No.

## TANDEM DIABETES CARE, INC.

STOCK OPTION AGREEMENTType of Option (check one): ☐ Incentive ☐ Nonqualified

This Stock Option Agreement (the "Agreement") is entered into as of \_\_\_\_\_, by and between Tandem Diabetes Care, Inc., a Colorado corporation (the "Company"), and \_\_\_\_\_ (the "Optionee") pursuant to the Company's 2006 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

**1. Grant of Option.** The Company hereby grants to Optionee an option (the "Option") to purchase all or any portion of a total of \_\_\_\_\_ ( ) shares (the "Shares") of the Common Stock of the Company convertible into preferred stock at a purchase price of \_\_\_\_\_ (\$ . ) per share (the "Exercise Price"), subject to the terms and conditions set forth herein and the provisions of the Plan. If the box marked "Incentive" above is checked, then this Option is intended to qualify as an "incentive stock option" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). If this Option fails in whole or in part to qualify as an incentive stock option, or if the box marked "Nonqualified" is checked, then this Option shall to that extent constitute a nonqualified stock option.

**2. Vesting of Option.** The right to exercise this Option shall vest in installments, and this Option shall be exercisable from time to time in whole or in part as to any vested installment ("Vested Shares"). Twenty-five percent (25%) of the Shares shall become Vested Shares on the first anniversary of the "Vesting Commencement Date," and thereafter, the balance of the Shares shall become Vested Shares in a series of thirty-six (36) successive equal monthly installments for each full month of Continuous Service provided by the Optionee, such that 100% of the Shares shall become Vested Shares on the fourth (4<sup>th</sup>) anniversary of the "Vesting Commencement Date." For these purposes, the Vesting Commencement Date shall be the date first set forth above.

No additional Shares shall vest after the date of termination of Optionee's "Continuous Service" (as defined below), but this Option shall continue to be exercisable in accordance with Section 3 hereof with respect to that number of shares that have vested as of the date of termination of Optionee's Continuous Service.

For purposes of this Agreement, the term "Continuous Service" means (i) employment by either the Company or any parent or subsidiary corporation of the Company, or by a corporation or a parent or subsidiary of a corporation issuing or assuming a stock option in a transaction to which Section 424(a) of the Code applies, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, (ii) service as a member of the Board of Directors of the Company until Optionee resigns, is removed from office, or Optionee's term of office expires and he or she is not reelected, or (iii) so long as Optionee is engaged as a Consultant or other Service Provider.

**3. Term of Option.** The right of the Optionee to exercise this Option shall terminate upon the first to occur of the following:

(a) the expiration of ten (10) years from the date of this Agreement;

(b) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to permanent disability of the Optionee (as defined in Section 22(e)(3) of the Code);

(c) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to Optionee's death or if death occurs during either the three-month or one-month period following termination of Optionee's Continuous Service pursuant to Section 3(d) or 3(e) below, as the case may be;

(d) the expiration of three (3) months from the date of termination of Optionee's Continuous Service if such termination occurs for any reason other than permanent disability, death, voluntary resignation or cause; provided, however, that if Optionee dies during such three-month period the provisions of Section 3(c) above shall apply;

(e) the expiration of one (1) month from the date of termination of Optionee's Continuous Service if such termination occurs due to voluntary resignation; provided, however, that if Optionee dies during such one-month period the provisions of Section 3(c) above shall apply;

(f) the termination of Optionee's Continuous Service, if such termination is for cause; or

(g) upon the consummation of a "Change in Control" (as defined in Section 2.4 of the Plan), unless otherwise provided pursuant to Section 11 below.

**4. Exercise of Option.** On or after the vesting of any portion of this Option in accordance with Sections 2 or 11 hereof, and until termination of the right to exercise this Option in accordance with Section 3 above, the portion of this Option that has vested may be exercised in whole or in part by the Optionee (or, after his or her death, by the person designated in Section 5 below) upon delivery of the following to the Company at its principal executive offices:

(a) a written notice of exercise which identifies this Agreement and states the number of Shares then being purchased (but no fractional Shares may be purchased), with any partial exercise being deemed to cover first vested Shares and then the earliest vesting installments of unvested Shares;

(b) a check or cash in the amount of the Exercise Price (or payment of the Exercise Price in such other form of lawful consideration as the Administrator may approve from time to time under the provisions of Section 5.3 of the Plan);

(c) a check or cash in the amount reasonably requested by the Company to satisfy the Company's withholding obligations under federal, state or other applicable tax laws with respect to the taxable income, if any, recognized by the Optionee in connection with the exercise of this Option (unless the Company and Optionee shall have made other arrangements for deductions or withholding from Optionee's wages, bonus or other compensation payable to Optionee, or by the withholding of Shares issuable upon exercise of this Option or the delivery of Shares owned by the



Optionee in accordance with Section 10.1 of the Plan, provided such arrangements satisfy the requirements of applicable tax laws); and

(d) a letter, if requested by the Company, in such form and substance as the Company may require, setting forth the investment intent of the Optionee, or person designated in Section 5 below, as the case may be.

