

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

**Amendment No. 1**  
**to**  
**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)

**Kim D. Blickenstaff**  
**President and Chief Executive Officer**  
**11045 Roselle Street**  
**San Diego, California 92121**  
**(858) 366-6900**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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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 Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of 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.

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

PROSPECTUS

Shares



**TANDEM<sup>®</sup>**  
DIABETES CARE

Common Stock

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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.**

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	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.

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**BofA Merrill Lynch**  
**Deutsche Bank Securities**

**Piper Jaffray**  
**Stifel**

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

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.

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

# t:slim<sup>®</sup>

## Insulin Pump



(Actual Size)



**TANDEM<sup>®</sup>**  
DIABETES CARE







The advertisement features a collage of images related to diabetes management: a smartphone displaying a glucose meter reading, a hand holding a smartphone, a laptop showing the t:connect web interface, and a hand holding a smartphone displaying a glucose meter reading. A cloud icon with a line graph and the text "CLOUD BASED REPORTING" is positioned above the laptop. A dashed blue line with a USB icon connects the cloud to the laptop. The background is a light gray with a subtle grid pattern.

# t:connect®

## Diabetes Management Application

**CLOUD BASED REPORTING**

**Dashboard**

Feb 5 - 11, 2013

**Highest Blood Glucose** 313 **Average Blood Glucose** 158 **Lowest Blood Glucose** 55

**Blood Glucose Summary**

Average BG level: 6:42 am - 10:00 pm

Age: 10 (yrs) 100% 0 Days

Target Range: 80-180 80% 27 Days

Low: 100 20% 63 Days

**Average Daily Health Summary**

Average Glucose Level: 27.04 mg/dL

Glucose: 100% 6.83 mg/dL

Proteinuria: 100% 10.00 mg/dL

Compliance: 100% 4.00 mg/dL

**My Notifications**

**Confirmation** Jan 10, 2013  
Since your last upload, Reminder thresholds and settings have been changed.

**Confirmation** Jan 26, 2013  
Since your last upload, The Control Reminder has been enabled.

**Confirmation** Jan 30, 2013  
New pump data was successfully uploaded on Jan 30, 2013 1:00 PM.

**Confirmation** Jan 31, 2013  
A new BG Meter was associated with your account on 2013-01-31 11:43 AM.

[View Details](#)

[View Details](#)

[View Details](#)

[View Details](#)

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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. 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 discusses the key aspects of the offering and highlights certain information appearing elsewhere in this prospectus. However, 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, a miniaturized pumping mechanism which draws insulin from a flexible bag within the pump’s cartridge rather than relying on a syringe and plunger mechanism. It also features an easy-to-navigate software architecture, a vivid color touchscreen and a micro-USB connection that supports both a rechargeable battery and t:connect, our data management application. Our innovative approach to product design and development is also consumer-focused and based on 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. Leveraging our technology platform and consumer-focused approach, we develop products to address unmet needs of people in all segments of the large and growing insulin-dependent diabetes market.

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.

Close Concerns, Inc., an independent consulting and publishing company that provides diabetes advisory services, or Close Concerns, estimates that there are approximately 1.5 million people with type 1 diabetes in the United States and 4.5 million people with type 2 diabetes in the United States who require daily administration of insulin. Our target market consists of these approximately 6.0 million people in the United States 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. This initiative 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, and for the six months ended June 30, 2013, our sales were \$11.0 million. For the year ended December 31, 2012, our net loss was \$33.0 million, and for the six months ended June 30, 2013, our net loss was \$26.5 million. Our accumulated deficit as of June 30, 2013 was \$132.5 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 by expanding our sales and marketing infrastructure, which will allow us to engage with more potential customers, their caregivers and healthcare providers to promote t:slim, and by continuing to provide strong customer support. By demonstrating the benefits of t:slim and the product and technology shortcomings of existing insulin therapies, we believe more people will choose t:slim for their insulin pump therapy needs, allowing us to further penetrate and expand the market. As of June 30, 2013, a significant percentage of our customers had converted from multiple daily injection 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 American Diabetes Association, or ADA, in 2012 approximately 22.3 million people in the United States had diabetes.

According to Close Concerns, approximately 6.0 million people require daily administration of insulin in the United States, which includes approximately 1.5 million people with type 1 diabetes and approximately 4.5 million people with type 2 diabetes who are insulin-dependent, which represents our target market. 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 Close Concerns, 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. In addition, approximately 75,000 people with type 2 diabetes in the United States use an insulin pump, or less than 2% of the type 2 diabetes population who are insulin-dependent. Close Concerns also estimates that there are approximately 25,000 people in the United States who begin using insulin pump therapy each year, representing a 5% 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 pump-related supplies. We also believe that the adoption of insulin pump therapy would be even greater if not for the significant and fundamental perceived shortcomings of durable 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 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 and fear of making mistakes with the pump.

**Pump mechanism limitations.** Traditional pumps utilize a syringe and plunger mechanism to deliver insulin limiting the ability to reduce the size of the pump. Our research has also 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 specific consumer demands, as we believe the user is the primary decision maker when purchasing an insulin pump. Our development process then applies the science of human factors, which optimizes a user's ability to successfully operate a device or system in its intended use environment through an iterative process involving user testing and design refinement. This multi-step approach has resulted in products that provide users with the distinct product features they seek and in a manner that makes the features usable. We believe this approach is fundamentally different from the approach applied to the traditional medical device development process, which often does not involve seeking out specific consumer feedback in advance or applying the science of human factors to optimize use of a product.

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 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 is specifically designed to help prevent the unintentional delivery of insulin and reduce fear associated with using a 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.

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. 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 intensify our efforts to encourage third-party payors to establish reimbursement for t:slim as we expand our sales and marketing infrastructure.

**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 a significant portion of our revenue, and any factors that negatively impact sales of this product may adversely affect our business, financial condition and operating results;
- The failure of t:slim to achieve and maintain market acceptance could result in us achieving sales below our expectations, which would cause our business, financial condition and operating results to 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 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;
- Competitive products or other technological breakthroughs for the monitoring, treatment or prevention of diabetes may render our products obsolete;
- If we are unable to expand our sales, marketing and clinical infrastructure, we may fail 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 competitive 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, the information included under the headings “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—as restated:	\$ (89.43)	\$ (104.93)	\$ (56.33)	\$ (75.42)
Weighted average shares used to compute basic and diluted net loss per share—as restated:	285,254	314,625	300,858	350,883
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 As Adjusted (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 the information included under the heading “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 a significant portion of our revenue, and any factors that negatively impact sales of this product may adversely affect our business, financial condition and operating results.***

Our primary 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 t:slim and pump-related supplies. Accordingly, our ability to generate revenue is highly dependent on our ability to market and sell t:slim.

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

- problems arising from the expansion of our manufacturing capabilities, or destruction, loss, or temporary shutdown of our manufacturing facility;
- changes in reimbursement rates or policies relating to t:slim or similar products or technologies by third-party payors;

- our inability to enter into contracts with third-party payors on a timely basis and on acceptable terms;
- claims that t:slim, or any component thereof, infringes on patent rights or other intellectual property rights of third-parties; and
- adverse regulatory or legal actions relating to t:slim or similar products or technologies;

Because we currently rely on a single product to generate a significant portion of our revenue, any factors that negatively impact sales of this product, or result in sales of this product increasing at a lower rate than expected, could adversely affect our business, financial condition and operating results.

***The failure of t:slim to achieve and maintain market acceptance could result in us achieving sales below our expectations, which would cause our business, financial condition and operating results to be materially and adversely affected.***

Our current business strategy is highly dependent on t:slim achieving and maintaining market acceptance. 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 benefits 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.

Achieving and maintaining market acceptance of t:slim could 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;
- 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;
- 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.

In addition, t:slim may be perceived by people with insulin-dependent diabetes, their caregivers or healthcare providers to be more complicated or less effective than traditional insulin therapies, including MDI, and people may be unwilling to change their current treatment regimens. Moreover, we believe that healthcare providers tend to be slow to change their medical treatment practices because of perceived liability risks arising from the use of new products and the uncertainty of third party reimbursement. Accordingly, healthcare providers may not recommend t:slim until there is sufficient evidence to convince them to alter the treatment methods they typically recommend, such as receiving recommendations from prominent healthcare providers or other key opinion leaders in the diabetes treatment community that our products are effective in providing insulin therapy.

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If t:slim does not achieve and maintain widespread market acceptance, 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 rely on third-party payors to pay for all or part of the cost to purchase t:slim. 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. Medicare has recently begun to review its reimbursement practices for certain diabetes-related products, which has resulted in a significant reduction in the reimbursement rate for those products. As a result, there is uncertainty as to the future Medicare reimbursement rate 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. It is possible that some third-party payors will not offer any coverage for our products.

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, 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.

In some instances, our competitors also offer products that include features that we do not currently offer. For instance, Medtronic currently offers a traditional insulin pump that is integrated with a continuous glucose monitoring, or CGM, system and Insulet offers an insulin pump with a tubeless delivery system that does not utilize an infusion set. 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 pump-related supplies 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, which includes 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. Recently hired sales representatives require training and take time to achieve full productivity. If we fail to train recent 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 maintain and 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 potentially 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 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. For example, 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. In addition, we believe the incidence of diabetes in the United States and worldwide is increasing rapidly. 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 to 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 analysis be conducted and 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
- 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:

- quality or reliability defects in product components that we source from third party suppliers;
- our inability to secure 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, the identification of new suppliers for specific components, 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 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 that limit their ability to manufacture products for us, including financial difficulties or damage to 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 acquiring insurance, employing back-up generators, adopting health and safety protocols and utilizing off-site storage of computer data. However, vandalism, terrorism or a natural or other disaster, such as an earthquake, fire or flood, could damage or destroy 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, third-party payors may not be willing to provide coverage or reimbursement for our products 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. We have limited institutional knowledge and experience with respect to these business development activities, and we may also not realize the anticipated benefits of any such transaction or arrangement. In particular, these collaborations may not result in the development of products that achieve commercial success or result in significant revenues and could be terminated prior to developing any products.

Additionally, we may not be in a position to exercise sole decision making authority regarding the transaction or arrangement, which could create the potential risk of creating impasses on decisions, and our 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 provides us a non-exclusive license to integrate the DexCom G4 PLATINUM Continuous

Glucose Monitor with t:sensor during the term of the agreement. This agreement runs until February 1, 2015, with automatic one-year renewals. The license granted 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 t:sensor and attempt to integrate an alternative CGM system into t:sensor, 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 t:sensor to our customers. For additional information, see "Business—Research and Development."

***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, and our t:slim pumps contain software which could be subject to computer virus or hacker attacks or other failures.

The failure of our or our service providers' information technology systems or our pumps' software 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 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 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. 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 our future product sales is difficult to predict, especially in light of the recent commercialization of t:slim, and actual sales 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;
- anticipated or unanticipated capital expenditures; and
- unanticipated general and administrative expenses.

As a result of these and other factors, we do not know whether and the extent to which we may be required to raise additional capital. We may in the future seek additional capital from public or private offerings

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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 and provided we are in compliance with the terms of the loan agreement. 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 as 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. In addition, in the event of our breach of the term loan agreement with Capital Royalty Partners, we may not be allowed to draw additional amounts under the agreement, and we may be required to repay any outstanding amounts earlier than anticipated.

***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, and financial reporting 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.

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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

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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;

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- 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.

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



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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 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.

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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.

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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
- 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. We do not believe that t:slim is currently subject to this tax based on the retail exemption under applicable Treasury Regulations. However, the availability of this exemption is subject to interpretation by the IRS, and the IRS may disagree with our analysis. In addition, 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 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."

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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 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, or the Sarbanes-Oxley Act;
- 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 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;

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- 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, 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 and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act 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. 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). For instance we did not maintain effective controls over the process of calculating weighted common shares used to compute basic and diluted net loss per share for the years ended December 31, 2011 and 2012, and for the six



months ended June 30, 2012 and 2013. We plan to remediate this material weakness in 2013 primarily by hiring additional individuals with accounting expertise within the finance department and, if appropriate, engaging external accounting experts with the appropriate knowledge to supplement our internal resources in our computation and review processes. These planned actions are subject to ongoing management review and the oversight of the audit committee of our board of directors.

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 necessary improvements and receiving an unqualified opinion on the effectiveness of the internal controls over financial reporting 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;
- 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 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, projections and forward-looking statements. Our estimates, projections 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, projections 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;
- our reliance on t:slim to generate a significant amount of our revenue;
- the failure of t:slim to achieve and maintain 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, projection or 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 the information included under the heading “Where You Can Find Additional Information.” Estimates, projections 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, projections 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 between \$ \_\_\_\_\_ million and \$ \_\_\_\_\_ million of the net proceeds received by us to expand our sales and marketing infrastructure, between \$ \_\_\_\_\_ million and \$ \_\_\_\_\_ million to fund additional research and development activities and between \$ \_\_\_\_\_ million and \$ \_\_\_\_\_ million 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. See the information under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness.”

## CAPITALIZATION

The following table sets forth our 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 the information included under the headings “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 (unaudited)	Pro Forma as Adjusted
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; 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; 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 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 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 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; _____ shares authorized, _____ shares issued and outstanding pro forma; _____ shares authorized, _____ shares issued and outstanding pro forma as adjusted	0		
Additional paid-in capital	1,031		
Accumulated deficit	(132,517)		
Total stockholders’ deficit	<u>\$(131,486)</u>		
Total capitalization	<u>\$ 44,022</u>	<u>\$</u>	<u>\$</u>



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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 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 the information included under the heading “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 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—as restated	\$ (89.43)	\$ (104.93)	\$ (56.33)	\$ (75.42)
Weighted average shares used to compute basic and diluted net loss per share—as restated:	285,254	314,625	300,858	350,883
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, a miniaturized pumping mechanism which draws insulin from a flexible bag within the pump's cartridge rather than relying on a syringe and plunger mechanism. It also features an easy-to-navigate embedded software architecture, a vivid color touchscreen and a micro-USB connection that supports both a rechargeable battery and t:connect, our data management application. Our innovative approach to product design and development is also consumer-focused and based on 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. Leveraging our technology platform and consumer-focused approach, we develop products to address unmet needs of people in all segments of the large and growing insulin-dependent diabetes market.

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, and for the six months ended June 30, 2013, our sales were \$11.0 million. For the year ended December 31, 2012, our net loss was \$33.0 million, and for the six months ended June 30, 2013, our net loss was \$26.5 million. Our accumulated deficit as of June 30, 2013 was \$132.5 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 and pump-related supplies that include disposable cartridges and infusion sets. We also offer accessories including protective cases, belt clips, and power adapters. Sales of accessories since commercial launch have not been material. 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 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>	
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. Sales from the t:slim pump and pump-related supplies accounted for 93% and 7% of sales, respectively, for the six months ended June 30, 2013. Sales of accessories were not material for the six months ended June 30, 2013. The commercialization of the t:slim pump and pump-related 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.

As we are in the early stages of commercialization, and since we have not yet been able to take advantage of economies of scale in our manufacturing, our gross margins reflect the absorption of overhead as the largest component of costs. Our gross margin on the t:slim pump was higher than our gross margin on pump-related supplies for the six months ended June 30, 2013 and is expected to remain higher in the future. Our future gross margins will be impacted by numerous factors including, the percentage of products sold to distributors as compared to individual customers, the mix of products sold and the gross margins associated with those products, and our ability to realize manufacturing efficiencies as our actual production volume increases.

*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.



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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. Sales from the t:slim pump and pump-related supplies accounted for 91% and 9% of sales, respectively, for 2012. Sales of accessories were not material for 2012.

*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

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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.

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 December 31,		Six Months 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.

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Although we believe the foregoing items reflect our most likely uses of cash in the short-term, we cannot predict with certainty all of our particular short-term cash uses or the timing or amount of cash used. 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. 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. In the event of our breach of the agreement, we may not be allowed to draw additional amounts under the agreement, and we may be required to repay any outstanding amounts earlier than anticipated.

#### ***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. In the event of our breach of the agreement, we may not be allowed to draw amounts under the agreement, and, to the extent we have any amounts outstanding at the time of any breach, we may be required to repay such amounts earlier than anticipated.

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### Contractual Obligations & Commitments

The following table summarizes our long-term contractual obligations as of December 31, 2012.

(in thousands)	Payments Due by Period				More than 5 years
	Total	Less than 1 year	1-3 years	3-5 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	—	—	—
<b>Total contractual obligations<sup>(3)</sup></b>	<b>\$17,300</b>	<b>\$ 9,481</b>	<b>\$ 5,337</b>	<b>\$ 2,482</b>	<b>\$ —</b>

- (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.
- (3) In January 2013, \$30 million was drawn under the term loan agreement with Capital Royalty Partners. Unless repaid sooner, the aggregate amount that will become due under the term loan agreement, inclusive of interest, is \$45.4 million, with \$4.4 million due in less than 1 year, \$17.9 million due in 1-3 years, \$23.1 million due in 3-5 years and \$0 due in more than 5 years.

### 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 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 our common stock when granting options to purchase shares of our common stock. We typically use the Black-Scholes option pricing model to perform these calculations. Using this model, the fair value of our common stock is determined on each grant date by our board of directors, with input from management. 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 performed 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.

The contemporaneous valuation analysis of our common stock has been prepared 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

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comparable companies to be used for the market approaches under this method, we 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



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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 board of directors determined the fair value of our common stock was \$15.00 per share for option grants in January 2012, February 2012 and March 2012 based, in part, on a 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. Based in part on this report, the board of directors determined the fair value of our common stock 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 board of directors determined the fair value of our common stock to be \$2.96 per share as of March 31, 2013 based, in part, 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, our board of directors determined the fair value of the common stock to be \$0.66 per share. Subsequently, based, in part, on an independent valuation report we received on July 31, 2013, our board of directors 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 Shares Subject to Options Granted<sup>(1)</sup></u>	<u>Exercise Price per Share<sup>(1)</sup></u>	<u>Reassessed Estimated Fair Value of Common Stock per Share at Date of Grant<sup>(1)(2)</sup></u>	<u>Intrinsic Value per Share at Date of 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 December 31,</u>		<u>Six Months Ended 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, a miniaturized pumping mechanism which draws insulin from a flexible bag within the pump's cartridge rather than relying on a syringe and plunger mechanism. It also features an easy-to-navigate software architecture, a vivid color touchscreen and a micro-USB connection that supports both a rechargeable battery and t:connect, our data management application. Our innovative approach to product design and development is also consumer-focused and based on 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. Leveraging our technology platform and consumer-focused approach, we develop products to address unmet needs of people in all segments of the large and growing insulin-dependent diabetes market.