**5. Death of Optionee; No Assignment.** The rights of the Optionee under this Agreement may not be assigned or transferred except by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Optionee only by such Optionee. Any attempt to sell, pledge, assign, hypothecate, transfer or dispose of this Option in contravention of this Agreement or the Plan shall be void and shall have no effect. If the Optionee's Continuous Service terminates as a result of his or her death, and provided Optionee's rights hereunder shall have vested pursuant to Section 2 hereof, Optionee's legal representative, his or her legatee, or the person who acquired the right to exercise this Option by reason of the death of the Optionee (individually, a "Successor") shall succeed to the Optionee's rights and obligations under this Agreement. After the death of the Optionee, only a Successor may exercise this Option.

**6. Representations and Warranties of Optionee.**

(a) Optionee represents and warrants that this Option is being acquired by Optionee for Optionee's personal account, for investment purposes only, and not with a view to the distribution, resale or other disposition thereof.

(b) Optionee acknowledges that the Company may issue Shares upon the exercise of the Option without registering such Shares under the Securities Act of 1933, as amended (the "Securities Act"), on the basis of certain exemptions from such registration requirement. Accordingly, Optionee agrees that his or her exercise of the Option may be expressly conditioned upon his or her delivery to the Company of an investment certificate including such representations and undertakings as the Company may reasonably require in order to assure the availability of such exemptions, including a representation that Optionee is acquiring the Shares for investment and not with a present intention of selling or otherwise disposing thereof and an agreement by Optionee that the certificates evidencing the Shares may bear a legend indicating such non-registration under the Securities Act and the resulting restrictions on transfer. Optionee acknowledges that, because Shares received upon exercise of an Option may be unregistered, Optionee may be required to hold the Shares indefinitely unless they are subsequently registered for resale under the Securities Act or an exemption from such registration is available.

(c) Optionee acknowledges receipt of a copy of the Plan and understands that all rights and obligations connected with this Option are set forth in this Agreement and in the Plan.

**7. Right of First Refusal.**

(a) The Shares acquired pursuant to the exercise of this Option may be sold by the Optionee only in compliance with the provisions of this Section 7, and subject in all cases to compliance with the provisions of Section 6(b) hereof. Prior to any intended sale, Optionee shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Optionee proposes to sell (the "Offered Shares"), (iv) the

price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within 30 days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the “Acceptance Notice”) to the Optionee specifying the number of Offered Shares that the Company or its nominees elect to purchase. Within 15 days after delivery of the Acceptance Notice to the Optionee, the Company and/or its nominee(s) shall deliver to the Optionee payment of the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 7, against delivery by the Optionee of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. Payment shall be made on the same terms as set forth in the Offer Notice or, at the election of the Company or its nominees(s), by check or wire transfer of funds. If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Optionee shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60-day period may be made only by again complying with the procedures set forth in this Section 7.

(c) The Optionee may transfer all or any portion of the Shares to a trust established for the sole benefit of the Optionee and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 7, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 7.

(d) Any Successor of Optionee pursuant to Section 5 hereof, and any transferee of the Shares pursuant to this Section 7, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 7.

(e) The rights provided the Company and its nominee(s) under this Section 7 shall terminate upon the closing of the initial public offering of shares of the Company’s Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

#### **8. Company’s Repurchase Right.**

(a) The Company shall have the right (but not the obligation) to repurchase (the “Repurchase Right”) any or all of the Shares acquired pursuant to the exercise of this Option in the event that the Optionee’s Continuous Service should terminate for any reason whatsoever, including without limitation Optionee’s death, disability, voluntary resignation or termination by the Company with or without cause. Upon exercise of the Repurchase Right, the Optionee shall be obligated to sell his or her Shares to the Company, as provided in this Section 8. The Repurchase Right may be exercised by the Company at any time during the period commencing on the date of termination of Optionee’s Continuous Service and ending ninety (90) days after the last to occur of the following:

- (i) the termination of Optionee’s Continuous Service;

(ii) the expiration of Optionee's right to exercise this Option pursuant to Section 3 hereof; or

(iii) in the event of Optionee's death, receipt by the Company of notice of the identity and address of Optionee's Successor (as defined in Section 5 hereof).

(b) The purchase price for Shares repurchased hereunder (the "Repurchase Price") shall be the Fair Market Value per share of Common Stock (determined in accordance with Section 2.14 of the Plan) as of the date of termination of Optionee's Continuous Service.