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 American Diabetes Association, or ADA, in 2012 approximately 22.3 million people in the United States had diabetes. Close Concerns, Inc., an independent consulting and publishing company that provides diabetes advisory services, or Close Concerns, estimates that there are approximately 1.5 million people with type 1 diabetes in the United States and 4.5 million people with type 2 diabetes in the United States who require daily administration of insulin. Our target market consists of these approximately 6.0 million people in the United States 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. This initiative 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, and for the six months ended June 30, 2013, our sales were \$11.0 million. For the year ended December 31, 2012, our net loss was \$33.0 million, and for the six months ended June 30, 2013, our net loss was \$26.5 million. Our accumulated deficit as of June 30, 2013 was \$132.5 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 by expanding our sales and marketing infrastructure, 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 this expansion will allow us to engage with more potential customers, their caregivers and healthcare providers to promote t:slim. By demonstrating the benefits of t:slim and the product and technology shortcomings of existing insulin therapies, we believe more people will choose t:slim for their insulin pump therapy needs, allowing us to further penetrate and expand the market. As of June 30, 2013, a significant percentage of our customers had converted from multiple daily injection 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 ADA, in 2012 approximately 22.3 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 Close Concerns, 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 Close Concerns, approximately 4.5 million people in the United States with type 2 diabetes are insulin dependent.

Our target market consists of approximately 6.0 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 4.5 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

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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.

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 Close Concerns, 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. In addition, approximately 75,000 people with type 2 diabetes in the United States use an insulin pump, or less than 2% of the type 2 diabetes population who are insulin-dependent. Close Concerns also estimates that there are approximately 25,000 people in the United States who begin using insulin pump therapy each year, representing a 5% 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 pump-related supplies. We also believe that the adoption of insulin pump therapy would be even greater if not for the significant and fundamental perceived shortcomings of durable 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 our 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 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 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.

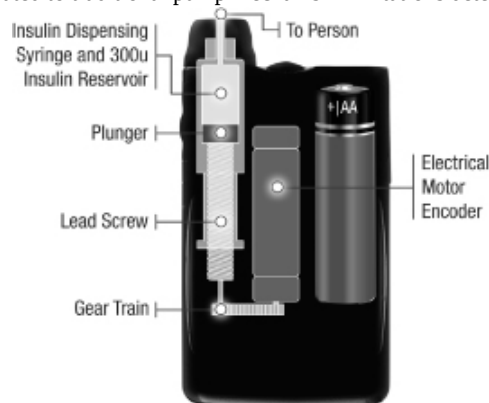
**Bulky size.** Our market research has shown that consumers view traditional pumps as large, bulky and inconvenient to carry or wear, especially when compared to modern consumer electronic devices, such as smartphones. The size of the pump further contributes to users being embarrassed by the pump. 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 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 specific consumer demands, as we believe the user is the primary decision maker when purchasing an insulin pump. Our development process then applies the science of human factors, which optimizes a user's ability to successfully operate a device or system in its intended use environment through an iterative process involving user testing and design refinement. This multi-step approach has resulted in products that provide users with the distinct product features they seek and in a manner that makes the features usable. We believe this approach is fundamentally different from the approach applied to the traditional medical device development process, which often does not involve seeking out specific consumer feedback in advance or applying the science of human factors to optimize use of a product.

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 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.



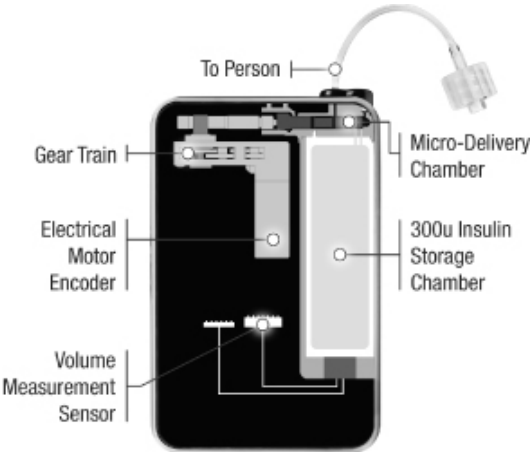
t:slim Insulin Delivery System

**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 and to reduce fear associated with using a pump. 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. 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 also believe that customer and healthcare provider interest in our products is an important factor that enhances our prospect of contracting with third-party payors. As our sales and marketing resources have been limited thus far, we have generally located our sales representatives in larger metropolitan areas and have concentrated our reimbursement efforts on third-party payors with large numbers of members residing in the same areas. We intend to intensify our efforts to encourage third-party payors to establish reimbursement for t:slim as we expand our sales and marketing infrastructure.

***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 was developed using 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 built-in 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 the United States in the third quarter of 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 are displayed, including the current battery charge level, a time and date display and an LED indicator for alerts, alarms and reminders.

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. Close Concerns estimates that 5% to 10% of people with type 1 diabetes 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 smaller than t:slim. t:sport is being designed for people who seek even greater discretion and flexibility with the use of their insulin pump. We anticipate it will include a wireless, touchscreen controller and a small, water-proof insulin pump. We also anticipate that the controller will communicate wirelessly to the pump, and potentially receive and display CGM information.

### *t:dual Infusion System*

In January 2013, we announced a strategic relationship with JDRF to develop the t:dual Infusion System, or t:dual, which is being designed to 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 a portion of the development costs 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.

For the six months ended June 30, 2013, RGH Enterprises, Inc., an independent distributor, accounted for 15.1% of our sales. For 2012, RGH Enterprises accounted for 19.3% of our sales and Solara Medical Supplies Inc., an independent distributor, accounted for 15.7% of our sales.

**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 efforts focus on positioning t:slim as an innovative, consumer-focused 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 for developing long-term relationships with our customers. Our customer care infrastructure consists of individuals focused on training, technical services and insurance verification. We believe 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 our customers’ overall experiences 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 ongoing 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 to 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, understand their insurance benefits. We work with the customer and their healthcare provider to collect information 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. Over the last ten years, Medicare reimbursement rates for insulin pumps and disposable cartridges have remained relatively unchanged. In fact, in recent years, Medicare has revised the relevant fee schedule with slight increases to the reimbursement codes that describe our products. However, Medicare has also recently begun to review its reimbursement practices for other diabetes-related products, including implementing a competitive bidding process for blood glucose strip reimbursement, which resulted in a significant reduction in the reimbursement rate for those products. As a result, there is some uncertainty as to the future Medicare reimbursement rate for our current and future products.

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, its disposable cartridges 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. For the six months ended June 30, 2013, approximately 34% of our sales were generated through our direct third-party payor contracts. We believe our most established competitors generate greater than 70% of their sales through direct contracts with third-party payors as a result of more established relationships with third-party payors.

If we are not contracted with a person's third-party payor and in-network status cannot be otherwise obtained, then to the extent possible we utilize distribution channels so our customers' orders can be serviced. As

of June 30, 2013, we had executed distributor agreements with 25 distributors. In some cases, but not all, 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 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 provides us a non-exclusive license to integrate the DexCom G4 PLATINUM with t:sensor during the term of the agreement. The license covers the United States, and such other territories as may be added from time to time. We paid DexCom \$1.0 million at the commencement of the collaboration, and will make two additional \$1.0 million payments upon the achievement of certain development milestones. We have agreed to pay DexCom a royalty payment in the amount of \$100 for each integrated system sold. Additionally, we will reimburse DexCom up to \$1.0 million of its development costs and are responsible for our own development costs and expenses. Our agreement with DexCom runs until February 1, 2015, with automatic one-year renewals. Prior to the commercial launch of t:sensor, either party may terminate the agreement without cause provided that the party requesting the termination must reimburse the other party for up to \$1.0 million of previously incurred development expenses. Following the commercial launch of t:sensor, either party may terminate the agreement without cause upon 18 months prior notice. In addition, in the event of a change of control of either party, the other party may unilaterally elect to terminate the agreement at any time, subject to limited ongoing obligations.

We have also entered into a research, development and commercialization agreement with JDRF to develop a dual drug infusion pump designed to deliver both insulin and a second hormone or drug. Under this agreement, JDRF will provide research funding of up to \$3.0 million payable upon reaching certain performance-based milestones. Through June 30, 2013, we have received a total of \$400,000 from JDRF under this agreement. Under the terms of the agreement, we have agreed to pay JDRF a royalty calculated as a percentage of each dual drug infusion pump we sell until JDRF has received royalty payments equal to three times the amount of funding that we receive from JDRF under this agreement. Thereafter, no royalty payments will be due under the agreement. The agreement runs until our receipt of the final milestone payment, which is anticipated to be in 2015. Either party may terminate the agreement without cause at any time upon 90 days prior notice, provided that if we terminate the agreement without cause prior to 2017, then we may be required to pay JDRF two times the amount we have received from JDRF prior to such termination, and if we terminate the agreement without cause after that date we may be required to pay JDRF three times the amount we have received from JDRF. Any intellectual property developed by either party in the performance of this agreement will be owned or exclusively licensed by us.

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. Our CAB members are compensated based on the number of hours of service provided to us, which is not to exceed 30 hours per quarter per member.

## 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. U.S. Patent Nos. 8,287,495 and 8,298,184, as well as various pending U.S. patent applications, relate to the structure and operation of our pumping mechanism and are therefore particularly relevant to the functionality of t:slim. 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 related to ambulatory infusion pumps and related software and accessories for the treatment of diabetes. We agreed to pay \$5.0 million in license fees and to share equally any associated sublicense revenues we may receive. As of June 30, 2013, we had paid \$1.5 million of such license fees and have not entered into any sublicense agreements.

Our development and commercialization agreement with DexCom provides us with a non-exclusive license to integrate the DexCom G4 PLATINUM into t:sensor. 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. In some instances, our competitors also offer products that include features that we do not currently offer. For instance, Medtronic currently offers a traditional insulin pump that is integrated with a CGM system and Insulet offers an insulin pump with a tubeless delivery system that does not utilize an infusion set.

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;

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- 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. t:slim and t:connect received FDA clearance as Class II devices, and we anticipate t:flex will also be considered a Class II device. 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. t:sensor is likely to be considered a Class III device.

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 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.

With respect to t:sensor, 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;



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- 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;
- 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.

**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

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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 September 30, 2013:

<b>Name</b>	<b>Age</b>	<b>Position</b>
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	Chief Administrative Officer
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>	57	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 upon completion of the offering.

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

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 20 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 April 2003 until October 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* was appointed Chief Administrative Officer in September 2013. She previously 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. 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 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 co-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 co-founder and director of Pyxis Corporation that was later acquired by Cardinal Health, Inc., and has served on the boards of directors of several 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), Quintiles Transnational Holdings (NYSE: Q), Five Prime (NASDAQ: FPRX) and Biocryst (NASDAQ: BCRX). In addition, Dr. Cohen serves as a director of several 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

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.

*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 board.

*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 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.

### **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 completion 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 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:

- developing, reviewing, and approving our overall compensation programs, and regularly reporting to the full board of directors regarding the adoption of such programs;

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- developing, reviewing and approving our cash and equity incentive plans, including approving individual grants or awards thereunder, and regularly reporting to the full board of directors regarding the terms of such plans and individual grants or awards;
- reviewing and approving individual and company performance goals and objectives that may be relevant to the compensation of executive officers and other key employees;
- reviewing and approving the terms of any employment agreement, severance or change in control arrangements, or other compensatory arrangement with any executive officers or other key employees;
- 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;
- overseeing overall business risk and acquiring insurance policies;
- 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 upon completion of the offering.

## **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 with respect to 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 in April 2013, 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 in August 2013, 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 in April 2013, which vest in 24 equal monthly installments. Each of these grants were made pursuant to the 2006 Plan. No additional equity awards have been granted to any of our non-employee directors in 2013.

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, and is our principal financial and accounting 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 overseeing, reviewing and approving our compensation policies, including 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 relevant survey data in order to compete in the market for talented executives.

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

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 industry compensation surveys as a component of its executive compensation decision making process. For 2012, the Committee reviewed compensation 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 the type of 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 provide a base amount of compensation. Base salaries reflect each executive officer's responsibility level, tenure with us, individual performance and business experience.

The Committee establishes base salaries after reviewing industry 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 at the surveyed companies. 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 applied 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 the surveyed 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.

On April 23, 2013, the Committee approved the grant of stock options to each of our named executive officers. Mr. Blickenstaff received an option to purchase 963,000 shares, Mr. Anacone received an option to purchase 266,000 shares, and Mr. Cajigas received an option to purchase 200,000 shares. Each of the options vests in 24 equal monthly installments following the grant date and were made pursuant to the 2006 Plan. The number of options granted to each named executive officer was determined by reference to the factors discussed above.

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***

Our board of directors has approved employment severance agreements with each of our named executive officers, as well as with all of our other executive officers. The board of directors believes it is



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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.

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 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 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 (\$)</u>	<u>Bonus (\$)<sup>(1)</sup></u>	<u>Stock Awards (\$)<sup>(2)</sup></u>	<u>Option Awards (\$)<sup>(2)</sup></u>	<u>Cash Incentive Program (\$)<sup>(3)</sup></u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
<b>Kim D. Blickenstaff</b> President and Chief Executive Officer	2012	350,000	—	—	—	—	0	350,000
<b>Robert B. Anacone</b> Executive Vice President and Chief Commercial Officer	2012	265,000	—	—	—	—	60,000 <sup>(4)</sup>	325,000
<b>John Cajigas</b> 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 19, 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 Reserved for Issuance</u>	<u>Number of Shares Issued</u>	<u>Number of Shares Underlying Outstanding Options</u>	<u>Number of Shares Remaining Available for Future Issuance</u>
2006 Stock Incentive Plan	4,500,000	137,197	3,831,085	531,718
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.

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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The 2013 Plan also permits us to sell or make grants of restricted stock. Restricted stock may be sold or granted to our employees, directors, consultants and other service providers (or of any current or future parent or subsidiary of our company). Restricted stock issued under the 2013 Plan is sold or granted pursuant to a written restricted stock purchase agreement.

The 2013 Plan also permits us to issue SARs. 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, restricted stock or SARs shall be granted, the number of shares to be represented by each option agreement or covered by each restricted stock purchase 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, restricted stock purchase agreement or SAR agreement, as the case may be, the vesting of all options, restricted stock 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 Series C Preferred Stock	Aggregate 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.	1,977	86,988
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 Series D Preferred Stock Underlying Warrants</u>	<u>Aggregate Principal 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
Entities affiliated with Christopher J. Tweomey <sup>(2)</sup> :		
Christopher J. Twomey and Rebecca J. Twomey Family Trust UTD September 20, 2002	7,192	79,137
Twomey Family Investments, LLC	4,544	49,998

- (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.
- (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.



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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 Series D Preferred Stock</u>	<u>Aggregate 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	151,345	665,918
Entities affiliated with Christopher J. Twomey:		
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.

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

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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.

## 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 upon completion of this offering 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.

### 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 Shares Exercisable Prior to the Offering</u>	<u>Number of shares of Common Stock Exercisable Following this Offering</u>	<u>Exercise Price per 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

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.

### **Anti-takeover 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>Five Percent Stockholders</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>Directors and Named Executive Officers</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) 5,663,364 shares and warrants to purchase up to 423,641 shares held by Delphi Ventures VIII, L.P., and (ii) 55,294 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) 5,343,586 shares and warrants to purchase up to 590,403 shares held by Domain Partners VII, L.P., and (ii) 91,137 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) 1,274,070 shares and warrants to purchase up to 139,741 shares held by Kearny Venture Partners, L.P., and (ii) 25,984 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 1,057,802 shares and warrants to purchase up to 227,268 shares held by the Kim Blickenstaff Revocable Trust dated April 15, 2010.
- (8) Includes 69,477 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) Consists of 250,000 shares held by the Lonnie M. Smith TDC GRAT dated March 5, 2013.
- (10) Consists of (i) 186,995 shares and warrants to purchase up to 46,577 shares held by the Allen Family Trust dated October 12, 1981, (ii) 65,308 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

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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 239,009 shares and warrants to purchase up to 43,458 shares 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) 42,725 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) 29,444 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 22,413,236 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	14,582	Shares saleable under Rule 144 that are not subject to a lock-up
90 Days after Date of Prospectus	16,197	Shares saleable under Rules 144 and 701 that are not subject to a lock-up
180 Days after Date of Prospectus	22,413,236	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 22,260,823 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. 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 part or controlled entity 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.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Piper Jaffray & Co.	
Deutsche Bank Securities Inc.	
<u>Stifel, Nicolaus &amp; Company, Incorporated</u>	
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.

	Per Share	Without Option	With Option
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

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.

As discussed in Note 2, the financial statements for the years ended December 31, 2011 and 2012 have been restated to correct an error in basic and diluted net loss per share and basic and diluted weighted average shares outstanding for each of the two years in the period ended December 31, 2012.

/s/ Ernst & Young LLP

San Diego, California  
August 9, 2013,  
except for the effects on the financial statements of the  
restatement described in Note 2, as to which the date is  
September 30, 2013

**TANDEM DIABETES CARE, INC.**

**BALANCE SHEETS**

	<u>December 31,</u> <u>2011</u>	<u>2012</u>	<u>June 30,</u> <u>2013</u> (Unaudited)	<u>Pro Forma</u> <u>June 30,</u> <u>2013</u> (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> <u>2011</u>	<u>2012</u>	<u>June 30,</u> <u>2013</u> (Unaudited)	<u>Pro Forma</u> <u>June 30,</u> <u>2013</u> (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 1,187,736 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—as restated	\$ (89.43)	\$ (104.93)	\$ (56.33)	\$ (75.42)
Weighted average shares used to compute basic and diluted net loss per share — as restated	285,254	314,625	300,858	350,883
Pro forma net loss per share, basic and diluted (unaudited)—as restated		\$ (3.57)		\$ (1.30)
Weighted average shares used to compute pro forma net loss per share, basic and diluted (unaudited)—as restated		8,735,908		20,306,204

**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 had 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 there are 22,413,236 shares of common stock outstanding including the assumed conversion of all outstanding shares of convertible preferred stock and common stock. Shares of common stock issued in such IPO and related net proceeds are excluded from such pro forma information.