(c) Written notice of exercise of the Repurchase Right, stating the number of Shares to be repurchased and the Repurchase Price per Share, shall be given by the Company to the Optionee or his or her Successor, as the case may be, during the period specified in Section 8(a) above.

(d) The Repurchase Price shall be payable, at the option of the Company, by check or by cancellation of all or a portion of any outstanding indebtedness of Optionee to the Company, or by any combination thereof. The Repurchase Price shall be paid without interest within thirty (30) days after delivery of the notice of exercise of the Repurchase Right, against delivery by the Optionee or his or her Successor of a certificate or certificates representing the Shares to be repurchased, duly endorsed for transfer to the Company.

(e) The rights provided the Company under this Section 8 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

#### **9. Restrictive Legends.**

(a) Optionee hereby acknowledges that federal securities laws and the securities laws of the state in which he or she resides may require the placement of certain restrictive legends upon the Shares issued upon exercise of this Option, and Optionee hereby consents to the placing of any such legends upon certificates evidencing the Shares as the Company, or its counsel, may deem necessary or advisable.

(b) In addition, all stock certificates evidencing the Shares shall be imprinted with a legend substantially as follows:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL IN FAVOR OF THE COMPANY AND/OR ITS NOMINEE(S), AS SET FORTH IN A STOCK OPTION AGREEMENT DATED . TRANSFER OF THESE SHARES MAY BE MADE ONLY IN COMPLIANCE WITH THE PROVISIONS OF SAID AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF SAID CORPORATION. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES."

**10. Adjustments Upon Changes in Capital Structure.** In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend or other change in the capital structure of the Company, then appropriate adjustment shall be made by the Administrator to the number of Shares subject to the unexercised portion of this Option and to the Exercise Price per share, in order to preserve, as nearly as practical, but not to increase, the benefits of the Optionee under this Option, in accordance with the provisions of Section 4.2 of the Plan. **Notwithstanding anything in this Agreement to the contrary, as provided in Section 4.3 of the Plan, (a) any adjustments made pursuant to this Section 10 to Options that are considered “deferred compensation” within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (b) any adjustments made pursuant to this Section 10 to Options that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment the Options either (i) continue not to be subject to Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code; and (c) in any event, the Administrator shall not have the authority to make any adjustments pursuant to this Section 10 to the extent the existence of such authority would cause an Option that is not intended to be subject to Section 409A of the Code at the time of grant to be subject thereto.**

**11. Change in Control.** In the event of a Change in Control (as defined in Section 2.4 of the Plan):

(a) The right to exercise this Option shall accelerate automatically and vest in full (notwithstanding the provisions of Section 2 above) effective as of immediately prior to the consummation of the Change in Control unless this Option is to be assumed by the acquiring or successor entity (or parent thereof) or a new option or New Incentives are to be issued in exchange therefor, as provided in subsection (b) below. If vesting of this Option will accelerate pursuant to the preceding sentence, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or “spread”) between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate Exercise Price for such Shares. If the vesting of this Option will accelerate pursuant to this subsection (a), then the Administrator shall cause written notice of the Change in Control transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

(b) The vesting of this Option shall not accelerate if and to the extent that: (i) this Option (including the unvested portion thereof) is to be assumed by the acquiring or successor entity (or parent thereof) or a new option of comparable value is to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) this Option (including the unvested portion thereof) is to be replaced by the acquiring or successor entity (or parent thereof) with other incentives of comparable value under a new incentive program (“New Incentives”) containing such terms and provisions as the Administrator in its discretion may consider equitable. If this Option is assumed, or if a new option of comparable value is issued in exchange therefor, then this Option or the new option shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option

had this Option been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the Exercise Price such that the aggregate Exercise Price of this Option or the new option shall remain the same as nearly as practicable.

(c) If the provisions of subsection (b) above apply, then this Option, the new option or the New Incentives shall continue to vest in accordance with the provisions of Section 2 hereof and shall continue in effect for the remainder of the term of this Option in accordance with the provisions of Section 3 hereof. However, in the event of an Involuntary Termination (as defined below) of Optionee's Continuous Service within twelve (12) months following such Change in Control, then vesting of this Option, the new option or the New Incentives shall accelerate in full automatically effective upon such Involuntary Termination.

(d) For purposes of this Section 11, the following terms shall have the meanings set forth below:

(i) "Involuntary Termination" shall mean the termination of Optionee's Continuous Service by reason of:

(A) Optionee's involuntary dismissal or discharge by the Company, or by the acquiring or successor entity (or parent or any subsidiary thereof employing the Optionee) for reasons other than Misconduct (as defined below), or

(B) Optionee's voluntary resignation following (x) a change in Optionee's position with the Company, the acquiring or successor entity (or parent or any subsidiary thereof) which materially reduces Optionee's duties and responsibilities or the level of management to which Optionee reports, (y) a reduction in Optionee's level of compensation (including base salary, fringe benefits and target bonus under any performance based bonus or incentive programs) by more than ten percent (10%), or (z) a relocation of Optionee's principal place of employment by more than thirty (30) miles, provided and only if such change, reduction or relocation is effected without Optionee's written consent.

(ii) "Misconduct" shall mean (A) the commission of any act of fraud, embezzlement or dishonesty by Optionee which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (B) any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (C) the continued refusal or omission by the Optionee to perform any material duties required of him if such duties are consistent with duties customary for the position held with the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (D) any material act or omission by the Optionee involving malfeasance or gross negligence in the performance of Optionee's duties to, or material deviation from any of the policies or directives of, the Company or the acquiring or successor entity (or parent or any subsidiary thereof), (E) conduct on the part of Optionee which constitutes the breach of any statutory or common law duty of loyalty to the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or (F) any illegal act by Optionee which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or any felony committed by Optionee, as evidenced by conviction thereof. The provisions of this Section shall not limit the grounds for the dismissal or discharge of Optionee or any other individual in the service of the Company, the acquiring or successor entity (or parent or any subsidiary thereof).

**12. Limitation of Company's Liability for Nonissuance.** The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to the Optionee pursuant to this Option. Inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained.

**13. No Employment Contract Created.** Neither the granting of this Option nor the exercise hereof shall be construed as granting to the Optionee any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Optionee's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved.

**14. Rights as Stockholder.** The Optionee (or transferee of this option by will or by the laws of descent and distribution) shall have no rights as a stockholder with respect to any Shares covered by this Option until such person has duly exercised this Option, paid the Exercise Price and become a holder of record of the Shares purchased.

**15. "Market Stand-Off" Agreement.** Optionee agrees that, if requested by the Company or the managing underwriter of any proposed public offering of the Company's securities, Optionee will not sell or otherwise transfer or dispose of any Shares held by Optionee without the prior written consent of the Company or such underwriter, as the case may be, during such period of time, not to exceed 180 days following the effective date of the registration statement filed by the Company with respect to such offering, as the Company or the underwriter may specify.

**16. Interpretation.** This Option is granted pursuant to the terms of the Plan, and shall in all respects be interpreted in accordance therewith. The Administrator shall interpret and construe this Option and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Optionee. As used in this Agreement, the term "Administrator" shall refer to the committee of the Board of Directors of the Company appointed to administer the Plan, and if no such committee has been appointed, the term Administrator shall mean the Board of Directors.

**17. Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: the Chief Financial Officer, and if to the Optionee, at his or her most recent address as shown in the employment or stock records of the Company.

**18. Governing Law.** The validity, construction, interpretation, and effect of this Option shall be governed by and determined in accordance with the laws of the State of California.

**19. Severability.** Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

**20. Attorneys' Fees.** If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees and costs.

**21. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be deemed one instrument.

**22. California Corporate Securities Law.** The sale of the shares that are the subject of this Agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such shares or the payment or receipt of any part of the consideration therefor prior to such qualification is unlawful, unless the sale of such shares is exempt from such qualification by Section 25100, 25102 or 25105 of the California Corporate Securities Law of 1968, as amended. The rights of all parties to this Agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

**THE COMPANY:**

Tandem Diabetes Care, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**OPTIONEE:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Type or print name)

Address:  
\_\_\_\_\_  
\_\_\_\_\_



**TANDEM DIABETES CARE, INC.  
RESTRICTED STOCK PURCHASE AGREEMENT  
UNDER THE  
2006 STOCK INCENTIVE PLAN**

THIS RESTRICTED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of \_\_\_\_\_, 200\_\_ by and between \_\_\_\_\_ (hereinafter referred to as "Purchaser"), Tandem Diabetes Care, Inc., a Colorado corporation (hereinafter referred to as the "Company"), pursuant to the Company's 2006 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

**R E C I T A L S:**

**A.** Purchaser is an employee, director, Consultant or other Service Provider, and in connection therewith has rendered services for and on behalf of the Company.

**B.** The Company desires to issue shares of common stock to Purchaser for the consideration set forth herein to provide an incentive for Purchaser to continue to provide "Continuous Service" (as defined below) to the Company and to exert added effort towards its growth and success.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

**1. Issuance of Shares.** The Company hereby agrees to issue to Purchaser, and Purchaser hereby agrees to acquire, an aggregate of \_\_\_\_\_ ( \_\_\_\_\_ ) shares of Common Stock of the Company (the "Shares") on the terms and conditions herein set forth.

**2. Consideration.** The purchase price for the Shares shall be \$ \_\_\_\_\_ per share (the "Purchase Price"), or \$ \_\_\_\_\_ in the aggregate, which shall be paid by the delivery of Purchaser's check payable to the Company contemporaneous with the execution and delivery of this Agreement.