**Restatement**

The Company has determined that a restatement is required to previously reported net loss per share for the years ended December 31, 2011 and 2012 and for the six months ended June 30, 2012 and 2013. The net loss per share was not calculated in accordance with GAAP due to an error in the calculation whereby certain unvested restricted stock and certain common stock warrants were incorrectly included in the weighted average number of shares outstanding. A summary of the impact of the correction of the errors on the net loss per share, basic and diluted, is as follows:

	<b>Years Ended</b>		<b>Six Months Ended June</b>	
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
Basic and diluted—as originally reported	<u>\$ (79.98)</u>	<u>\$ (90.56)</u>	<u>\$ (47.66)</u>	<u>\$ (31.63)</u>
Difference in net loss per share, basic and diluted	<u>(9.45)</u>	<u>(14.37)</u>	<u>(8.67)</u>	<u>(43.79)</u>
Net loss per share, basic and diluted—as restated	<u><u>\$ (89.43)</u></u>	<u><u>\$ (104.93)</u></u>	<u><u>\$ (56.33)</u></u>	<u><u>\$ (75.42)</u></u>

<b>Reconciliation of net loss per share, basic and diluted</b>	<b>Years Ended</b>		<b>Six Months Ended June</b>	
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2013</b>
<b>Numerator</b>				
As originally reported—net loss	\$ (25,509,824)	\$ (33,015,085)	\$ (16,948,328)	\$ (26,464,354)
<b>Denominator</b>				
As originally reported—weighted average shares used to compute basic and diluted net loss per share	318,947	364,585	355,577	836,731
Difference in weighted average shares used to compute basic and diluted net loss per share	<u>(33,693)</u>	<u>(49,960)</u>	<u>(54,719)</u>	<u>(485,848)</u>
Weighted average shares used to compute basic and diluted shares—as restated	<u>285,254</u>	<u>314,625</u>	<u>300,858</u>	<u>350,883</u>
Net loss per share, basic and diluted—as restated	<u><u>\$ (89.43)</u></u>	<u><u>\$ (104.93)</u></u>	<u><u>\$ (56.33)</u></u>	<u><u>\$ (75.42)</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)**

**2. Summary of Significant Accounting Policies (continued)**

The corrections have no impact on the Company's balance sheets, net loss or comprehensive loss, or the statements of cash flows or stockholders' deficit for any of the above mentioned periods.

***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 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.

**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 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)
RGH Enterprises, Inc.	N/A	23.9%	19.8%
Care Centrix Inc.	N/A	14.2%	N/A
Solara Medical Supplies Inc.	N/A	10.0%	N/A
United Healthcare Services, Inc.	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)	
RGH Enterprises, Inc.	N/A	19.3%	N/A	15.1%
Solara Medical Supplies Inc.	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 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

**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)**

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 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-

**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)**

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 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

## 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)**

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 December 31, 2012	Six Months Ended June 30, 2013 (unaudited)
Balance at the beginning of the year	\$ —	\$ 300,000
Warranty expense	541,000	711,000
Warranty claims settled	(241,000)	(340,000)
Balance at the end of the year	<u>\$ 300,000</u>	<u>\$ 671,000</u>

**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-



## 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)

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>	<u>2013</u>
			(unaudited)	
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.

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.

**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 following table summarizes the allocation of stock-based compensation in the accompanying statement of operations (in thousands):

	<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>	
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.

**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.

**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)**

***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):

	As of December 31,		As of June 30,	
	2011	2012	2012	2013
			(unaudited)	
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—as restated	73,651	—	—	455,487
Common stock options	254,105	—	249,623	2,634,000
Restricted common stock subject to repurchase—as restated	57,604	35,000	51,667	25,000
	<u>2,049,676</u>	<u>20,267,263</u>	<u>2,119,234</u>	<u>27,536,673</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> <u>December 31, 2012</u>	<u>Six Months Ended</u> <u>June 30, 2013</u> (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—as restated	315	351
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	—
Add: Pro forma adjustment to reflect effect of restricted stock vesting—as restated	49	30
Weighted average shares used to compute pro forma net loss per share, basic and diluted—as restated	8,736	20,306
Pro forma net loss per share, basic and diluted—as restated	<u>\$ (3.57)</u>	<u>\$ (1.30)</u>

<sup>(1)</sup> The conversion of the notes was calculated at \$4.40, which was the 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> <u>2012</u>	<u>June 30,</u> <u>2013</u> (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> <u>2012</u>	<u>June 30,</u> <u>2013</u> (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> <u>2012</u>	<u>June 30,</u> <u>2013</u> (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, 2012</u>	<u>June 30, 2013</u> (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**

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**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 December 31, 2011 Using	
	December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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 December 31, 2012 Using	
	December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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.**

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**4. Fair Value Measurements (continued)**

		Fair Value Measurements at June 30, 2013 Using		
	June 30, 2013 (Unaudited)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (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.



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**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 Stock Warrant Liability</b>	<b>Common Stock Warrant 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

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**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.

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**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 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.**

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**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.**

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**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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**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. Generally, shares of restricted stock which have vested are not subject to repurchase. The Company's right to repurchase automatically terminates upon the closing of an initial public offering. 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:

	<b>Total Options</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Remaining Contractual Life</b>	<b>Aggregate Intrinsic Value</b>
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	<u>2,857,685</u>	\$ 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, 2012	As of June 30, 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> <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 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 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 a 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.

# t:slim<sup>®</sup>

## Insulin Pump



(Actual Size)



**TANDEM<sup>®</sup>**  
DIABETES CARE



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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



**TANDEM<sup>®</sup>**  
DIABETES CARE

Common Stock

PROSPECTUS

**BofA Merrill Lynch**

**Piper Jaffray**

**Deutsche Bank Securities**

**Stifel**

\_\_\_\_\_, 2013

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\_\_\_\_\_, 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.

**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 1, 2010 through June 30, 2013, 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 \$7.00 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 October 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>
_____ Kim D. Blickenstaff	President, Chief Executive Officer and Director (Principal Executive Officer)	October 1, 2013
_____ John Cajigas	Chief Financial Officer (Principal Financial and Accounting Officer)	October 1, 2013
_____ Lonnie M. Smith	Director	October 1, 2013
_____ Dick P. Allen	Director	October 1, 2013
_____ Edward L. Cahill	Director	October 1, 2013
_____ Fred E. Cohen	Director	October 1, 2013

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<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<hr/> Howard E. Greene, Jr.	Director	October , 2013
<hr/> Douglas A. Roeder	Director	October , 2013
<hr/> Jesse I. Treu	Director	October , 2013
<hr/> Christopher J. Twomey	Director	October , 2013



**INDEX OF EXHIBITS**

<b><u>Exhibit Number</u></b>	<b><u>Description of Document</u></b>
**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	Form of Restricted Stock Agreement under 2013 Stock Incentive Plan.
***10.9	Tandem Diabetes Care, Inc. 2013 Employee Stock Purchase Plan.
***10.10	Tandem Diabetes Care, Inc. 2013 Cash Bonus Plan for Executives.
*10.11	Form of Indemnification Agreement.
#*10.12	Employee Offer Letter, dated July 8, 2013, by and between Tandem Diabetes Care, Inc. and David B. Berger.
#*10.13	Employee Offer Letter, dated February 1, 2013, by and between Tandem Diabetes Care, Inc. and John F. Sheridan.

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<u>Exhibit Number</u>	<u>Description of Document</u>
#*10.14	Amended and Restated Employment Severance Agreement, dated August 21, 2013, by and between Tandem Diabetes Care, Inc. and Kim D. Blickenstaff.
#*10.15	Amended and Restated Employment Severance Agreement, dated August 21, 2013, by and between Tandem Diabetes Care, Inc. and John Cajigas.
#*10.16	Amended and Restated Employment Severance Agreement, dated August 21, 2013, by and between Tandem Diabetes Care, Inc. and Robert B. Anacone.
#*10.17	Employment Severance Agreement, dated August 21, 2013, by and between Tandem Diabetes Care, Inc. and John F. Sheridan.
#*10.18	Employment Severance Agreement, dated August 21, 2013, by and between Tandem Diabetes Care, Inc. and David B. Berger.
#*10.19	Employment Severance Agreement, dated August 21, 2013, 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.  
\*\*\* Previously filed.  
# Management contract or compensatory plan.

**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:           /s/ Kim D. Blickenstaff            
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: /s/ Douglas A. Roeder  
Douglas A. Roeder  
Managing Member

**DELPHI BIOINVESTMENTS VIII, L.P.**

By: Delphi Management Partners VIII, LLC  
Its: General Partner

By: /s/ Douglas A. Roeder  
Douglas A. Roeder  
Managing Member

**HLM VENTURE PARTNERS II, L.P.**

By: HLM Venture Associates II, L.L.C.  
Its: General Partner

By: /s/ Edward L. Cahill  
Edward L. Cahill

**KEARNY VENTURE PARTNERS, L.P.**

By: Kearny Venture Associates, L.L.C.  
Its: General Partner

By: /s/ James Shapiro  
James Shapiro  
Managing Director

**KEARNY VENTURE PARTNERS  
ENTREPRENEURS' FUND, L.P.**

By: Kearny Venture Associates, L.L.C.  
Its: General Partner

By: /s/ James Shapiro  
James Shapiro  
Managing Director

**DOMAIN PARTNERS VII, L.P.**

By: One Palmer Square Associates VII, L.L.C.  
Its: General Partner

By: /s/ Kathleen K. Schoemaker  
Kathleen K. Schoemaker  
Managing Member

**DP VII ASSOCIATES, L.P.**

By: One Palmer Square Associates VII, L.L.C.  
Its: General Partner

By: /s/ Kathleen K. Schoemaker  
Kathleen K. Schoemaker  
Managing Member

**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: /s/ Ronald Cami  
Ronald Cami  
Vice President

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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**The Perrone Living Trust**

By: /s/ Arthur D. Perrone, Jr.  
Arthur D. Perrone, Jr., Trustee

**Allen Family Trust dated 10/12/81**

By: /s/ Dick Allen  
Dick Allen, Trustee

**Cornerstone Ventures**

By: /s/ Dick Allen  
Dick Allen, Managing Partner

**Allen Family Trust, dated June 1, 2012**

By: /s/ Bill L. Allen  
Bill L. Allen, Trustee

By: /s/ Mary L. Allen  
Mary L. Allen, Trustee

/s/ Michael R. Chase  
Michael R. Chase

SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

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**The Lortie Community Property Trust dated 11/6/90**

By: /s/ Warren H. Lortie  
Warren H. Lortie, Trustee

**Torres Living Trust, dated August 26, 1994**

By: /s/ Guillermo M. Torres  
Guillermo M. Torres, Trustee

**Beall Family Trust, U/D/T dated 11/29/85**

By: /s/ Kenneth L. Beall  
Kenneth L. Beall, Trustee

**Kim Blickenstaff Revocable Trust dated April 15, 2010**

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**Chonette Trust**

By: /s/ David W. Chonette  
David W. Chonette, Trustee

Philip S. Paul

**Philip S. Paul Investments, LLC**

By: Philip S. Paul, Managing Partner

**Michael and Carolyn Balaban Family Trust, dated 4/3/87**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Forrest D. Smith

**Davisson Family Trust, u/a dated 11/29/94**

By: /s/ Roger C. Davisson  
Roger C. Davisson, Trustee

**Greene Family Trust**

By: /s/ Howard E. Greene, Jr.  
Howard E. Greene, Jr., Trustee

/s/ John H. Livingston  
John H. Livingston

/s/ Bonnie R. Livingston  
Bonnie R. Livingston

**Jay S. Skyler Trust**

By: /s/ Jay S. Skyler  
Jay S. Skyler, Trustee

\_\_\_\_\_  
/s/ Larry T. Smith  
Larry T. Smith

**Barbara P. Freeman Trust, dated September 15, 1981**

By: /s/ Barbara P. Freeman  
\_\_\_\_\_  
Barbara P. Freeman, Trustee

**Wischmeyer Family Trust 05-24-00**

By: /s/ Thomas C. Wischmeyer  
\_\_\_\_\_  
Thomas C. Wischmeyer, Trustee

By: /s/ Mary F. Wischmeyer  
\_\_\_\_\_  
Mary F. Wischmeyer, Trustee

\_\_\_\_\_  
Jerilyn A. Delzell

\_\_\_\_\_  
Geoffrey A. Kruse

\_\_\_\_\_  
Bret R. Henning

\_\_\_\_\_  
/s/ Susan M. Morrison  
Susan M. Morrison

**John Cajigas and Mary E. Cajigas Family Trust, dated  
8/11/2005**

By: /s/ John Cajigas  
\_\_\_\_\_  
John Cajigas, Co-Trustee

By: /s/ Mary E. Cajigas  
\_\_\_\_\_  
Mary E. Cajigas, Co-Trustee

\_\_\_\_\_  
Michael A. Whittaker

**The Berger Family Trust dated April 16, 2008**

By: /s/ David B. Berger  
\_\_\_\_\_  
David B. Berger, Trustee



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**Christopher R. Hibberd & Avril L. Hibberd  
Family Trust**

By: /s/ Christopher R. Hibberd  
Christopher R. Hibberd, Trustee

By: /s/ Avril L. Hibberd  
Avril L. Hibberd, Trustee

**Nadine E. Padilla Trust dated July 15, 2008**

By: \_\_\_\_\_  
Nadine E. Padilla, Trustee

**Kenneth F. Buechler Trust, dated September 24, 2007**

By: /s/ Kenneth F. Buechler  
Kenneth F. Buechler, Trustee

SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

**Christopher J. Twomey and Rebecca J. Twomey  
Family Trust U.T.D. September 20, 2002**

By: /s/ Christopher J. Twomey  
Christopher J. Twomey, Co-Trustee

By: /s/ Rebecca J. Twomey  
Rebecca J. Twomey, Co-Trustee

**Twomey Family Investments, LLC**

By: /s/ Christopher J. Twomey  
Christopher J. Twomey, Co-Manager

By: /s/ Rebecca J. Twomey  
Rebecca J. Twomey, Co-Manager

/s/ J. Neil Kazan  
J. Neil Kazan

/s/ Loren D. Blickenstaff  
\_\_\_\_\_  
Loren D. Blickenstaff

**Loren D. Blickenstaff IRA**

/s/ Loren D. Blickenstaff  
\_\_\_\_\_  
Loren D. Blickenstaff

**Kathryn O. Blickenstaff IRA**

/s/ Kathryn O. Blickenstaff  
\_\_\_\_\_  
Kathryn O. Blickenstaff

/s/ Rita Blickenstaff  
\_\_\_\_\_  
Rita Blickenstaff

**Mountain West IRA, Inc. FBO Richard  
Blickenstaff IRA**

By: /s/ Karen Georgeson  
Karen Georgeson, Authorized Signer

**C. Patrick Machado Revocable Trust dated April 27, 2010**

By: /s/ C. Patrick Machado  
C. Patrick Machado, Trustee

**Dotzler Family Trust UDT dated August 9, 2001**

By: /s/ Frederick J. Dotzler  
Frederick J. Dotzler, Trustee

By: /s/ Cassandra L. Dotzler  
Cassandra L. Dotzler, Trustee

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

**The Board of Trustees of the Leland Stanford  
Junior University (DAPER I)**

By: /s/ Martina Poquet  
Martina Poquet, Managing Director

/s/ Stephen J. Saunders  
Stephen J. Saunders

**Lonnie M. Smith TDC GRAT dated 3/5/13**

By: The Trust Company of Oxford  
Its: Trustee

By: /s/ Eileen M. McCaulay  
Eileen M. McCaulay, Fiduciary Officer

/s/ Scott Blickenstaff  
Scott Blickenstaff

/s/ Eileen Favorite  
Eileen Favorite

/s/ Martin Perdoux  
Martin Perdoux

SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

/s/ Janet Elaine England

Janet Elaine England

/s/ Antoinette Nessi

Antoinette Nessi

/s/ Erik T. Verhoef

Erik T. Verhoef

/s/ Maria S. Verhoef

Maria S. Verhoef

/s/ Steven Sabicer

Steven Sabicer

/s/ Amanda Sabicer

Amanda Sabicer

**SIGNATURE PAGE TO THIRD AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

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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  
Kim D. Blickenstaff

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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  
J. Neil Kazan



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Loren D. Blickenstaff  
Loren D. Blickenstaff IRA  
Kathryn O. Blickenstaff IRA  
Rita Blickenstaff  
Mountain West IRA, Inc. FBO Richard D. Blickenstaff IRA  
C. Patrick Machado Revocable Trust dated April 27, 2010  
Dotzler Family Trust UDT dated August 9, 2001  
The Board of Trustees of the Leland Stanford Junior University (DAPER I)  
Stephen J. Saunders  
Lonnie M. Smith TDC GRAT dated 3/5/13  
Scott Blickenstaff  
Eileen Favorite and Martin Perdoux  
Janet Elaine England  
Toni Nessi  
Erik T. Verhoef and Maria S. Verhoef  
Steven and Amanda Sabicer  
Kevin and Jennifer Gammon, Co-TTEEs, Gammon Family Trust 2000  
Bret Allen and Portia Langworthy, Co-TTEEs, Allen-Langworthy Trust, dated 9/24/09  
Dick and Mary Allen, Co-TTEEs, Gammon Children’s 2000 Trust FBO Hannah Lee Gammon  
Dick and Mary Allen, Co-TTEEs, Gammon Children’s 2000 Trust FBO Jake Allen Gammon  
Bret Allen and Portia Langworthy, Co-TTEEs of Fletcher Langworthy Allen Gift Trust, dated 10/1/09  
Brett Allen and Portia Langworthy, tees of the Gage Langworthy Allen Trust

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

**Company:** TANDEM DIABETES CARE, INC.  
**Number of Shares:** 211,923  
**Series of Stock:** Common Stock  
**Warrant Price:** \$0.01 per share  
**Issue Date:** January 14, 2013  
**Expiration Date:** January 14, 2023

**Credit Facility:** This Warrant to Purchase Stock (“Warrant”) is issued in connection with that certain Term Loan Agreement of even date herewith between the Company, as borrower, and Capital Royalty Partners II – Parallel Fund “A” L.P. and Capital Royalty Partners II L.P., as lenders (the “Loan Agreement”).

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, CAPITAL ROYALTY PARTNERS II L.P. (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 Common Stock (the “**Stock**”) of the above-named company (the “**Company**”) at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

#### SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time 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**"), 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 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, Marketable Securities or otherwise (an "**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 Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated 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 Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the 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 of the date thereof.

(d) 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 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 Third Amended and Restated Voting Agreement, dated as of August 30, 2012, 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 Stock 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 Stock 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 Stock 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 Stock 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 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.

2.4 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Stock 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, Stock 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, Stock and number of Shares in effect upon the date of such adjustment.

### SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

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

(a) 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 Stock as will be sufficient to permit the exercise in full of this Warrant.

(b) Any shares of Common Stock of the Company issuable or issued upon exercise of this Warrant shall be deemed to be "Registrable Securities" for the purposes of the Third Amended and Restated Investors' Rights Agreement, dated August 30, 2012, 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 Third Amended and Restated Voting Agreement, dated August 30, 2012, by and among the Company and the other parties thereto, as amended.

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

### SECTION 4. REPRESENTATIONS AND 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 Third Amended and Restated Investors' Rights Agreement, dated as of August 30, 2012, 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 CAPITAL ROYALTY PARTNERS II L.P. DATED JANUARY 14, 2013, 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 any 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. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, 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) may be transferred to any transferee, provided, however, in connection with any such transfer, 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 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:

CAPITAL ROYALTY PARTNERS II L.P.  
Attn: General counsel  
1000 Main Street, Suite 2500  
Houston, Texas 77002  
Telephone: (713) 209-7350  
Facsimile: (713) 209-7351  
Email address: adorenbaum@capitalroyal.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,  
San Diego, California 92121  
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) 725-4123  
Facsimile: (949) 725-4100  
Email: feuchter@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 commercial banks in New York are authorized or required to be 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/ Kim D. Blickenstaff  
Name: Kim D. Blickenstaff  
(Print)  
Title: President and CEO

“HOLDER”

CAPITAL ROYALTY PARTNERS II L.P.