**3. Vesting of Shares.** Subject to Section 4(f) below, the Shares acquired hereunder shall vest and become "Vested Shares" as to 25% of the Shares on the first anniversary of the "Vesting Commencement Date," and thereafter, the balance of the Shares shall become Vested Shares in a series of thirty-six (36) successive equal monthly installments for each full month of "Continuous Service" provided by the Purchaser, such that 100% of the Shares shall be Vested Shares on the fourth (4<sup>th</sup>) anniversary of the "Vesting Commencement Date." Shares which have not yet become vested are herein called "Unvested Shares." No additional shares shall vest after the date of termination of Purchaser's Continuous Service. For these purposes, the "Vesting Commencement Date" shall be the date first set forth above.

For purposes of this Agreement, the term "Continuous Service" means (i) employment by either the Company or any parent or subsidiary corporation of the Company, or by any successor entity following a Change in Control, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, (ii) service as a member of the Board of Directors of the Company until Purchaser

resigns, is removed from office, or Purchaser's term of office expires and he or she is not reelected, or (iii) so long as Purchaser is engaged as a Consultant or other Service Provider.

#### **4. Reconveyance Upon Termination of Service.**

**(a) Repurchase Right.** The Company shall have the right (but not the obligation) to repurchase (the "Repurchase Right") all or any part of the Shares in the event that the Purchaser's Continuous Service terminates for any reason (such date of termination of Continuous Service the "Termination Date"). Upon exercise of the Repurchase Right, the Purchaser shall be obligated to sell his or her Shares to the Company, as provided in this Section 4. In the event the Company does not exercise the Repurchase Right with respect to all of the Shares, the Company shall nevertheless continue to have the "Right of First Refusal" with respect to any remaining Shares during the period and as set forth in Section 5 below.

**(b) Consideration for Repurchase Right.** The repurchase price of the Shares (the "Repurchase Price") shall be determined as follows:

**(i)** the Repurchase Price for any Vested Shares shall be equal to the Fair Market Value of such Vested Shares as of the Termination Date; and

**(ii)** the Repurchase Price for any Unvested Shares shall be equal to the lesser of (1) the Purchase Price of such Unvested Shares, or (2) the Fair Market Value of the Unvested Shares (as determined in accordance with the Plan) as of the Termination Date.

**(c) Procedure for Exercise of Reconveyance Option.** For ninety (90) days after the Termination Date or other event described in this Section 4, the Company may exercise the Repurchase Right by giving Purchaser and/or any other person obligated to sell written notice of the number of Shares which the Company desires to purchase. The Repurchase Price for the Shares (as determined pursuant to Section 4(b)) shall be payable, at the option of the Company, by check or by cancellation of all or a portion of any outstanding indebtedness of Purchaser to the Company, or by any combination thereof. In the event the Company does not exercise the Repurchase Right with respect to all of the Shares, the Company shall nevertheless continue to have the Right of First Refusal with respect to any such remaining Shares as set forth in Section 5 below.

**(d) Notification and Settlement.** In the event that the Company has elected to exercise the Repurchase Right as to part or all of the Shares within the period described above, Purchaser or such other person shall deliver to the Company certificate(s) representing the Shares to be acquired by the Company within thirty (30) days following the date of the notice from the Company. The Company shall deliver to Purchaser against delivery of the Shares, checks of the Company payable to Purchaser and/or any other person obligated to transfer the Shares in the aggregate amount of the purchase price to be paid as set forth in paragraph 4(b) above.

**(e) Deposit of Unvested Shares.** Purchaser shall deposit with the Company certificates representing the Unvested Shares, together with a duly executed stock assignment separate from certificate in blank, which shall be held by the Secretary of the Company. Purchaser shall be entitled to vote and to receive dividends and distributions on all such deposited Shares.

**(f) Termination.** The provisions of this Section 4 shall automatically terminate, and the Shares shall not be subject to the Repurchase Right (and thus shall become Vested Shares):

(i) In accordance with Section 4(g) below; and

(ii) Upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act (a "Public Offering").

(g) Notwithstanding Section 3, if Purchaser holds Shares at the time a Change in Control occurs, all Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control and the Shares subject to those terminated Repurchase Rights shall immediately vest in full except to the extent that this Agreement is continued, assumed, or substituted for by the acquiring or successor entity (or parent thereof) in connection with such Change in Control. Notwithstanding the foregoing sentence, if pursuant to a Change in Control the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and the purchase price), then the Repurchase Rights shall not terminate and vesting of the Shares shall not accelerate in connection with such Change in Control; provided, however, if Purchaser's Continuous Service is terminated pursuant to an Involuntary Termination (as defined below) within twelve (12) months following such Change in Control, all Repurchase Rights shall terminate and vesting of the Shares or any substituted shares shall accelerate in full automatically effective upon such Involuntary Termination.