By: /s/ Charles Tate  
Name: Charles Tate  
(Print)  
Title: Sole Member

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right to purchase \_\_\_\_\_ shares of the Common 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:

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

**Company:** TANDEM DIABETES CARE, INC.  
**Number of Shares:** 243,564  
**Series of Stock:** Common Stock  
**Warrant Price:** \$0.01 per share  
**Issue Date:** January 14, 2013  
**Expiration Date:** January 14, 2023

**Credit Facility:** This Warrant to Purchase Stock (“**Warrant**”) is issued in connection with that certain Term Loan Agreement of even date herewith between the Company, as borrower, and Capital Royalty Partners II – Parallel Fund “A” L.P. and Capital Royalty Partners II L.P., as lenders (the “**Loan Agreement**”).

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” L.P. (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 Common Stock (the “**Stock**”) of the above-named company (the “**Company**”) at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

#### SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time 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**"), 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 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, Marketable Securities or otherwise (an "**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 Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated 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 Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the 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 of the date thereof.

(d) 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 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 Third Amended and Restated Voting Agreement, dated as of August 30, 2012, 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 Stock 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 Stock 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 Stock 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 Stock 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 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.

2.4 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Stock 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, Stock 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, Stock and number of Shares in effect upon the date of such adjustment.

### SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

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

(a) 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 Stock as will be sufficient to permit the exercise in full of this Warrant.

(b) Any shares of Common Stock of the Company issuable or issued upon exercise of this Warrant shall be deemed to be "Registrable Securities" for the purposes of the Third Amended and Restated Investors' Rights Agreement, dated August 30, 2012, 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 Third Amended and Restated Voting Agreement, dated August 30, 2012, by and among the Company and the other parties thereto, as amended.

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

### SECTION 4. REPRESENTATIONS AND 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 Third Amended and Restated Investors' Rights Agreement, dated as of August 30, 2012, 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 CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” L.P. DATED JANUARY 14, 2013, 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 any 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. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, 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) may be transferred to any transferee, provided, however, in connection with any such transfer, 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 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:

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” L.P.

Attn: General counsel  
1000 Main Street, Suite 2500  
Houston, Texas 77002  
Telephone: (713) 209-7350  
Facsimile: (713) 209-7351  
Email address: adorenbaum@capitalroyal.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,  
San Diego, California 92121  
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) 725-4123  
Facsimile: (949) 725-4100  
Email: feuchter@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 commercial banks in New York are authorized or required to be 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/ Kim D. Blickenstaff

Name: Kim D. Blickenstaff

(Print)

Title: President and CEO

“HOLDER”

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A”  
L.P.

By: /s/ Charles Tate

Name: Charles Tate

(Print)

Title: Sole Member

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right to purchase \_\_\_\_\_ shares of the Common 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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**TERM LOAN AGREEMENT**

**dated as of**

**December 24, 2012**

**between**

**TANDEM DIABETES CARE, INC.  
as Borrower,**

**The SUBSIDIARY GUARANTORS from Time to Time Party Hereto,**

**and**

**Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P.**

**as Lenders**

**U.S. \$45,000,000**

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TERM LOAN AGREEMENT, dated as of December 24, 2012 (this “**Agreement**”), among TANDEM DIABETES CARE, INC., a Delaware corporation (“**Borrower**”), the SUBSIDIARY GUARANTORS from time to time party hereto and the Lenders from time to time party hereto.

WITNESSETH:

The Borrower has requested the Lenders to make term loans to the Borrower, and the Lenders are prepared to make such loans on and subject to the terms and conditions hereof. Accordingly, the parties agree as follows:

## SECTION 1 DEFINITIONS

**1.01 Certain Defined Terms.** As used herein, the following terms have the following respective meanings:

“**Acquisition**” means any transaction, or any series of related transactions, by which any Person directly or indirectly, by means of a take-over bid, tender offer, amalgamation, merger, purchase of assets, or similar transaction having the same effect as any of the foregoing, (a) acquires any business or all or substantially all of the assets of any Person engaged in any business, (b) acquires control of securities of a Person engaged in a business representing more than 50% of the ordinary voting power for the election of directors or other governing body if the business affairs of such Person are managed by a board of directors or other governing body, or (c) acquires control of more than 50% of the ownership interest in any Person engaged in any business that is not managed by a board of directors or other governing body.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agreement**” has the meaning set forth in the introduction hereto.

“**Asset Sale**” is defined in **Section 9.09**.

“**Asset Sale Net Proceeds**” means the aggregate amount of the cash proceeds received from any Asset Sale, net of any bona fide costs incurred in connection with such Asset Sale, plus, with respect to any non-cash proceeds of an Asset Sale, the fair market value of such non cash proceeds as determined by the Majority Lenders, acting reasonably.

“**Assignment and Acceptance**” means an assignment and acceptance entered into by a Lender and an assignee of such Lender.

“**Bankruptcy Code**” means Title II of the United States Code entitled “Bankruptcy.”

“**Benefit Plan**” means any employee benefit plan as defined in Section 3(3) of ERISA (whether governed by the laws of the United States or otherwise) to which any Obligor or Subsidiary thereof incurs or otherwise has any obligation or liability, contingent or otherwise.

**“Borrower”** has the meaning set forth in the introduction hereto.

**“Borrower Facility”** means the premises located at 11025, 11035, and 11045 Roselle Street, San Diego, CA 92121, which are leased by Borrower pursuant to the Borrower Lease.

**“Borrower Landlord”** means ARE-11025/11075 Roselle Street, LLC.

**“Borrower Lease”** means the Lease Agreement dated March 7, 2012, by and between Borrower and ARE-11025/11075 Roselle Street, LLC, as amended by the First Amendment to the Lease Agreement dated April 24, 2012, by and between Borrower and ARE-11025/11075 Roselle Street, LLC, and further amended by the Second Amendment to the Lease Agreement dated July 31, 2012, by and between Borrower and ARE-11025/11075 Roselle Street, LLC.

**“Borrowing”** means a borrowing consisting of Loans made on the same day by the Lenders according to their respective Commitments (including without limitation a borrowing of a PIK Loan).

**“Borrowing Date”** means the date of the Borrowing.

**“Borrowing Notice Date”** means, (i) in the case of the first Borrowing, a date that is at least fifteen Business Days prior to the Borrowing Date of such Borrowing and, (ii) in the case of the second Borrowing, a date that is at least twenty Business Days prior to the Borrowing Date of such Borrowing.

**“Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City.

**“Capital Lease Obligations”** means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal Property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

**“Change of Control”** means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group of Persons acting jointly or otherwise in concert, of capital stock representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower, (b) during any period of twelve (12) consecutive calendar months, the occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower, nor (ii) appointed by directors so nominated, or (c) the acquisition of direct or indirect Control of the Borrower by any Person or group of Persons acting jointly or otherwise in concert; in each case whether as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise; provided, however, that no Change of Control shall be deemed to occur as the result of any of the foregoing occurrences if after such occurrence, the Existing Shareholder Group collectively owns, directly or indirectly, beneficially or of record, capital stock representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Borrower.

“**Claims**” includes claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions, informations (brought by a public prosecutor without grand jury indictment) or other similar processes, assessments or reassessments.

“**Closing Date**” means the date as of which the Lenders notify the Borrower that the conditions precedent set forth in **Section 6.01** have been satisfied or waived.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“**Collateral**” means the collateral provided for in the Security Documents.

“**Collateral Access Agreement**” means a collateral access agreement with respect to Borrower Facility executed by Borrower Landlord in form and substance satisfactory to Majority Lenders.

“**Commitment**” means, with respect to each Lender, the obligation of such Lender to make Loans to the Borrower in accordance with the terms and conditions of this Agreement, which commitment is in the amount set forth opposite such Lender’s name on **Schedule 1** under the caption “Commitment”, as such Schedule may be amended from time to time. The aggregate Commitments on the date hereof equal \$45,000,000. For purposes of clarification, the amount of any PIK Loans shall not reduce the amount of the available Commitment.

“**Commitment Period**” means the period from and including the Closing Date and through and including May 30, 2014.

“**Commodities Account**” is defined in the Security Agreement.

“**Compliance Certificate**” has the meaning given to such term in **Section 8.01(d)**.

“**Contracts**” means contracts, licenses, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements under which a Person has, or will have, any liability or contingent liability (in each case, whether written or oral, express or implied).

“**Control**” means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“**Control Agent**” is defined in the Security Agreement.

“**Copyright**” is defined in the Security Agreement.

**“CRPPF”** means Capital Royalty Partners II – Parallel Fund “A” L.P., a Delaware limited partnership.

**“Cure Amount”** has the meaning set forth in **Section 10.02(b)**.

**“Cure Right”** has the meaning set forth in **Section 10.02(a)**.

**“Default”** means any Event of Default and any event that, upon the giving of notice, the lapse of time or both, would constitute an Event of Default.

**“Defaulting Lender”** means, subject to **Section 2.06**, any Lender that (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans, within three (3) Business Days of the date required to be funded by it hereunder, (b) has notified the Borrower or any Lender that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or under other agreements in which it commits to extend credit, or (c) has, or has a direct or indirect parent company that has, (i) become the subject of an Insolvency Proceeding, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, or (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority.

**“Deposit Account”** is defined in the Security Agreement.

**“Dollars”** and **“\$”** means lawful money of the United States of America.

**“Domestic Subsidiary”** means any Subsidiary that is a corporation, limited liability company, partnership or similar business entity incorporated, formed or organized under the laws of the United States, any State of the United States or the District of Columbia.

**“Eligible Transferee”** means and includes a commercial bank, an insurance company, a finance company, a financial institution, any investment fund that invests in loans or any other “accredited investor” (as defined in Regulation D of the Securities Act) that is principally in the business of managing investments or holding assets for investment purposes; provided that “Eligible Transferee” shall not include any Person that is principally in the business of managing investments or holding assets for investment purposes that has a board participation right in a company that produces, markets or sells, or develops a program to market or sell, a marketed or Phase III product in competition with the Borrower.

**“Environmental Law”** means any federal, state, provincial or local governmental law, rule, regulation, order, writ, judgment, injunction or decree relating to pollution or protection of the environment or the treatment, storage, disposal, release, threatened release or handling of hazardous materials, and all local laws and regulations related to environmental matters and any specific agreements entered into with any competent authorities which include commitments related to environmental matters.

**“Equity Interest”** shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, but excluding debt securities convertible or exchangeable into such equity.

**“Equivalent Amount”** means, with respect to an amount denominated in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the Exchange Rate at the time of determination.

**“ERISA”** means the United States Employee Retirement Income Security Act of 1974.

**“ERISA Affiliate”** means, collectively, any Obligor, Subsidiary thereof, and any Person under common control, or treated as a single employer, with any Obligor or Subsidiary thereof, within the meaning of Section 414(b), (c), (m) or (o) of the Code.

**“ERISA Event”** means (a) a reportable event as defined in Section 4043 of ERISA with respect to a Title IV Plan, excluding, however, such events as to which the PBGC by regulation has waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; (ii) the applicability of the requirements of Section 4043(b) of ERISA with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, to any Title IV Plan where an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such plan within the following 30 days; (iii) a withdrawal by any Obligor or any ERISA Affiliate thereof from a Title IV Plan or the termination of any Title IV Plan resulting in liability under Sections 4063 or 4064 of ERISA; (iv) the withdrawal of any Obligor or any ERISA Affiliate thereof in a complete or partial withdrawal (within the meaning of Section 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any potential liability therefore, or the receipt by any Obligor or any ERISA Affiliate thereof of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA; (v) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Title IV Plan or Multiemployer Plan; (vi) the imposition of liability on any Obligor or any ERISA Affiliate thereof pursuant to Sections 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (vii) the failure by any Obligor or any ERISA Affiliate thereof to make any required contribution to a Plan, or the failure to meet the minimum funding standard of Section 412 of the Code with respect to any Title IV Plan (whether or not waived in accordance with Section 412(c) of the Code) or the failure to make by its due date a required installment under Section 430 of the Code with respect to any Title IV Plan or the failure to make any required contribution to a Multiemployer Plan; (viii) the determination that any Title IV Plan is considered an at-risk plan or a plan in endangered to critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; (ix) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan; (x) the imposition of any liability under Title I or Title IV of ERISA, other than PBGC premiums due



but not delinquent under Section 4007 of ERISA, upon any Obligor or any ERISA Affiliate thereof; (xi) an application for a funding waiver under Section 303 of ERISA or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Title Plan; (xii) the occurrence of a non-exempt prohibited transaction under Sections 406 or 407 of ERISA for which any Obligor or any Subsidiary thereof may be directly or indirectly liable; (xiii) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary or disqualified person for which any Obligor or any ERISA Affiliate thereof may be directly or indirectly liable; (xiv) the occurrence of an act or omission which could give rise to the imposition on any Obligor or any ERISA Affiliate thereof of fines, penalties, taxes or related charges under Chapter 43 of the Code or under Sections 409, 502(c), (i) or (1) or 4071 of ERISA; (xv) the assertion of a material claim (other than routine claims for benefits) against any Plan or the assets thereof, or against any Obligor or any Subsidiary thereof in connection with any such plan; (xvi) receipt from the IRS of notice of the failure of any Qualified Plan to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any Qualified Plan to fail to qualify for exemption from taxation under Section 501(a) of the Code; (xvii) the imposition of any lien (or the fulfillment of the conditions for the imposition of any lien) on any of the rights, properties or assets of any Obligor or any ERISA Affiliate thereof, in either case pursuant to Title I or IV, including Section 302(f) or 303(k) of ERISA or to Section 401(a)(29) or 430(k) of the Code; or (xviii) the establishment or amendment by any Obligor or any Subsidiary thereof of any “welfare plan”, as such term is defined in Section 3(1) of ERISA, that provides post-employment welfare benefits in a manner that would increase the liability of any Obligor.

“**Event of Default**” has the meaning set forth in **Section 11**.

“**Exchange Rate**” means the rate at which any currency (the “**Pre-Exchange Currency**”) may be exchanged into another currency (the “**Post-Exchange Currency**”), as set forth on such date on the relevant Reuters screen at or about 11:00 a.m. (Central time) on such date. In the event that such rate does not appear on the Reuters screen, the “Exchange Rate” with respect to exchanging such Pre-Exchange Currency into such Post-Exchange Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Borrower and the Majority Lenders or, in the absence of such agreement, such Exchange Rate shall instead be determined by the Majority Lenders by any reasonable method as they deem applicable to determine such rate, and such determination shall be conclusive absent manifest error.

“**Excluded Taxes**” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes, in each case imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax, (b) Other Connection Taxes, (c) U.S. federal withholding Taxes that are imposed on amounts payable to a Lender to the extent that the obligation to withhold amounts existed on the date that such Lender became a “Lender” under this Agreement, except in each case to the extent such Lender is a direct or indirect assignee of any other Lender that was entitled, at the time the assignment of such other Lender became

effective, to receive additional amounts under **Section 5.05**, (d) any Taxes imposed in connection with FATCA, (e) any Medicare Taxes, and (f) Taxes attributable to such Recipient's failure to comply with **Section 5.05(e)**.

**"Existing Shareholder Group"** means the group of investors who, on the date hereof, collectively own, directly or indirectly, beneficially or of record, capital stock representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Borrower, consisting of Domain Ventures, Texas Pacific Group, Delphi Ventures, HLM Venture Partners, and Kearny Venture Partners.

**"FATCA"** means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not more onerous to comply with), any regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

**"Foreign Lender"** means a Lender that is not a U.S. Person.

**"Foreign Subsidiary"** means a Subsidiary of Borrower that is not a Domestic Subsidiary.

**"GAAP"** means generally accepted accounting principles in the United States of America, as in effect from time to time, set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, in the statements and pronouncements of the Financial Accounting Standards Board and in such other statements by such other entity as may be in general use by significant segments of the accounting profession that are applicable to the circumstances as of the date of determination. Subject to **Section 1.02**, all references to "GAAP" shall be to GAAP applied consistently with the principles used in the preparation of the financial statements described in **Section 7.04(a)**.

**"Governmental Approval"** means any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

**"Governmental Authority"** means any nation, government, branch of power (whether executive, legislative or judicial), state, province or municipality or other political subdivision thereof and any entity exercising executive, legislative, judicial, monetary, regulatory or administrative functions of or pertaining to government, including without limitation regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, courts, bodies, boards, tribunals and dispute settlement panels, and other law-, rule- or regulation-making organizations or entities of any State, territory, county, city or other political subdivision of the United States.

**"Guarantee"** of or by any Person (the **"guarantor"**) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the **"primary obligor"**) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase

of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

**“Guarantee Assumption Agreement”** means a Guarantee Assumption Agreement substantially in the form of **Exhibit A** by an entity that, pursuant to **Section 8.12(a)**, is required to become a “Subsidiary Guarantor” hereunder in favor of the Lenders.

**“Hazardous Material”** means any substance, element, chemical, compound, product, solid, gas, liquid, waste, by-product, pollutant, contaminant or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof) and (b) any material classified or regulated as “hazardous” or “toxic” or words of like import pursuant to an Environmental Law.

**“Hedging Agreement”** means any interest rate exchange agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

**“Indebtedness”** of any Person means, without duplication, (a) all obligations of such Person for borrowed money or obligations of such Person with respect to deposits or advances of any kind by third parties, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty (j) obligations under any Hedging Agreement currency swaps, forwards, futures or derivatives transactions, and (k) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

**“Indemnified Taxes”** means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any Obligation and (b) to the extent not otherwise described in clause (a), Other Taxes.

**“Insolvency Proceeding”** means (i) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (ii) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of any Person’s creditors generally or any substantial portion of such Person’s creditors, in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

**“Intellectual Property”** means all Patents, Trademarks, Copyright, and Technical Information, whether registered or not, domestic and foreign. Intellectual Property shall include all:

- a) applications or registrations relating to such Intellectual Property;
- b) rights and privileges arising under applicable Laws with respect to such Intellectual Property;
- c) rights to sue for past, present or future infringements of such Intellectual Property; and
- d) rights of the same or similar effect or nature in any jurisdiction corresponding to such Intellectual Property throughout the world.

**“Interest-Only Period”** means the period from and including the Closing Date and through and including (i) the eighth (8<sup>th</sup>) Payment Date if a Second Borrowing Milestone does not occur, and (ii) the twelfth (12<sup>th</sup>) Payment Date if a Second Borrowing Milestone does occur.