For purposes of this 4(g), the following terms shall have the meanings set forth below:

(1) "Involuntary Termination" shall mean the termination of Purchaser's Continuous Service by reason of:

(A) Purchaser's involuntary dismissal or discharge by the Company, or by the acquiring or successor entity (or parent or any subsidiary thereof employing the Purchaser) for reasons other than Misconduct (as defined below), or

(B) Purchaser's voluntary resignation following (x) a change in Purchaser's position with the Company, the acquiring or successor entity (or parent or any subsidiary thereof) which materially reduces Purchaser's duties and responsibilities or the level of management to which Purchaser reports, (y) a reduction in Purchaser's level of compensation (including base salary, fringe benefits and target bonus under any performance based bonus or incentive programs) by more than ten percent (10%), or (z) a relocation of Purchaser's principal place of employment by more than thirty (30) miles, provided and only if such change, reduction or relocation is effected without Purchaser's written consent.

"Misconduct" shall mean (A) the commission of any act of fraud, embezzlement or dishonesty by Purchaser which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (B) any unauthorized use or disclosure by Purchaser of confidential information or trade secrets of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (C) the continued refusal or omission by the Purchaser to perform any material duties required of him if such duties are consistent with duties customary for the position held with the Company, the acquiring or successor entity (or parent or any subsidiary thereof), (D) any material act or omission by the Purchaser involving malfeasance or gross

negligence in the performance of Purchaser's duties to, or material deviation from any of the policies or directives of, the Company or the acquiring or successor entity (or parent or any subsidiary thereof), (E) conduct on the part of Purchaser which constitutes the breach of any statutory or common law duty of loyalty to the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or (F) any illegal act by Purchaser which materially and adversely affects the business of the Company, the acquiring or successor entity (or parent or any subsidiary thereof), or any felony committed by Purchaser, as evidenced by conviction thereof. The provisions of this Section shall not limit the grounds for the dismissal or discharge of Purchaser or any other individual in the service of the Company, the acquiring or successor entity (or parent or any subsidiary thereof).

(h) If the Purchaser: (i) files a voluntary petition under any bankruptcy or insolvency law or a petition for the appointment of a receiver or makes an assignment for the benefit of creditors; (ii) is subjected involuntarily to such a petition or assignment or to an attachment or other legal or equitable interest with respect to the Shares and such involuntary petition or assignment or attachment is not discharged within sixty (60) days after its date; or (iii) is required to transfer the Shares by operation of law or by order or decree of any court, then the Company shall have the option to exercise the Repurchase Right, whether or not the Continuous Service of the Purchaser shall then have terminated.

(i) The Company may assign its Repurchase Right under this Section 4 and its right of first refusal under Section 5 below without the consent of the Purchaser.

#### **5. Right of First Refusal.**

(a) The Shares acquired pursuant to this Agreement that are subject to the Repurchase Right may be sold by the Purchaser only in compliance with the provisions of this Section 5, and subject in all cases to compliance with the provisions of Section 6 hereof. Prior to any intended sale, Purchaser shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Purchaser proposes to sell (the "Offered Shares"), (iv) the price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within 30 days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the "Acceptance Notice") to the Purchaser specifying the number of Offered Shares that the Company or its nominee(s) elect to purchase. Within 15 days after delivery of the Acceptance Notice to the Purchaser, the Company and/or its nominee(s) shall deliver to the Purchaser a check in the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 5, against delivery by the Purchaser of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. However, (i) should the purchase price specified in the Offered Notice be payable in property other than cash or evidences of indebtedness, the Company or its nominee(s) shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property, and (ii) if there is no purchase price for the intended disposition, the Company or its nominee(s) shall have the right to purchase any or all of the Offered Shares for a purchase price in the form of cash equal in amount to the value of such Offered Shares. If the Purchaser and the Company or its nominee(s) cannot agree on such cash value within ten (10) days after the Company's receipt of the Offer Notice, the

valuation shall be made by an appraiser of recognized standing selected by the Purchaser and the Company or its nominee(s) or, if they cannot agree on an appraiser within ten (10) days after the Company's receipt of such notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value.

(c) If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Purchaser shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that any such sale or disposition must not be effected in contravention of the representations made by the Purchaser in Section 8 of this Agreement. Such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60-day period may be made only by again complying with the procedures set forth in this Section 5.

(d) The Purchaser may transfer all or any portion of the Shares to a trust established for the sole benefit of the Purchaser and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 5, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 5.

(e) Any transferee of the Shares pursuant to this Section 5, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 5.

(f) Until such time as the Company's right of first refusal lapses and ceases to have effect pursuant to the provisions of Section 5(g), the stock certificates for the Shares purchased pursuant to this Agreement shall be endorsed with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR ENCUMBERED, EXCEPT IN CONFORMITY WITH THE TERMS OF A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR HIS PREDECESSOR IN INTEREST). SUCH AGREEMENT GRANTS CERTAIN RIGHTS OF FIRST REFUSAL TO THE COMPANY (OR ITS NOMINEE(S)) UPON THE SALE, ASSIGNMENT, TRANSFER, PLEDGE OR ENCUMBRANCE OF THE SHARES. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

(g) The rights provided the Company and its nominee(s) under this Section 5 shall terminate upon the consummation of a Public Offering as defined in Section 4(f) above, or immediately prior to the consummation of a Change in Control whereupon the Shares will be exchanged for shares of a successor corporation, which shares are Publicly Traded (as defined in the Plan).

**6. Adjustments Upon Changes in Capital Structure.** In the event that the outstanding Shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a

recapitalization, stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then Purchaser shall be entitled to new or additional or different shares of stock or securities, in order to preserve, as nearly as practical, but not to increase, the benefits of Purchaser under this Agreement, in accordance with the provisions of Section 4.2 of the Plan. Such new, additional or different shares shall be deemed “Shares” for purposes of this Agreement and subject to all of the terms and conditions hereof.

**7. Shares Free and Clear.** All Shares purchased by the Company pursuant to this Agreement shall be delivered by Purchaser free and clear of all claims, liens and encumbrances of every nature (except the provisions of this Agreement and any conditions concerning the Shares relating to compliance with applicable federal or state securities laws), and the purchaser thereof shall acquire full and complete title and right to all of the shares, free and clear of any claims, liens and encumbrances of every nature (again except for the provisions of this Agreement and such securities laws).

**8. Investment Representations.** The Purchaser acknowledges that he or she is aware that the Shares to be issued to him by the Company pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended. In this connection, the Purchaser warrants and represents to the Company as follows:

(a) The Purchaser is purchasing the Shares solely for the Purchaser’s own account for investment and not with a view to or for sale or distribution of the Shares or any portion thereof and not with any present intention of selling, offering to sell or otherwise disposing of or distributing the Shares or any portion thereof. The Purchaser also represents that the entire legal and beneficial interest of the Shares the Purchaser is purchasing is being purchased for, and will be held for the account of, the Purchaser only and neither in whole nor in part for any other person.

(b) The Purchaser has heretofore discussed the Company and its plans, operations and financial condition with its officers and that the Purchaser has heretofore received all such information as the Purchaser deems necessary and appropriate to enable the Purchaser to evaluate the financial risk inherent in making an investment in the Shares of the Company and the Purchaser further represents and warrants that the Purchaser has received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

(c) The Purchaser realizes that the purchase of the Shares is a highly speculative investment and represents that the Purchaser is able, without impairing the Purchaser’s financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss on the investment.

(d) The Company hereby discloses to the Purchaser and the Purchaser hereby acknowledges that:

(i) the Shares have not been registered under the Securities Act of 1933, as amended (the “Act”), and such Shares must be held indefinitely unless a transfer of them is subsequently registered under the Act or an exemption from such registration is available;

(ii) the share certificate representing the Shares will be stamped with the legends restricting transfer specified in this Agreement between the Company and the Purchaser; and

(iii) the Company will make a notation in its records of the aforementioned restrictions on transfer and legends.

(e) The Purchaser understands that the Shares are restricted securities within the meaning of Rule 144 promulgated under the Act; that the exemption from registration under Rule 144 will not be available in any event for at least one (1) year from the date of sale of the Shares to the Purchaser, and even then will not be available unless (i) a public trading market then exists for the Shares of the Company, (ii) adequate current public information concerning the Company is then available to the public, (iii) the Purchaser has been the beneficial owner and the Purchaser has paid the full Purchase Price for the Shares at least one (1) year prior to the sale, and (iv) other terms and conditions of Rule 144 are complied with; and that any sale of the Shares may be made by it only in limited amounts in accordance with such terms and conditions, as amended from time to time.

(f) Without in any way limiting any of the other provisions of this Agreement or its representations set forth above, the Purchaser further agrees that the Purchaser shall in no event make any disposition of all or any portion of the Shares which the Purchaser is purchasing unless and until:

(i) there is then in effect a Registration Statement under the Act covering such proposed disposition and such disposition is made in accordance with said Registration Statement; or

(ii) (A) the Purchaser shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, (B) the Purchaser shall have furnished the Company with an opinion of counsel to the effect that such disposition will not require registration of such shares under the Act, and (C) such opinion of counsel shall have been concurred in by counsel for the Company and the Company shall have advised the Purchaser of such concurrence.

**9. Limitation of Company's Liability for Nonissuance; Unpermitted Transfers.**

(a) The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to Purchaser pursuant to this Agreement. The inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such Shares as to which such requisite authority or approval shall not have been obtained.