**“Interest Period”** means each period ending on March 31, June 30, September 30 and December 31, as the case may be; *provided that* (i) any Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day unless such succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) the term “Interest Period” shall include any period selected by the Majority Lenders from time to time in accordance with the definition of “Post-Default Rate”.

**“Internal Management Reporting Basis”** means pro forma financial results recognized under GAAP, consistently applied; provided that all revenues and associated cost of sales are recognized as of the date of shipment of the Products and revenues are generated from valid orders received from customers or distributors.

**“Invention”** means any novel, inventive and useful art, apparatus, method, process, machine (including article or device), manufacture or composition of matter, or any novel, inventive and useful improvement in any art, method, process, machine (including article or device), manufacture or composition of matter.

**“Investment”** means, for any Person: (a) the acquisition (whether for cash, property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any “short sale” or any sale of any securities at a time when such securities

are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 90 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement.

“**IRS**” means the U.S. Internal Revenue Service or any successor agency, and to the extent relevant, the U.S. Department of the Treasury.

“**Knowledge**” means the actual knowledge of any Responsible Officer of any Person or, so long as he is employed by the Borrower or its Subsidiaries, and the actual knowledge of Robert Anacone, so long as he is an executive officer of the Borrower.

“**Landlord Consent**” means a Landlord Consent substantially in the form of **Exhibit G**.

“**Laws**” means, collectively, all international, foreign, federal, state, provincial, territorial, municipal and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“**Lenders**” means Capital Royalty Partners II L.P. and CRPPF, together with their successors and each assignee of a Lender pursuant to **Section 12.05(b)** and “Lender” means any one of them.

“**Lien**” means any mortgage, lien, pledge, charge, encumbrance or other security interest, leases, title retention agreements, mortgages, restrictions, easements, rights-of-way, options or adverse claims (of ownership or possession) or encumbrances of any kind or character whatsoever or any preferential arrangement that has the practical effect of creating a security interest.

“**Loan**” means (i) each loan advanced by a Lender pursuant to **Section 2.01** and (ii) each PIK Loan deemed to have been advanced by a Lender pursuant to **Section 3.02(d)**. For purposes of clarification, any calculation of the aggregate outstanding principal amount of Loans on any date of determination shall include both the aggregate principal amount of loans advanced pursuant to **Section 2.01** and not yet repaid, and all PIK Loans deemed to have been advanced and not yet repaid, on or prior to such date of determination.

“**Loan Documents**” means, collectively, this Agreement, the Notes, the Security Documents and each Warrant.

**“Loss”** means judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including fees and disbursements of legal counsel on a full indemnity basis, and all costs incurred in investigating or pursuing any Claim or any proceeding relating to any Claim.

**“Majority Lenders”** means, at any time, Lenders having at such time in excess of 50% of the aggregate Commitments (or, if such Commitments are terminated, the outstanding principal amount of the Loans) then in effect, ignoring, in such calculation, the Commitments of and outstanding Loans owing to any Defaulting Lender.

**“Margin Stock”** means “margin stock” within the meaning of Regulations U and X.

**“Material Adverse Change”** and **“Material Adverse Effect”** mean a material adverse change in or effect on (i) the business, condition (financial or otherwise), operations, performance, Property or prospects of Borrower and its Subsidiaries taken as a whole, (ii) the ability of any Obligor to perform its obligations under the Loan Documents, (iii) the legality, validity, binding effect or enforceability of the Loan Documents or the rights and remedies of the Lenders under any of the Loan Documents.

**“Material Agreements”** means the agreements which are listed in **Schedule 7.14** and all other agreements held by the Obligors from time to time, the absence or termination of any of which would reasonably be expected to result in a Material Adverse Effect, provided however that “Material Agreements” exclude all: (i) licenses implied by the sale of a product; and (ii) paid-up licenses for commonly available software programs under which an Obligor is the licensee. “Material Agreement” means any one such agreement.

**“Material Indebtedness”** means, at any time, any Indebtedness of any Obligor the outstanding principal amount of which, individually or in the aggregate, exceeds \$500,000 (or the Equivalent Amount in other currencies).

**“Material Intellectual Property”** means, the Obligor Intellectual Property described in **Schedule 7.05(c)** and any other Obligor Intellectual Property after the date hereof the loss of which could reasonably be expected to have a Material Adverse Effect.

**“Maturity Date”** means the earlier to occur of (i) the twentieth Payment Date following the Closing Date, and (ii) the date on which the Loans are accelerated pursuant to **Section 11.02**.

**“Medicare Tax”** means Section 1411 of the Code, as of the date of this Agreement (or any amended or successor version), and any regulations or official interpretations thereof.

**“Multiemployer Plan”** means any multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

**“Note”** means a promissory note executed and delivered by the Borrower to the Lenders in accordance with **Section 2.04** or **3.02(d)**.

**“Notice of Borrowing”** has the meaning given to such term in **Section 2.02**.

**“Obligations”** means, with respect to any Obligor, all amounts, obligations, liabilities, covenants and duties of every type and description owing by such Obligor to any Lender, any other indemnitee hereunder or any participant, arising out of, under, or in connection with, any Loan Document, whether direct or indirect (regardless of whether acquired by assignment), absolute or contingent, due or to become due, whether liquidated or not, now existing or hereafter arising and however acquired, and whether or not evidenced by any instrument or for the payment of money, including, without duplication, (i) if such Obligor is the Borrower, all Loans, (ii) all interest, whether or not accruing after the filing of any petition in bankruptcy or after the commencement of any insolvency, reorganization or similar proceeding, and whether or not a claim for post-filing or post-petition interest is allowed in any such proceeding, and (iii) all other fees, expenses (including fees, charges and disbursement of counsel), interest, commissions, charges, costs, disbursements, indemnities and reimbursement of amounts paid and other sums chargeable to such Obligor under any Loan Document.

**“Obligor Intellectual Property”** means Intellectual Property owned by or licensed to any of the Obligors.

**“Obligors”** means, collectively, the Borrower and the Subsidiary Guarantors and their respective successors and permitted assigns.

**“Other Connection Taxes”** means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

**“Other Taxes”** means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to **Section 5.05(g)**).

**“Patents”** is defined in the Security Agreement.

**“Payment Date”** means each March 31, June 30, September 30 and December 31; provided that if any such date shall occur on a day that is not a Business Day, the applicable Payment Date shall be the next succeeding Business Day unless such succeeding Business Day would fall in the next calendar month, in which case such Payment Date shall end on the next preceding Business Day.

**“PBGC”** means the United States Pension Benefit Guaranty Corporation and any successor thereto.

**“Permitted Acquisition”** means any acquisition by the Borrower or any of its wholly-owned Subsidiaries, whether by purchase, merger or otherwise, of all or substantially all of the assets of, all of the Equity Interests of, or a business line or unit or a division of, any Person; provided that:

(a) immediately prior to, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(b) all transactions in connection therewith shall be consummated, in all material respects, in accordance with all applicable Laws and in conformity with all applicable Governmental Approvals;

(c) in the case of the acquisition of all of the Equity Interests of such Person, all of the Equity Interests (except for any such securities in the nature of directors’ qualifying shares required pursuant to applicable Law) acquired, or otherwise issued by such Person or any newly formed Subsidiary of the Borrower in connection with such acquisition, shall be owned 100% by the Borrower, a Subsidiary Guarantor or any other Subsidiary, and the Borrower shall have taken, or caused to be taken, as of the date such Person becomes a Subsidiary of the Borrower, each of the actions set forth in **Section 8.12**, if applicable;

(d) the Borrower and its Subsidiaries shall be in compliance with the financial covenants set forth in **Section 10.01** on a pro forma basis after giving effect to such acquisition; and

(e) such Person (in the case of an acquisition of Equity Interests) or assets (in the case of an acquisition of assets or a division) (i) shall be engaged or used, as the case may be, in substantially the same business or lines of business in which the Borrower and/or its Subsidiaries are engaged or (ii) shall have a similar customer base as the Borrower and/or its Subsidiaries.

**“Permitted Cash Equivalent Investments”** means (i) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than two (2) years from the date of acquisition and (ii) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.

**“Permitted Indebtedness”** means any Indebtedness permitted under **Section 9.01**.

**“Permitted Liens”** has the meaning set forth in **Section 9.02**.

**“Permitted Priority Debt”** means (i) before the Second Borrowing Milestone has occurred, Indebtedness of the Borrower, in an amount not to exceed at any time \$1,500,000 in outstanding principal; *provided that* (a) such Indebtedness, if secured, is secured solely by the Borrower’s accounts receivable and cash proceeds thereof held in a segregated account, and (b) the holders or lenders thereof have executed and delivered to Lenders an intercreditor agreement reasonably satisfactory to the Majority Lenders, (ii) after the Second Borrowing Milestone has



occurred, Indebtedness of the Borrower, in an amount not to exceed at any time 80% of the face amount at such time of the Borrower's eligible accounts receivable; *provided that* (a) such Indebtedness under this clause (ii), if secured, is secured solely by the Borrower's accounts receivable and inventory, cash proceeds thereof, and cash and (b) the holders or lenders thereof have executed and delivered to Lenders an intercreditor agreement reasonably satisfactory to the Majority Lenders and (iii) until and including the Closing Date, the SVB Debt, which may be secured by all assets of the Borrower.

**"Permitted Refinancing"** means, with respect to any Indebtedness, any extensions, renewals and replacements of such Indebtedness; *provided that* such extension, renewal or replacement (i) shall not increase the outstanding principal amount of such Indebtedness, (ii) contains terms relating to outstanding principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole no less favorable in any material respect to the Borrower and its Subsidiaries or the Lenders than the terms of any agreement or instrument governing such existing Indebtedness, (iii) shall have an applicable interest rate which does not exceed the rate of interest of the Indebtedness being replaced, and (iv) shall not contain any new requirement to grant any lien or security or to give any guarantee that was not an existing requirement of such Indebtedness.

**"Permitted Restrictive Agreements"** has the meaning set forth in **Section 7.15**.

**"Permitted Subordinated Debt"** means Indebtedness:

(i) that is governed by documentation containing representations, warranties, covenants and events of default no more burdensome or restrictive than those contained in the Loan Documents, (ii) that has a maturity date later than the Maturity Date, (iii) in respect of which no cash payments of principal or interest are required prior to the Maturity Date, and (iv) in respect of which the holders have agreed in favor of the Borrower and Lenders that (A) prior to the date on which the Commitments have expired or been terminated and all Obligations (other than the Warrant Obligations) have been paid in full indefeasibly in cash, such holders will not exercise any remedies available to them in respect of such Indebtedness, and (B) all Liens (if any) securing such Indebtedness are subordinated to the Liens securing the Obligations.

**"Person"** means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

**"PBGC"** means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

**"PIK Loan"** has the meaning set forth in **Section 3.02(d)**.

**"PIK Period"** means the period beginning on the Closing Date and ending on (a) if the Second Borrowing Milestone does not occur, the earlier to occur of (i) the sixth Payment Date after the Closing Date and (ii) the date on which any Event of Default shall have occurred (provided that if such Event of Default shall have been cured or waived, the PIK Period shall resume until the earlier to occur of the next Event of Default and the sixth Payment Date after the

Closing Date), or (b) if the Second Borrowing Milestone does occur, the earlier to occur of (i) the twelfth Payment Date after the Closing Date and (ii) the date on which any Event of Default shall have occurred (*provided that* if such Event of Default shall have been cured or waived, the PIK Period shall resume until the earlier to occur of the next Event of Default and the twelfth Payment Date after the Closing Date).

“**Plan**” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“**Post-Default Rate**” has the meaning set forth in **Section 3.02(b)**.

“**Product**” means the t:slim Insulin Delivery System or its successors, in a form substantially similar to that as approved by the U.S. Food and Drug Administration in November 2011.

“**Property**” of any Person means any property or assets, or interest therein, of such Person.

“**Proportionate Share**” means, with respect to any Lender, the percentage obtained by dividing (a) the sum of the Commitment (or, if the Commitments are terminated, the outstanding principal amount of the Loans) of such Lender then in effect by (b) the sum of the Commitments (or, if the Commitments are terminated, the outstanding principal amount of the Loans) of all Lenders then in effect.

“**Qualified Plan**” means an employee benefit plan (as defined in Section 3(3) of ERISA) other than a Multiemployer Plan (i) that is or was at any time maintained or sponsored by any Obligor or any ERISA Affiliate thereof or to which any Obligor or any ERISA Affiliate thereof has ever made, or was ever obligated to make, contributions, and (ii) that is intended to be tax qualified under Section 401(a) of the Code.

“**Real Property Security Documents**” means the Landlord Consent and the Collateral Access Agreement.

“**Recipient**” means any Lender or any other recipient of any payment to be made by or on account of any Obligation.

“**Redemption Date**” has the meaning set forth in **Section 3.03(a)**.

“**Redemption Price**” has the meaning set forth in **Section 3.03(a)**.

“**Register**” has the meaning set forth in **Section 12.05(d)**.

“**Regulation T**” means Regulation T of the Board of Governors of the Federal Reserve System, as amended.

**“Regulation U”** means Regulation U of the Board of Governors of the Federal Reserve System, as amended.

**“Regulation X”** means Regulation X of the Board of Governors of the Federal Reserve System, as amended.

**“Regulatory Approvals”** means any registrations, licenses, authorizations, permits or approvals issued by any Governmental Authority and applications or submissions related to any of the foregoing.

**“Requirement of Law”** means, as to any Person, any statute, law, treaty, rule or regulation or determination, order, injunction or judgment of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Properties or revenues.

**“Responsible Officer”** of any Person means the President, chief executive officer, chief operations officer/vice president of operations, or chief financial officer of such Person.

**“Restricted Payment”** means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of the Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Borrower or any of its Subsidiaries or any option, warrant or other right to acquire any such shares of capital stock of the Borrower or any of its Subsidiaries.

**“Revenue”** of a Person means all revenue properly recognized under GAAP, consistently applied, less all rebates, discounts and other price allowances; provided that, for purposes of determining the achievement of the Second Borrowing Milestone only, Revenue shall mean all revenue properly recognized under the Internal Management Reporting Basis, consistently applied, less all rebates, discounts, and other reasonable price allowances.

**“SBA”** means U.S. Small Business Administration.

**“SBIC”** means Small Business Investment Company.

**“Second Borrowing Date”** means the date of the second Borrowing.

**“Second Borrowing Milestone”** means the achievement by Borrower and its Subsidiaries of (x) Revenue with respect to sales of the Product in the United States, for the immediately preceding three month period, of at least \$12,000,000 during such period; provided that such three month period must end no later than the date that is twelve months after the Closing Date, or (y) (i) Revenue with respect to sales of the Product in the United States, for the immediately preceding three month period, of at least \$8,000,000 during such period; provided that such three month period must end no later than the date that is twelve months after the Closing Date, and (ii) FDA 510(k) approval for the sale and marketing of t:connect, a web based therapy management application that interfaces with the Product.

**“Security Agreement”** means the Security Agreement, dated as of the date hereof, among the Obligor and the Lenders, granting a security interest in the Obligor’s personal Property in favor of the Lenders.

**“Security Documents”** means, collectively, the Security Agreement, each Short-Form IP Security Agreement, each Real Property Security Document, and each other security document, control agreement or financing statement required or recommended to perfect Liens in favor of the Lenders.

**“Securities Account”** is defined in the Security Agreement.

**“Short-Form IP Security Agreements”** means short-form copyright, patent or trademark (as the case may be) security agreements entered into by one or more Obligor in favor of the Lenders, each in form and substance satisfactory to the Majority Lenders (and as amended, modified or replaced from time to time).

**“Solvent”** means, with respect to any Person at any time, that (a) the present fair saleable value of the Property of such Person is greater than the total amount of liabilities (including contingent liabilities) of such Person, (b) the present fair saleable value of the Property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person has not incurred and does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature and (d) such Person would not be unable to obtain a letter from its auditors that did not contain a going concern qualification.

**“Subsidiary”** means, with respect to any Person (the **“parent”**) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

**“Subsidiary Guarantors”** means each of the Subsidiaries of the Borrower identified under the caption “SUBSIDIARY GUARANTORS” on the signature pages hereto and each Subsidiary of the Borrower that becomes, or is required to become, a “Subsidiary Guarantor” after the date hereof pursuant to **Section 8.12(a) or (b)**.

**“SVB Debt”** means indebtedness under that certain Loan and Security Agreement, dated March 12, 2012, between the Borrower and Silicon Valley Bank and the lenders party thereto, as amended, and all related loan documentation.

**“Taxes”** means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Technical Information**” means all trade secrets and other proprietary or confidential information, public information, non-proprietary know-how, any information of a scientific, technical, or business nature in any form or medium, standards and specifications, conceptions, ideas, innovations, discoveries, Invention disclosures, all documented research, developmental, demonstration or engineering work and all other information, data, plans, specifications, reports, summaries, experimental data, manuals, models, samples, know-how, technical information, systems, methodologies, computer programs, information technology and any other information.

“**Title IV Plan**” means an employee benefit plan (as defined in Section 3(3) of ERISA) other than a Multiemployer Plan (i) that is or was at any time maintained or sponsored by any Obligor or any ERISA Affiliate thereof or to which any Obligor or any ERISA Affiliate thereof has ever made, or was obligated to make, contributions, and (ii) that is or was subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA.

“**Trademarks**” is defined in the Security Agreement.

“**Transactions**” means the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which such Obligor is intended to be a party and the Borrowing (and the use of the proceeds of the Loans).

“**U.S. Person**” means a “United States Person” within the meaning of Section 7701(a)(30) of the Code.

“**Warrant**” means each warrant to purchase capital stock of the Borrower issued by the Borrower to the Lenders on the Closing Date in connection with the transactions contemplated under this Agreement.

“**Warrant Obligations**” means, with respect to any Obligor, all Obligations arising out of, under, or in connection with, any Warrants.

“**Withdrawal Liability**” means, at any time, any liability incurred (whether or not assessed) by any ERISA Affiliate and not yet satisfied or paid in full at such time with respect to any Multiemployer Plan pursuant to Section 4201 of ERISA.

**1.02 Accounting Terms and Principles.** All accounting determinations required to be made pursuant hereto shall, unless expressly otherwise provided herein, be made in accordance with GAAP. All components of financial calculations made to determine compliance with this Agreement, including **Section 10**, shall be adjusted to include or exclude, as the case may be, without duplication, such components of such calculations attributable to any Acquisition consummated after the first day of the applicable period of determination and prior to the end of such period, as determined in good faith by the Borrower based on assumptions expressed therein and that were reasonable based on the information available to the Borrower at the time of preparation of the Compliance Certificate setting forth such calculations.

**1.03 Interpretation.** For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, (a) the terms defined in this Agreement include the plural as well as the singular and vice versa; (b) words importing gender include all genders; (c) any reference to a Section, Annex, Schedule or Exhibit refers to a Section of, or Annex, Schedule or Exhibit to, this Agreement; (d) any reference to “this Agreement” refers to this Agreement, including all Annexes, Schedules and Exhibits hereto, and the words herein, hereof, hereto and hereunder and words of similar import refer to this Agreement and its Annexes, Schedules and Exhibits as a whole and not to any particular Section, Annex, Schedule, Exhibit or any other subdivision; (e) references to days, months and years refer to calendar days, months and years, respectively; (f) all references herein to “include” or “including” shall be deemed to be followed by the words “without limitation”; (g) the word “from” when used in connection with a period of time means “from and including” and the word “until” means “to but not including”; and (h) accounting terms not specifically defined herein shall be construed in accordance with GAAP (except for the term “property”, which shall be interpreted as broadly as possible, including, in any case, cash, securities, other assets, rights under contractual obligations and permits and any right or interest in any property, except where otherwise noted). Unless otherwise expressly provided herein, references to organizational documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all permitted subsequent amendments, restatements, extensions, supplements and other modifications thereto.

**1.04 Changes to GAAP.** If, after the date hereof, any change occurs in GAAP or in the application thereof and such change would cause any amount required to be determined for the purposes of the covenants to be maintained or calculated pursuant to **Section 8** or **9** to be materially different than the amount that would be determined prior to such change, then:

(a) the Borrower will provide a detailed notice of such change (an “**Accounting Change Notice**”) to the Lenders within 30 days of such change;

(b) either the Borrower or the Majority Lenders may indicate within 90 days following the date of the Accounting Change Notice that they wish to revise the method of calculating such financial covenants or amend any such amount, in which case the parties will in good faith attempt to agree upon a revised method for calculating the financial covenants;

(c) until the Borrower and the Majority Lenders have reached agreement on such revisions, (i) such financial covenants or amounts will be determined without giving effect to such change and (ii) all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP;

(d) if no party elects to revise the method of calculating the financial covenants or amounts, then the financial covenants or amounts will not be revised and will be determined in accordance with GAAP without giving effect to such change; and

(e) any Event of Default arising as a result of such change which is cured by operation of this **Section 1.04** shall be deemed to be of no effect *ab initio*.

**SECTION 2**  
**THE COMMITMENT**

**2.01 Commitments.** Each Lender agrees severally, on and subject to the terms and conditions of this Agreement (including **Section 6**), to make two term loans (provided that PIK Loans shall be deemed not to constitute “term loans” for purposes of this **Section 2.01**) to the Borrower, each on a Business Day during the Commitment Period in Dollars in an aggregate principal amount for such Lender not to exceed such Lender’s Commitment; *provided, however*, that at no time shall any Lender be obligated to make a Loan in excess of such Lender’s Proportionate Share of the amount by which the then effective Commitments exceeds the aggregate principal amount of Loans outstanding at such time. Amounts of Loans repaid may not be reborrowed.

**2.02 Borrowing Procedures.** Subject to the terms and conditions of this Agreement (including **Section 6**), each Borrowing (other than a Borrowing of PIK Loans) shall be made on written notice in the form of **Exhibit B** given by the Borrower to the Lenders not later than 11:00 a.m. (Central time) on the Borrowing Notice Date (a “**Notice of Borrowing**”).

**2.03 Fees.** On each Borrowing Date, the Borrower shall pay to each Lender a financing fee in an amount equal to 1.25% of the Loans to be advanced by such Lender on such Borrowing Date; provided that, for purposes of this **Section 2.03**, “Borrowing” shall not be deemed to include borrowing of PIK Loans.

**2.04 Notes.** If requested by any Lender, the Loans of such Lender shall be evidenced by one or more promissory notes (each a “**Note**”). The Borrower shall prepare, execute and deliver to the Lenders such promissory note(s) payable to the Lenders (or, if requested by the Lenders, to the Lenders and their registered assigns) and in the form attached hereto as **Exhibit C-1**. Thereafter, the Loans and interest thereon shall at all times (including after assignment pursuant to **Section 12.05**) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

**2.05 Use of Proceeds.** The Borrower shall use the proceeds of the Loans (i) in the case of the Loans comprising the first Borrowing, to repay in full and terminate the SVB Debt and for general working capital purposes, and (ii) in the case of any Loans comprising the subsequent Borrowing, for general working capital purposes.

**2.06 Defaulting Lenders.**

(a) **Adjustments.** Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) **Waivers and Amendments.** Such Defaulting Lender’s right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in **Section 12.04**.

(ii) **Reallocation of Payments.** Any payment of principal, interest, fees or other amounts received by the Lenders for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to **Section 11** or otherwise), shall be applied at such time or times as follows: first, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement; second, if so determined by the Majority Lenders and the Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of such Defaulting Lender to fund Loans under this Agreement; third, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fourth, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and fifth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (A) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share and (B) such Loans were made at a time when the conditions set forth in **Section 6** were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this **Section 2.06(a)(ii)** shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) **Defaulting Lender Cure.** If the Borrower and the Majority Lenders agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, that Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as necessary to cause the Loans to be held on a pro rata basis by the Lenders in accordance with their Proportionate Share, whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

## **2.07 Substitution of Lenders.**

(a) **Substitution Right.** In the event that any Lender (an "**Affected Lender**"), (i) becomes a Defaulting Lender or (ii) does not consent to any amendment, waiver or consent to any Loan Document for which the consent of the Majority Lenders is obtained but that requires the consent of other Lenders (a "**Non-Consenting Lender**"), either the Borrower may pay in full such Affected Lender with respect to amounts due or such Affected Lender may be substituted by any willing Lender or Affiliate of any Lender or Eligible Transferee (in each case, a "**Substitute Lender**"); *provided that* any substitution of a Non-Consenting Lender shall occur only with the consent of Majority Lenders.



(b) **Procedure.** To substitute such Affected Lender or pay in full the Obligations owed to such Affected Lender, the Borrower shall deliver a notice to such Affected Lender. The effectiveness of such payment or substitution shall be subject to the delivery by the Borrower (or, as may be applicable in the case of a substitution, by the Substitute Lender) of (i) payment for the account of such Affected Lender, of, to the extent accrued through, and outstanding on, the effective date for such payment or substitution, all Obligations owing to such Affected Lender (which for the avoidance of doubt, shall not include any Prepayment Premium) and (ii) in the case of a substitution, an Assignment and Acceptance whereby the Substitute Lender shall, among other things, agree to be bound by the terms of the Loan Documents.

(c) **Effectiveness.** Upon satisfaction of the conditions set forth in **Section 2.07(a)** and **Section 2.07(b)** above, the Control Agent shall record such substitution or payment in the Register, whereupon (i) in the case of any payment in full of an Affected Lender, such Affected Lender's Commitments shall be terminated and (ii) in the case of any substitution of an Affected Lender, (A) such Affected Lender shall sell and be relieved of, and the Substitute Lender shall purchase and assume, all rights and claims of such Affected Lender under the Loan Documents, except that (1) the Affected Lender shall retain such rights expressly providing that they survive the repayment of the Obligations and the termination of the Commitments and (2) a Non-Consenting Lender shall be permitted to retain any Warrants issued to such Non-Consenting Lender, (B) such Substitute Lender shall become a "Lender" hereunder and (C) such Affected Lender shall execute and deliver an Assignment and Acceptance to evidence such substitution; *provided, however*, that the failure of any Affected Lender to execute any such Assignment and Acceptance shall not render such sale and purchase (or the corresponding assignment) invalid.

### SECTION 3 PAYMENTS OF PRINCIPAL AND INTEREST

#### 3.01 Repayment.

(a) **Repayment.** During the Interest-Only Period, no payments of principal of the Loans shall be due. Borrower agrees to repay to the Lenders the outstanding principal amount of the Loans, on each Payment Date occurring after the Interest-Only Period, in equal installments. The amounts of such installments shall be calculated by dividing (i) the sum of the aggregate principal amount of the Loans outstanding on the first day following the end of the Interest-Only Period, by (b) the number of Payment Dates remaining prior to the Maturity Date.

(b) **Application.** Any optional or mandatory prepayment of the Loans shall be applied to the installments thereof under **Section 3.01(a)** in the inverse order of maturity. To the extent not previously paid, the principal amount of the Loans, together with all other outstanding Obligations (other than the Warrant Obligations), shall be due and payable on the Maturity Date.

#### 3.02 Interest.

(a) **Interest Generally.** Subject to **Section 3.02(d)**, Borrower agrees to pay to the Lenders interest on the unpaid principal amount of the Loans and the amount of all other outstanding Obligations, in the case of the Loans, for the period from the applicable Borrowing Date, and in the case of any other Obligation, from the date such other Obligation is due and payable, in each case, until paid in full, at a rate *per annum* equal to 14.00%.

(b) **Default Interest.** Notwithstanding the foregoing, upon the occurrence and during the continuance of any Event of Default, the interest payable pursuant to **Section 3.02(a)** shall increase automatically by 4.00% *per annum* (such aggregate increased rate, the “**Post-Default Rate**”). Notwithstanding any other provision herein (including **Section 3.02(d)**), if interest is required to be paid at the Post-Default Rate, it shall be paid entirely in cash. If any Obligation is not paid when due under the applicable Loan Document, the amount thereof shall accrue interest at a rate equal to 4.00% *per annum* (without duplication of interest payable at the Post-Default Rate).

(c) **Interest Payment Dates.** Accrued interest on the Loans shall be payable in arrears on the last day of each Interest Period in cash, and upon the payment or prepayment thereof (on the principal amount so paid or prepaid); *provided that* interest payable at the Post-Default Rate shall be payable from time to time on demand.

(d) **Paid In-Kind Interest.** Notwithstanding **Section 3.01(a)**, at any time during the PIK Period, the Borrower may elect to pay the interest on the outstanding principal amount of the Loans payable pursuant to **Section 3.01** as follows: (i) only 11.50% of the 14.00% *per annum* interest in cash and (ii) 2.50% of the 14.00% *per annum* interest as compounded interest, added to the aggregate principal amount of the Loans (the amount of any such compounded interest being a “**PIK Loan**”). Each PIK Loan shall be evidenced by a Note in the form of **Exhibit C-2**. The principal amount of each PIK Loan shall accrue interest in accordance with the provisions of this Agreement applicable to the Loans.

### **3.03 Prepayments.**

(a) **Optional Prepayments.** The Borrower shall have the right optionally to prepay the outstanding principal amount of the Loans in whole or in part on any Payment Date (a “**Redemption Date**”) for an amount equal to the aggregate principal amount of the Loans being prepaid plus the Prepayment Premium plus any accrued but unpaid interest and any fees which are due and owing (such aggregate amount, the “**Redemption Price**”). The applicable “**Prepayment Premium**” shall be an amount calculated pursuant to **Section 3.03(a)(i)**.

(i) If the Redemption Date occurs:

(A) on or prior to the fourth Payment Date, the Prepayment Premium shall be an amount equal to 5.00% of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date;

(B) after the fourth Payment Date, and on or prior to the eighth Payment Date, the Prepayment Premium shall be an amount equal to 4.00% of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date;

(C) after the eighth Payment Date, and on or prior to the twelfth Payment Date, the Prepayment Premium shall be an amount equal to 3.00% of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date;

(D) after the twelfth Payment Date, and on or prior to the sixteenth Payment Date, the Prepayment Premium shall be an amount equal to 2.00% of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date;

(E) after the sixteenth Payment Date, and on or prior to the twentieth Payment Date, the Prepayment Premium shall be an amount equal to 1.00% of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date; and

(F) after the twentieth Payment Date, the Prepayment Premium shall be an amount equal to 0.00% of the aggregate outstanding principal amount of the Loans being prepaid on such Redemption Date.

(ii) To determine the aggregate outstanding principal amount of the Loans, and how many Payment Dates have occurred, as of any Redemption Date for purposes of **Section 3.03(a)(i)**:

(A) if, as of such Redemption Date, the Borrower shall have made only one Borrowing, the number of Payment Dates shall be deemed to be the number of Payment Dates that shall have occurred following the Closing Date; and

(B) if, as of such Redemption Date, the Borrower shall have made two Borrowings, then the Redemption Price shall be calculated as the sum of two amounts: (x) a Redemption Price calculated based on solely the aggregate outstanding principal amount of the Loans that have been borrowed in the initial Borrowing (and PIK Loans subsequently borrowed in respect of interest payments thereon), as though the applicable number of Payment Dates equals the number of Payment Dates that shall have occurred following the Closing Date, and (y) a Redemption Price calculated based on solely the aggregate outstanding principal amount of the Loans that have been borrowed in the subsequent Borrowing (and PIK Loans subsequently borrowed in respect of interest payments thereon), as though the applicable number of Payment Dates equals the number of Payment Dates that shall have occurred following the Second Borrowing Date.

(iii) No partial prepayment shall be made under this **Section 3.03(a)** except in connection with any event described in **Section 3.03(b)** and then only to the extent provided in **Section 3.03(b)**.

(iv) On or prior to the Redemption Date, the Lenders may notify Borrower of a reduction in the amounts due under **Section 3.03(a)(i)** with respect to any portion of the Loans held by any entity licensed by the SBA as an SBIC.

**(b) Mandatory Prepayments.**

(i) **Asset Sales.** In the event of any contemplated Asset Sale not permitted under **Section 9.09**, the Borrower shall provide 30 days' prior written notice of such Asset Sale to the Lenders and, if within such notice period Majority Lenders advise the Borrower that a prepayment is required pursuant to this **Section 3.03(b)(i)**, the Borrower shall: (x) if the assets sold represent substantially all of the assets or revenues of the Borrower, or represent any specific line of business which either on its own or together with other lines of business sold over the term of this Agreement account for revenue generated by such lines of business exceeding 10% of the revenue of the Borrower in the immediately preceding year, prepay the aggregate outstanding principal amount of the Loans in an amount equal to the Redemption Price applicable on the date of such Asset Sale in accordance with **Section 3.03(a)**, and (y) in the case of all other Asset Sales not described in the foregoing **clause (x)**, prepay the Loans in an amount equal to the entire amount of the Asset Sale Net Proceeds of such Asset Sale, plus any accrued but unpaid interest and any fees which are due and owing, credited in the following order:

(A) first, in reduction of the Borrower's obligation to pay any unpaid interest and any fees which are due and owing;

(B) second, in reduction of the Borrower's obligation to pay any Claims or Losses referred to in **Section 12.03**;

(C) third, in reduction of the Borrower's obligation to pay any amounts due and owing on account of the unpaid principal amount of the

Loans;

(D) fourth, in reduction of any other Obligation; and

(E) fifth, to the Borrower or such other Persons as may lawfully be entitled to or directed by the Borrower to receive the remainder.

(ii) **Change of Control.** In the event of a Change of Control, the Borrower shall immediately provide notice of such Change of Control to the Lenders and, if within 10 days of receipt of such notice Majority Lenders notify the Borrower in writing that a prepayment is required pursuant to this **Section 3.03(b)(ii)**, the Borrower shall prepay the aggregate outstanding principal amount of the Loans in an amount equal to the Redemption Price applicable on the date of such Change of Control in accordance with **Section 3.03(a)**.

## **SECTION 4 PAYMENTS, ETC.**

### **4.01 Payments.**

(a) **Payments Generally.** Each payment of principal, interest and other amounts to be made by the Obligors under this Agreement or any other Loan Document shall be made in Dollars, in immediately available funds, without deduction, set off or counterclaim, to an account to be designated by the Majority Lenders by notice to the Borrower, not later than 4:00 p.m. (Central time) on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

(b) **Application of Payments.** Each Obligor shall, at the time of making each payment under this Agreement or any other Loan Document, specify to the Lenders the amounts payable by such Obligor hereunder to which such payment is to be applied (and in the event that Obligors fail to so specify, or if an Event of Default has occurred and is continuing, the Lenders may apply such payment in the manner they determine to be appropriate).

(c) **Non-Business Days.** If the due date of any payment under this Agreement (other than of principal of or interest on the Loans) would otherwise fall on a day that is not a Business Day, such date shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

**4.02 Computations.** All computations of interest and fees hereunder shall be computed on the basis of a year of 360 days consisting of 12 months of 30 days each and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

**4.03 Notices.** Each notice of optional prepayment shall be effective only if received by the Lenders not later than 4:00 p.m. (Central time) on the date one Business Day prior to the date of prepayment. Each notice of optional prepayment shall specify the amount to be prepaid and the date of prepayment.

**4.04 Set-Off.**

(a) **Set-Off Generally.** Upon the occurrence and during the continuance of any Event of Default, the Lenders and each of their Affiliates are hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lenders or such Affiliate to or for the credit or the account of the Borrower against any and all of the Obligations, whether or not the Lenders shall have made any demand and although such obligations may be unmatured. The Lenders agree promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lenders and their Affiliates under this **Section 4.04** are in addition to other rights and remedies (including other rights of set-off) that the Lenders and their Affiliates may have.

(b) **Exercise of Rights Not Required.** Nothing contained herein shall require the Lenders to exercise any such right or shall affect the right of the Lenders to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of Borrower.

**SECTION 5  
YIELD PROTECTION, ETC.**

**5.01 Additional Costs.**

(a) **Change in Requirements of Law Generally.** If, on or after the date hereof, the adoption of any Requirement of Law, or any change in any Requirement of Law, or any change in the interpretation or administration thereof by any court or other Governmental Authority

charged with the interpretation or administration thereof, or compliance by any of the Lenders (or its lending office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, shall impose, modify or deem applicable any reserve (including any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, contribution, insurance assessment or similar requirement, in each case that becomes effective after the date hereof, against assets of, deposits with or for the account of, or credit extended by, a Lender (or its lending office) or shall impose on a Lender (or its lending office) any other condition affecting the Loans or the Commitment, and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining the Loans, or to reduce the amount of any sum received or receivable by such Lender under this Agreement or any other Loan Document, by an amount deemed by such Lender to be material (other than with respect to Taxes), then the Borrower shall pay to such Lender on demand such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) **Change in Capital Requirements.** If a Lender shall have determined that, on or after the date hereof, the adoption of any Requirement of Law regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, in each case that becomes effective after the date hereof, has or would have the effect of reducing the rate of return on capital of a Lender (or its parent) as a consequence of a Lender's obligations hereunder or the Loans to a level below that which a Lender (or its parent) could have achieved but for such adoption, change, request or directive by an amount reasonably deemed by it to be material, then the Borrower shall pay to such Lender on demand such additional amount or amounts as will compensate such Lender (or its parent) for such reduction.

(c) **Notification by Lender.** The Lenders will promptly notify the Borrower of any event of which it has knowledge, occurring after the date hereof, which will entitle a Lender to compensation pursuant to this **Section 5.01**. Before giving any such notice pursuant to this **Section 5.01(c)** such Lender shall designate a different lending office if such designation (x) will, in the reasonable judgment of such Lender, avoid the need for, or reduce the amount of, such compensation and (y) will not, in the reasonable judgment of such Lender, be materially disadvantageous to such Lender. A certificate of the Lender claiming compensation under this **Section 5.01**, setting forth the additional amount or amounts to be paid to it hereunder, shall be conclusive and binding on the Borrower in the absence of manifest error.