(b) The Company shall not be required to: (i) transfer on its books any Shares of the Company which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (ii) treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred. In the event of a sale of Shares by the Purchaser pursuant to Section 5, the Purchaser shall furnish to the Company proof that such sale was made in compliance with the provisions of Section 5 as to price and general terms of such sale.

**10. Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days

after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: the Chief Financial Officer, and if to the Purchaser, at his or her most recent address as shown in the employment or stock records of the Company.

**11. Binding Obligations.** All covenants and agreements herein contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the parties hereto and their permitted successors and assigns.

**12. Captions and Section Headings.** Captions and section headings used herein are for convenience only, and are not part of this Agreement and shall not be used in construing it.

**13. Amendment.** This Agreement may not be amended, waived, discharged, or terminated other than by written agreement of the parties.

**14. Entire Agreement.** This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior or contemporaneous written or oral agreements and understandings of the parties, either express or implied.

**15. Assignment.** Purchaser shall have no right, without the prior written consent of the Company, to (i) sell, assign, mortgage, pledge or otherwise transfer any interest or right created hereby, or (ii) delegate his or her duties or obligations under this Agreement. This Agreement is made solely for the benefit of the parties hereto, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement.

**16. Severability.** Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

**17. Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be deemed one instrument.

**18. Governing Law.** The validity, construction, interpretation, and effect of this Agreement shall be governed by and determined in accordance with the laws of the State of California.

**19. No Agreement to Employ.** Nothing in this Agreement shall obligate the Company or its Affiliates, or their respective stockholders, Board of Directors, officers or employees to continue any relationship that Purchaser might have as a director, consultant or employee of the Company. The right of the Company or any of its subsidiaries to terminate at will the Purchaser's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved.

**20. "Market Stand-Off" Agreement.** Purchaser agrees in connection with any registration of the Company's securities that, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Purchaser will not sell or otherwise dispose of any Purchased Shares without the prior written consent of the Company or such



underwriters, as the case may be, for a period of time (not to exceed 180 days) from the effective date of such registration as the Company or the underwriters may specify.

**21. Tax Elections.** Purchaser understands that Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of the acquisition of the Shares. Purchaser acknowledges that Purchaser has considered the advisability of all tax elections in connection with the purchase of the Shares, including the making of an election under Section 83(b) under the Internal Revenue Code of 1986, as amended ("Code"); Purchaser further acknowledges that the Company has no responsibility for the making of such Section 83(b) election. In the event Purchaser determines to make a Section 83(b) election, Purchaser agrees to timely provide a copy of the election to the Company as required under the Code.

**22. Attorneys' Fees.** If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees and costs.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**THE COMPANY:**

**PURCHASER:**

Tandem Diabetes Care, Inc.

By: \_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

Title: \_\_\_\_\_

**CONSENT AND RATIFICATION OF SPOUSE**

The undersigned, the spouse of \_\_\_\_\_, a party to the attached Restricted Stock Purchase Agreement (the “Agreement”), dated as of \_\_\_\_\_, hereby consents to the execution of said Agreement by such party; and ratifies, approves, confirms and adopts said Agreement, and agrees to be bound by each and every term and condition thereof as if the undersigned had been a signatory to said Agreement, with respect to the Shares (as defined in the Agreement) made the subject of said Agreement in which the undersigned has an interest, including any community property interest therein.

I also acknowledge that I have been advised to obtain independent counsel to represent my interests with respect to this Agreement but that I have declined to do so and I hereby expressly waive my right to such independent counsel.

Date: \_\_\_\_\_

(Signature)

(Print Name)

BRUCE FEUCHTER  
949.725.4123  
FEUCHTER@SYCR.COM

August 9, 2013

**CONFIDENTIAL SUBMISSION**  
VIA EDGAR

U.S. Securities and Exchange Commission  
Division of Corporate Finance  
100 F Street, NE  
Washington, DC 20549

RE: Confidential Submission of Tandem Diabetes Care, Inc. Registration Statement on Form S-1

Ladies and Gentlemen:

On behalf of Tandem Diabetes Care, Inc., a Delaware corporation (the "Company"), we hereby confidentially submit a draft Registration Statement on Form S-1 (the "Registration Statement") of the Company pursuant to Title I, Section 106 under the Jumpstart Our Business Startups Act of 2012 and Section 24(b)(2) of the Securities Exchange Act of 1934 for non-public review by the Staff of the U.S. Securities and Exchange Commission prior to the public filing of the Registration Statement.

If you have any questions with respect to this confidential submission, please call me at (949) 725-4123.

Sincerely,



Bruce Feuchter

Enclosure

cc: Kim D. Blickenstaff, President and Chief Executive Officer, Tandem Diabetes Care, Inc.  
Alejandro E. Camacho, Esq., Clifford Chance US LLP