(d) Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to constitute a change in Requirements of Law for all purposes of this **Section 5**, regardless of the date enacted, adopted or issued.

(e) Notwithstanding anything herein to the contrary, no amounts shall be payable by the Borrower under this **Section 5** if the Loan is assigned to a Lender (or is originated by a

Lender) whose status as a Lender, whether as a Foreign Lender or because the structure of the Lender, is different than that of either Capital Royalty Partners II L.P. or CRPPF, and such amounts would not be payable on the date hereof if such Lender had been Capital Royalty Partners II L.P. or CRPPF.

**5.02 Reserved.**

**5.03 Illegality.** Notwithstanding any other provision of this Agreement, in the event that on or after the date hereof the adoption of or any change in any Requirement of Law or in the interpretation or application thereof by any competent Governmental Authority shall make it unlawful for a Lender or its lending office to make or maintain the Loans (and, in the opinion of such Lender, the designation of a different lending office would either not avoid such unlawfulness or would be disadvantageous to such Lender), then such Lender shall promptly notify the Borrower thereof following which (a) the Lender's Commitment shall be suspended until such time as such Lender may again make and maintain the Loans hereunder and (b) if such Requirement of Law shall so mandate, the Loans shall be prepaid by the Borrower on or before such date as shall be mandated by such Requirement of Law in an amount equal to the Redemption Price applicable on the date of such prepayment in accordance with **Section 3.03(a)**.

**5.04 Reserved.**

**5.05 Taxes.**

(a) **Payments Free of Taxes.** Any and all payments by or on account of any Obligation shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires the deduction or withholding of any Tax from any such payment by an Obligor, then such Obligor shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by such Obligor shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this **Section 5**) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) **Payment of Other Taxes by the Borrower.** The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of each Lender, timely reimburse it for, Other Taxes.

(c) **Evidence of Payments.** As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this **Section 5**, the Borrower shall deliver to each Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment.

(d) **Indemnification.** The Borrower shall reimburse and indemnify each Recipient, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this **Section 5**) payable or paid by such Recipient or required to be withheld or deducted from a

payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender shall be conclusive absent manifest error.

**(e) Status of Lenders.**

(i) Any Lender that is entitled to an exemption from, or reduction of withholding Tax with respect to payments made under any Loan Document shall timely deliver to the Borrower such properly completed and executed documentation reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender shall deliver such other documentation prescribed by applicable law as reasonably requested by the Borrower as will enable the Borrower to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in **Section 5.05(e)(ii)(A), (B) (C) or (D))** shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that Borrower is a U.S. Person:

(A) any Lender that is a U.S. Person shall deliver to the Borrower on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower), executed originals of IRS Form W-9 (or successor form) certifying that such Lender is exempt from U.S. Federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN (or successor form) establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN (or successor form) establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI (or successor form);



(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of **Exhibit D** to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “**U.S. Tax Compliance Certificate**”) and (y) executed originals of IRS Form W-8BEN; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY (or successor form), accompanied by IRS Form W-8ECI (or successor form), IRS Form W-8BEN (or successor form), a U.S. Tax Compliance Certificate, IRS Form W-9 (or successor form), and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. Federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made; and

(D) any Foreign Lender shall deliver to the Borrower any forms and information necessary to establish that the Foreign Lender is not subject to withholding tax under FATCA.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower in writing of its legal inability to do so.

(f) **Treatment of Certain Refunds.** If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this **Section 5** (including by the payment of additional amounts pursuant to this **Section 5**), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this **Section 5** with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this **Section 5.05(f)**, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this

**Section 5.05(f)** the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This **Section 5.05(f)** shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(g) **Mitigation Obligations.** If the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or to any Governmental Authority for the account of any Lender pursuant to **Section 5.01** or this **Section 5.05**, then such Lender shall (at the request of the Borrower) use commercially reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign and delegate its rights and obligations hereunder to another of its offices, branches or Affiliates if, in the sole reasonable judgment of such Lender, such designation or assignment and delegation would (i) eliminate or reduce amounts payable pursuant to **Section 5.01** or this **Section 5.05**, as the case may be, in the future, (ii) not subject such Lender to any unreimbursed cost or expense and (iii) not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment and delegation.

## **SECTION 6 CONDITIONS PRECEDENT**

**6.01 Conditions to Initial Borrowing.** The obligation of each Lender to make a Loan as part of the first Borrowing hereunder shall not become effective until the following conditions precedent shall have been satisfied or waived in writing by the Majority Lenders:

(a) **Borrowing Date.** Such Borrowing shall be made on the later of the following dates: (i) the date on which all the commitments to lend in respect of the SVB Debt have been terminated and all of the SVB Debt has been paid and (ii) the date on which at least \$20,000,000 in net cash proceeds shall have been raised and fully funded in an equity financing of Borrower, which equity financing was completed on November 20, 2012; *provided that* such Borrowing shall not occur later than January 31, 2013.

(b) **Amount of Initial Borrowing.** The amount of such Borrowing shall equal \$30,000,000.

(c) **No Other Secured Debt.** On the Closing Date, no Obligor shall have any secured Indebtedness outstanding or available to be drawn, other than under this Agreement and under any Permitted Indebtedness.

(d) **Terms of Material Agreements, Etc.** Lenders shall be satisfied reasonably with the terms and conditions of all of the Obligors' Material Agreements set forth on **Schedule 7.14** hereto.

(e) **No Law Restraining Transactions.** No applicable law or regulation shall restrain, prevent or, in the reasonable judgment of the Lenders, impose materially adverse conditions upon the Transactions.

(f) **Payment of Fees.** Lenders shall be satisfied with the arrangements to deduct the fees set forth herein from the proceeds advanced.

(g) **Updated Lien Searches.** Lenders shall be satisfied with updated Lien searches provided by the Borrower or its counsel to the Lenders within two Business Days prior to the Closing Date.

(h) **Documentary Deliveries.** The Lenders shall have received the following documents, each of which shall be in form and substance satisfactory to the Lenders:

(i) **Agreement.** This Agreement duly executed and delivered by the Borrower and each of the other parties hereto.

(ii) **Security Documents.**

(A) The Security Agreement, duly executed and delivered by each of the Obligor;

(B) Each of the Short-Form IP Security Agreements, duly executed and delivered by the applicable Obligor;

(C) Evidence of filing of UCC-1 financing statements against each Obligor in its jurisdiction of formation or incorporation, as the case may

be;

(D) Evidence of filing of each of the Short-Form IP Security Agreements in the United States Patent and Trademark Office; and

(E) Without limitation, all other documents and instruments reasonably required to perfect the Lenders' Lien on, and security interest in, the Collateral required to be delivered on or prior to the Closing Date (including delivery of any capital stock certificates and undated stock powers executed in blank) shall have been duly executed and delivered and be in proper form for filing, and shall create in favor of the Lenders, a perfected Lien on, and security interest in, the Collateral, subject to no Liens other than Permitted Liens.

(iii) **Intercreditor/Subordination Agreement.** Each holder of Permitted Priority Debt (other than the SVB Debt) shall have executed and delivered to the Lenders an intercreditor agreement, in substantially the form attached hereto as **Exhibit J**, satisfactory to the Lenders.

(iv) **Warrants.** The related Warrants, in substantially the form attached hereto as **Exhibit I**, duly executed and delivered by Borrower, to the Lenders and for such number of shares of common stock of Borrower set forth on **Schedule 1**.

(v) **Notes.** Any Notes requested in accordance with **Section 2.04**.

(vi) **Approvals.** Certified copies of all material licenses, consents, authorizations and approvals of, and notices to and filings and registrations with, any Governmental Authority (including all foreign exchange approvals), and of all third-party consents and approvals, necessary in connection with the making and performance by the Obligors of the Loan Documents and the Transactions.

(vii) **Corporate Documents.** Certified copies of the constitutive documents of each Obligor (if publicly available in such Obligor's jurisdiction of formation) and of resolutions of the Board of Directors (or shareholders, if applicable) of each Obligor authorizing the making and performance by it of the Loan Documents to which it is a party.

(viii) **Incumbency Certificate.** A certificate of each Obligor as to the authority, incumbency and specimen signatures of the persons who have executed the Loan Documents and any other documents in connection herewith on behalf of the Obligors.

(ix) **Officer's Certificate.** A certificate, dated the Closing Date and signed by the President, a Vice President or a financial officer of Borrower, confirming compliance with the conditions set forth in **Section 6.03**.

(x) **Opinions of Counsel.** A favorable opinion, dated the Closing Date, of counsel to each Obligor in form acceptable to the Lenders and their counsel.

(xi) **Insurance.** Certificates of insurance evidencing the existence of all insurance required to be maintained by the Borrower pursuant to **Section 8.05** and the designation of the Lenders as the loss payees or additional named insured, as the case may be, thereunder.

(xii) **SVB Debt.** A payoff letter in connection with the SVB Debt satisfactory to the Lenders and their counsel releasing all Liens held by holders of the SVB Debt on the Collateral.

**6.02 Conditions to Subsequent Borrowing.** The obligation of each Lender to make a Loan as part of a subsequent Borrowing hereunder is subject to the following conditions precedent:

(a) **Second Borrowing Milestone.** The Second Borrowing Milestone must have been achieved.

(b) **Amount of Subsequent Borrowing.** The amount of such Borrowing shall not be less than \$8,000,000 and shall not exceed \$15,000,000.

(c) **Two Borrowings.** After giving effect to such Borrowing, no more than two Borrowings shall have been made; provided that, for purposes of this **Section 6.02(c)**, "Borrowing" shall not be deemed to include any borrowing of PIK Loans.

(d) **Notice of Milestone Achievement and Audit.** If the Borrower wishes to draw the Second Borrowing, then the Borrower shall have delivered to the Lenders a notice certifying achievement of the Second Borrowing Milestone no later than 60 days after achieving such milestone, and the Lenders shall have been reasonably satisfied with the results of its audit of the Borrower's Revenue by examining the Borrower's books and records within 30 days following the delivery of such notice.

**6.03 Conditions to Each Borrowing.** The obligation of each Lender to make a Loan as part of any Borrowing hereunder (including the first Borrowing) is also subject to satisfaction of the following further conditions precedent on the applicable Borrowing Date:

(a) **Commitment Period.** Such Borrowing Date shall occur during the Commitment Period.

(b) **No Default; Representations and Warranties.** Both immediately prior to the making of such Loan and after giving effect thereto and to the intended use thereof:

(i) no Default shall have occurred and be continuing; and

(ii) the representations and warranties made by the Borrower in **Section 7**, shall be true on and as of the Borrowing Date and immediately after giving effect to the application of the proceeds of the Borrowing with the same force and effect as if made on and as of such date, except that the representation regarding representations and warranties that refer to a specific earlier date shall be that they were true on such earlier date.

(c) **Financing Fee.** Except in the case of any PIK Loan, each Lender shall have received its portion of the fees payable pursuant to **Section 2.03**.

(d) **Notice of Borrowing.** Except in the case of any PIK Loan, Capital Royalty Partners II L.P. shall have received a Notice of Borrowing as and when required pursuant to **Section 2.02**.

Each Borrowing shall constitute a certification by the Borrower to the effect that the conditions set forth in this **Section 6.03** have been fulfilled as of the applicable Borrowing Date.

## **SECTION 7 REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Lenders that:

**7.01 Power and Authority.** Each of the Borrower and its Subsidiaries (a) is a duly organized and validly existing under the laws of its jurisdiction of organization, (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted except to the extent that failure to have the same could not reasonably be expected to have a Material Adverse Effect, (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could (either individually or in the aggregate) have a Material Adverse Effect, (d) has full power, authority and legal right to make and perform each of the Loan Documents to which it is a party and, in the case of the Borrower, to borrow the Loans hereunder and (e) is in material compliance with all applicable Laws to which it is subject and all Material Agreements to which it is a party.

**7.02 Authorization; Enforceability.** The Transactions are within each Obligor's corporate powers and have been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by each Obligor and constitutes, and each of the other Loan Documents to which it is a party when executed and delivered by such Obligor will constitute, a legal, valid and binding obligation of such Obligor, enforceable against each Obligor in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**7.03 Governmental and Other Approvals; No Conflicts.** The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any third party, except for (i) such as have been obtained or made and are in full force and effect, (ii) filings and recordings in respect of the Liens created pursuant to the Security Documents, and (iii) as disclosed in **Schedule 7.03**, (b) will not violate any applicable law or regulation or the charter, bylaws or other organizational documents of Borrower and its Subsidiaries or any order of any Governmental Authority, other than any such violations that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon Borrower and its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) except for the Liens created pursuant to the Security Documents, will not result in the creation or imposition of any Lien on any asset of Borrower and its Subsidiaries.

**7.04 Financial Statements; Material Adverse Change.**

(a) **Financial Statements.** The Borrower has heretofore furnished to the Lenders certain financial statements as provided for in **Section 8.01**. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements previously-delivered statements of the type described in **Section 8.01(b)**. Neither the Borrower nor any of its Subsidiaries has any material contingent liabilities or unusual forward or long-term commitments not disclosed in the aforementioned financial statements.

(b) **No Material Adverse Change.** Since December 31, 2011, there has been no Material Adverse Change.

**7.05 Properties.**

(a) **Property Generally.** Each Obligor has good and marketable fee simple title to, or valid leasehold interests in, all its real and personal property material to its business, subject only to Permitted Liens and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) **Intellectual Property.** The Obligors represent and warrant to the Lenders as of the date hereof as follows, and the Obligors acknowledge that the Lenders are relying on such representations and warranties in entering into this Agreement:

(i) **Schedule 7.05(b)** contains:

(A) a complete and accurate list of all applied for or registered Patents, including the jurisdiction and patent number;

(B) a complete and accurate list of all applied for or registered Trademarks, including the jurisdiction, trademark application or registration number and the application or registration date; and

(C) a complete and accurate list of all applied for or registered Copyrights;

(ii) Each Obligor is the absolute beneficial owner of all right, title and interest in and to Material Intellectual Property listed on **Schedule 7.05(c)** as owned by such Obligor with good and marketable title, free and clear of any Liens of any kind whatsoever other than Permitted Liens. Without limiting the foregoing, and except as set forth in **Schedule 7.05(b)**:

(A) other than with respect to the Material Agreements and licenses implied by the sale of a product to end retail users, or as permitted by **Section 9.09** below, the Obligors have not transferred ownership of Material Intellectual Property listed on **Schedule 7.05(c)** as owned by such Obligors, in whole or in part, to any other Person who is not an Obligor;

(B) other than (i) the Material Agreements, (ii) customary restrictions in in-bound licenses of Intellectual Property and non-disclosure agreements, or (iii) as would have been or is permitted by **Section 9.09** below, there are no judgments, covenants not to sue, permits, grants, licenses, Liens (other than Permitted Liens), or other agreements or arrangements relating to Borrower's Material Intellectual Property, including any development, submission, services, research, license or support agreements, which bind, obligate or otherwise restrict the Obligors in any manner that would reasonably be expected to have a Material Adverse Effect;

(C) the use of any of the Obligor Intellectual Property in the business of the Borrower as currently conducted or as currently contemplated to be conducted, to the best of Borrower's Knowledge, does not breach, violate, infringe or interfere with or constitute a misappropriation of any valid rights arising under any Intellectual Property of any other Person;

(D) there are no pending or, to Borrower's Knowledge, threatened in writing Claims against the Obligors asserted by any other Person relating to the Obligor Intellectual Property owned by or exclusively licensed to Obligors, including any Claims of adverse ownership, invalidity, infringement, misappropriation, violation or other opposition to or conflict with such Intellectual Property, except as could not reasonably be expected to have a Material Adverse Effect; the Obligors have not received any written notice from any Person that

the Borrower's business, the use of the Obligor Intellectual Property in the business of the Borrower as currently conducted, or the manufacture, use or sale of any product or the performance of any service by the Borrower infringes upon, violates or constitutes a misappropriation of, or may infringe upon, violate or constitute a misappropriation of, or otherwise interfere with, any other Intellectual Property of any other Person;

(E) the Obligors have no Knowledge that the Obligor Intellectual Property owned by or exclusively licensed to Obligors is being infringed, violated, misappropriated or otherwise used by any other Person without the express authorization of the Obligors. Without limiting the foregoing, the Obligors have not put any other Person on notice of actual or potential infringement, violation or misappropriation of any of the Material Intellectual Property owned by or exclusively licensed to Obligors; the Obligors have not initiated the enforcement of any Claim with respect to any of the Obligor Intellectual Property owned by or exclusively licensed to Obligors;

(F) all relevant current and former employees and contractors of Borrower have executed written confidentiality and invention assignment Contracts with Borrower that irrevocably assign to Borrower or its designee all of their rights to any Inventions relating to Borrower's business that are conceived or reduced to practice by such employees within the scope of their employment or by such contractors within the scope of their contractual relationship with Borrower, to the extent permitted by applicable law;

(G) to the Knowledge of the Obligors, the Obligor Intellectual Property is all the Intellectual Property necessary for the operation of the Borrower's business as it is currently conducted or as currently contemplated to be conducted, except for such Intellectual Property the absence of which could not reasonably be expected to have a Material Adverse Effect;

(H) the Obligors have taken reasonable precautions to protect the secrecy, confidentiality and value of its Material Intellectual Property consisting of trade secrets and confidential information, except as could not reasonably be expected to have a Material Adverse Effect.

(I) each Obligor has delivered to the Lenders accurate and complete copies of all Material Agreements relating to the Obligor Intellectual Property;

(J) there are no pending or, to the Knowledge of any of the Obligors, threatened in writing Claims against the Obligors asserted by any other Person relating to the Material Agreements, including any Claims of breach or default under such Material Agreements, except as could not reasonably be expected to have a Material Adverse Effect;

(iii) With respect to the Material Intellectual Property owned by or for which prosecution is controlled by Obligors consisting of issued Patents, except as set forth in **Schedule 7.05(b)**, and without limiting the representations and warranties in **Section 7.05(b)(ii)**:

(A) each of the issued claims in such Patents, to Borrower's Knowledge, is valid and enforceable;



(B) the inventors listed in such Patents have executed written Contracts with the Borrower or its predecessor-in-interest that properly and irrevocably assigns to Borrower or its predecessor-in-interest all of their rights to any of the Inventions claimed in such Patents to the extent permitted by applicable law;

(C) none of the Patents, or the Inventions claimed in them, have been dedicated to the public except as a result of intentional decisions made by the applicable Obligor;

(D) to Borrower's Knowledge, all prior art material to such Patents was adequately disclosed to or considered by the respective patent offices during prosecution of such Patents to the extent required by applicable law or regulation;

(E) subsequent to the issuance of such Patents, neither the Borrower nor any Subsidiary Guarantors or their predecessors in interest, have filed any disclaimer or filed any other voluntary reduction in the scope of the Inventions claimed in such Patents;

(F) no subject matter of such Patents, to Borrower's Knowledge, is subject to any competing conception claims of subject matter of any patent applications or patents of any third party and have not been the subject of any interference, re-examination or opposition proceedings, nor are the Obligors aware of any basis for any such interference, re-examination or opposition proceedings;

(G) no such Patents, to Borrower's Knowledge, have ever been finally adjudicated to be invalid, unpatentable or unenforceable for any reason in any administrative, arbitration, judicial or other proceeding, and, with the exception of publicly available documents in the applicable Patent Office recorded with respect to any Patents, the Obligors have not received any written notice asserting that such Patents are invalid, unpatentable or unenforceable; if any of such Patents is terminally disclaimed to another patent or patent application, all patents and patent applications subject to such terminal disclaimer are included in the Collateral;

(H) the Obligors have not received an opinion which concludes that a challenge to the validity or enforceability of any of such Patents is more likely than not to succeed;

(I) the Obligors have no Knowledge that they or any prior owner of such Patents or their respective agents or representatives have engaged in any conduct, or omitted to perform any necessary act, the result of which would invalidate or render unpatentable or unenforceable any such Patents; and

(J) all maintenance fees, annuities, and the like due or payable on the Patents have been timely paid or the failure to so pay was the result of an intentional decision by the applicable Obligor or would not reasonably be expected to result in a Material Adverse Effect.

(iv) none of the foregoing representations and statements of fact contains any untrue statement of material fact or omits to state any material fact necessary to make any such

statement or representation not misleading to a prospective Lender with respect to the Material Intellectual Property; provided that this representation and warranty in this subsection (iv) is only as to the Knowledge of the Borrower with respect to any Material Intellectual Property licensed to any of the Obligor.

(c) **Material Intellectual Property.** Schedule 7.05(c) contains a complete and accurate list of the Obligor Intellectual Property the loss of which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect upon the Borrower's business with an indication as to whether the applicable Obligor owns or has an exclusive or non-exclusive license to such Obligor Intellectual Property.

#### **7.06 No Actions or Proceedings.**

(a) **Litigation.** There is no litigation, investigation or proceeding pending or, to the best of the Borrower's Knowledge, threatened with respect to the Borrower and its Subsidiaries by or before any Governmental Authority or arbitrator (i) that either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, except as specified in Schedule 7.06 or (ii) that involves this Agreement or the Transactions.

(b) **Environmental Matters.** The operations and Property of Borrower and its Subsidiaries comply with all applicable Environmental Laws, except to the extent the failure to so comply (either individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect.

(c) **Labor Matters.** The Borrower has not engaged in unfair labor practices and there are no material labor actions or disputes involving the employees of the Borrower.

**7.07 Compliance with Laws and Agreements.** Each of the Obligors is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

**7.08 Taxes.** Except as set forth on Schedule 7.08, each of the Obligors has timely filed or caused to be filed all tax returns and reports required to have been filed and has paid or caused to be paid all taxes required to have been paid by it, except taxes that are being contested in good faith by appropriate proceedings and for which such Obligor has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

**7.09 Full Disclosure.** The Borrower has disclosed to the Lenders all Material Agreements to which any Obligor is subject, and all other matters to their Knowledge, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Obligors to the Lenders in connection with the negotiation of this Agreement and the other Loan Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances

under which they were made, not misleading; *provided that*, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

#### **7.10 Regulation.**

(a) **Investment Company Act.** Neither Borrower nor any of its Subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

(b) **Margin Stock.** Neither Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the Loans will be used to buy or carry any Margin Stock in violation of Regulation T, U or X.

**7.11 Solvency.** Borrower is and, immediately after giving effect to the Borrowing and the use of proceeds thereof will be, Solvent.

**7.12 Subsidiaries.** **Schedule 7.12** is a complete and correct list of all Subsidiaries of the Borrower as of the date hereof, each such Subsidiary is duly organized and validly existing under the jurisdiction of its organization shown in said **Schedule 7.12**, and the percentage ownership by Borrower of each such Subsidiary is as shown in said **Schedule 7.12**.

**7.13 Indebtedness and Liens.** **Schedule 7.13(b)-1** is a complete and correct list of all Indebtedness of each Obligor outstanding as of the date hereof. **Schedule 7.13(b)-2** is a complete and correct list of all Liens granted by the Borrower and other Obligors with respect to their respective Property and outstanding as of the date hereof.

**7.14 Material Agreements.** **Schedule 7.14** is a complete and correct list of (i) each Material Agreement existing on the date hereof and (ii) each agreement creating or evidencing any Material Indebtedness. No Obligor is in material default under any such Material Agreement or agreement creating or evidencing any Material Indebtedness. Except as otherwise disclosed on **Schedule 7.14**, all Material Agreements that are material vendor purchase agreements and provider contracts of the Obligors are in full force and effect without material modification from the form in which the same were disclosed to the Lenders.

**7.15 Restrictive Agreements.** None of the Obligors are subject to any indenture, agreement, instrument or other arrangement of the type described in **Section 9.11**, except for any indenture, agreement, instrument or other arrangement described on **Schedule 7.15** or otherwise permitted under **Section 9.11** (each, a “**Permitted Restrictive Agreement**”).

#### **7.16 Real Property.**

(a) **Generally.** Neither Borrower nor any of its Subsidiaries owns or leases (as tenant thereof) any real property, except as described on **Schedule 7.16**.

(b) **Borrower Lease.**

(i) Borrower has delivered a true, accurate and complete copy of the Borrower Lease to Lenders.

(ii) The Borrower Lease is in full force and effect and no default has occurred under the Borrower Lease and, to the Knowledge of Borrower, there is no existing condition which, but for the passage of time or the giving of notice, could reasonably be expected to result in a material default under the terms of the Borrower Lease.

(iii) Borrower is the tenant under the Borrower Lease and has not transferred, sold, assigned, conveyed, disposed of, mortgaged, pledged, hypothecated, or encumbered any of its interest in, the Borrower Lease.

**7.17 Pension Matters.** Schedule 7.17 sets forth, as of the date hereof, a complete and correct list of, and that separately identifies, (a) all Title IV Plans, (b) all Multiemployer Plans and (c) all material Benefit Plans. Each Benefit Plan, and each trust thereunder, intended to qualify for tax exempt status under Section 401 or 501 of the Code or other Requirements of Law so qualifies. Except for those that could not, in the aggregate, have a Material Adverse Effect, (x) each Benefit Plan is in compliance with applicable provisions of ERISA, the Code and other Requirements of Law, (y) there are no existing or pending (or to the Knowledge of any Obligor or Subsidiary thereof, threatened) claims (other than routine claims for benefits in the normal course), sanctions, actions, lawsuits or other proceedings or investigation involving any Benefit Plan to which any Obligor or Subsidiary thereof incurs or otherwise has or could have an obligation or any liability or Claim and (z) no ERISA Event is reasonably expected to occur. Borrower and each of its ERISA Affiliates has met all applicable requirements under the ERISA Funding Rules with respect to each Title IV Plan, and no waiver of the minimum funding standards under the ERISA Funding Rules has been applied for or obtained. As of the most recent valuation date for any Title IV Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%, and neither Borrower nor any of its ERISA Affiliates knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage to fall below 60% as of the most recent. As of the date hereof, no ERISA Event has occurred in connection with which obligations and liabilities (contingent or otherwise) remain outstanding. No ERISA Affiliate would have any Withdrawal Liability as a result of a complete withdrawal from any Multiemployer Plan on the date this representation is made.

**7.18 Collateral; Security Interest.** Each Security Document is effective to create in favor of the Lenders a legal, valid and enforceable security interest in the Collateral subject thereto, which security interests are first-priority, subject to Permitted Liens.

**7.19 Regulatory Approvals.** Borrower and its Subsidiaries hold, and will continue to hold, either directly or through licensees and agents, all material Regulatory Approvals, licenses, permits and similar governmental authorizations of a Governmental Authority necessary or required for Borrower and its Subsidiaries to conduct their operations and business in the manner currently conducted.

**7.20 Small Business Concern.** The Borrower's primary business activity does not involve, directly or indirectly, providing funds to others (other than to its Subsidiaries), the purchase or

discounting of debt obligations, factoring or long term leasing of equipment with no provision for maintenance or repair, and the Borrower is not classified under Major Group 65 (Real Estate) or Industry No. 1531 (Operative Builders) of the SIC Manual.

**7.21 Update of Schedules. Schedules 7.05(b)** (in respect of the lists of Patents, Copyrights and Trademarks under **Section 7.05(b)(i)** only), **7.05(c)**, **7.06**, and **7.16**, may be updated by Borrower prior to each Borrowing Date to insure the continued accuracy of such Schedule as of such Borrowing Date, by Borrower providing to the Lenders, in writing (including via electronic means), a revised version of such Schedule in accordance with the provisions of **Section 12.02**. Each such updated Schedule shall be effective immediately upon the receipt thereof by the Lenders.

## **SECTION 8**

### **AFFIRMATIVE COVENANTS**

Borrower covenants and agrees with the Lenders that, until the Commitments have expired or been terminated and all Obligations (other than the Warrant Obligations) have been paid in full indefeasibly in cash:

**8.01 Financial Statements and Other Information.** The Borrower will furnish to the Lenders:

(a) as soon as available and in any event within 60 days after the end of each of the fiscal quarters of each fiscal year, the consolidated and consolidating balance sheets of the Obligors as of the end of such quarter, and the related consolidated and consolidating statements of income, shareholders' equity and cash flows of Borrower and its Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, prepared in accordance with GAAP (subject to the Internal Management Reporting Basis for fiscal year 2013 only) consistently applied, all in reasonable detail and setting forth in comparative form the figures for the corresponding period in the preceding fiscal year, together with a certificate of a Responsible Officer of Borrower stating that such financial statements fairly present, in all material respects, the financial condition of Borrower and its Subsidiaries as at such date and the results of operations of Borrower and its Subsidiaries for the period ended on such date and have been prepared in accordance with GAAP (subject to the Internal Management Reporting Basis for fiscal year 2013 only) consistently applied, subject to changes resulting from normal, year-end audit adjustments and except for the absence of notes;

(b) as soon as available and in any event within 180 days after the end of each fiscal year, the consolidated and consolidating balance sheets of Borrower and its Subsidiaries as of the end of such fiscal year, and the related consolidated and consolidating statements of income, shareholders' equity and cash flows of Borrower and its Subsidiaries for such fiscal year, prepared in accordance with GAAP (subject to the Internal Management Reporting Basis for fiscal year 2013 only) consistently applied, all in reasonable detail and setting forth in comparative form the figures for the previous fiscal year, accompanied by a report and opinion thereon of Ernst & Young LLP or another firm of independent certified public accountants of recognized national standing reasonably acceptable to the Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any qualification or exception as to the scope of such audit, and in the case of such consolidating financial statements, certified by a Responsible Officer of Borrower;

(c) together with the financial statements required pursuant to **Sections 8.01(a) and (b)**, a compliance certificate of a Responsible Officer as of the end of the applicable accounting period (which delivery may, unless a Lender requests executed originals, be by electronic communication including fax or email and shall be deemed to be an original authentic counterpart thereof for all purposes) in the form of **Exhibit E** (a “**Compliance Certificate**”) including details of any issues that are material that are raised by auditors;

(d) promptly upon receipt thereof, copies of all letters of representation signed by an Obligor to its auditors and copies of all auditor reports delivered for each fiscal quarter;

(e) as soon as available, a consolidated financial forecast for Borrower and its Subsidiaries for the following five fiscal years, including forecasted consolidated balance sheets, consolidated statements of income, shareholders’ equity and cash flows of Borrower and its Subsidiaries;

(f) promptly after the same are released, copies of all press releases;

(g) promptly, and in any event within five Business Days after receipt thereof by an Obligor thereof, copies of each notice or other correspondence received from any securities regulator or exchange to the authority of which Borrower may become subject from time to time concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of such Obligor; and

(h) the information regarding insurance maintained by Borrower and its Subsidiaries as required under **Section 8.05**.

**8.02 Notices of Material Events.** The Borrower will furnish to the Lenders written notice of the following promptly after a Responsible Officer first learns of the existence of:

(a) the occurrence of any Default;

(b) notice of the occurrence of any event with respect to its property or assets resulting in a Loss aggregating \$500,000 (or the Equivalent Amount in other currencies) or more resulting in a Material Adverse Effect;

(c) (A) any proposed acquisition of stock, assets or property by any Obligor that would reasonably be expected to result in environmental liability under Environmental Laws, and (B)(1) spillage, leakage, discharge, disposal, leaching, migration or release of any Hazardous Material required to be reported to any Governmental Authority under applicable Environmental Laws, and (2) all actions, suits, claims, notices of violation, hearings, investigations or proceedings pending, or to the best of Borrower’s Knowledge, threatened against or affecting Borrower or any of its Subsidiaries or with respect to the ownership, use, maintenance and operation of their respective businesses, operations or properties, relating to Environmental Laws or Hazardous Material;

(d) the assertion of any environmental matter by any Person against, or with respect to the activities of, Borrower or any of its Subsidiaries and any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations which could reasonably be expected to involve damages in excess of \$100,000 other than any environmental matter or alleged violation that, if adversely determined, could not reasonably be expected to (either individually or in the aggregate) result in a Material Adverse Effect;

(e) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting Borrower or any of its Affiliates that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect, including, in any event, any filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting Borrower or any of its Affiliates;

(f) (i) on or prior to any filing by any ERISA Affiliate of any notice of intent to terminate any Title IV Plan, a copy of such notice and (ii) promptly, and in any event within ten days, after any Responsible Officer of any ERISA Affiliate knows or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any Title IV Plan or Multiemployer Plan, a notice (which may be made by telephone if promptly confirmed in writing) describing such waiver request and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notice filed with the PBGC or the IRS pertaining thereto;

(g) (i) the termination of any Material Agreement, other than the expiration of such agreement in accordance with its terms; (ii) the receipt by Borrower or any of its Subsidiaries of any material notice under any Material Agreement; (iii) the entering into of any new Material Agreement by an Obligor; or (iv) any material amendment to a Material Agreement;

(h) the reports and notices as required by the Security Documents;

(i) within 30 days of the date thereof, or, if earlier, on the date of delivery of any financial statements pursuant to **Section 8.01**, notice of any material change in accounting policies or financial reporting practices by the Obligors;

(j) promptly after the occurrence thereof, notice of any labor controversy resulting in or threatening to result in any strike, work stoppage, boycott, shutdown or other material labor disruption against or involving an Obligor;

(k) a licensing agreement or arrangement entered into by Borrower or any Subsidiary in connection with any infringement or alleged infringement of the Intellectual Property of another Person that could reasonably be expected to result in a Material Adverse Effect;

(l) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect; or

(m) such other information respecting the operations, properties, business or condition (financial or otherwise) of the Obligors (including with respect to the Collateral) as the Majority Lenders may from time to time reasonably request.

Each notice delivered under this **Section 8.02** shall be accompanied by a statement of a financial officer or other executive officer of Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

**8.03 Existence; Conduct of Business.** Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; *provided that* the foregoing shall not prohibit any merger, amalgamation, consolidation, liquidation or dissolution permitted under **Section 9.03**.

**8.04 Payment of Obligations.** Borrower will, and will cause each of its Subsidiaries to, pay and discharge its obligations, including (i) all taxes, fees, assessments and governmental charges or levies imposed upon it or upon its properties or assets prior to the date on which penalties attach thereto, and all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any properties or assets of Borrower or any Subsidiary, except to the extent such taxes, fees, assessments or governmental charges or levies, or such claims are being contested in good faith by appropriate proceedings and are adequately reserved against in accordance with GAAP; (ii) all lawful claims which, if unpaid, would by law become a Lien upon its property not constituting a Permitted Lien; and (iii) all Indebtedness other than Permitted Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

**8.05 Insurance.** Borrower will, and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. Upon the request of the Majority Lenders, Borrower shall furnish the Lenders from time to time with full information as to the insurance carried by it and, if so requested, copies of all such insurance policies. Borrower also shall furnish to the Lenders from time to time upon the request of the Majority Lenders a certificate from the Borrower's insurance broker or other insurance specialist stating that all premiums then due on the policies relating to insurance on the Collateral have been paid and that such policies are in full force and effect. The Borrower shall use commercially reasonable efforts to ensure, or cause others to ensure, that all insurance policies required under this **Section 8.05** shall provide that they shall not be terminated or cancelled nor shall any such policy be materially changed in a manner adverse to the Borrower without at least 30 days' prior written notice to the Borrower and the Lenders. Receipt of notice of termination or cancellation of any such insurance policies or reduction of coverages or amounts thereunder shall entitle the Lenders to renew any such policies, cause the coverages and amounts thereof to be maintained at levels required pursuant to the first sentence of this **Section 8.05** or otherwise to obtain similar insurance in place of such policies, in each case at the expense of the Borrower.



**8.06 Books and Records; Inspection Rights.** Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all financial dealings and transactions in relation to its business and activities. Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Lender, upon reasonable prior notice, to visit during normal business hours and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times (but not more often than once a year unless an Event of Default has occurred and is continuing).

**8.07 Compliance with Laws and Other Obligations.** Borrower will, and will cause each of its Subsidiaries to, (i) comply in all material respects with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property (including Environmental Laws) and (ii) comply in all material respects with all terms of Indebtedness and all other Material Agreements, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

**8.08 Maintenance of Properties, Etc.**

(a) Borrower shall, and shall cause each of its Subsidiaries to, maintain and preserve all of its properties necessary or useful in the proper conduct of its business in good working order and condition in accordance with the general practice of other Persons of similar character and size, ordinary wear and tear and damage from casualty or condemnation excepted.

(b) Without limiting the generality of clause (a) above, Borrower shall comply with each of the following covenants with respect to the Borrower Lease:

(i) Borrower shall diligently perform and timely observe all of the material terms or those that could result in a termination of the lease, covenants and conditions of the Borrower Lease on the part of Borrower to be performed and observed prior to the expiration of any applicable grace period therein provided and do everything necessary to preserve and to keep unimpaired and in full force and effect the Borrower Lease.

(ii) Borrower shall promptly notify Lenders of the giving of any written notice by Borrower Landlord to Borrower of any default by Borrower thereunder, and promptly deliver to Lenders a true copy of each such notice. If Borrower shall be in default under the Borrower Lease, Lenders shall have the right (but not the obligation) to cause the default or defaults under the Borrower Lease to be remedied and otherwise exercise any and all rights of Borrower under the Borrower Lease, as may be necessary to cure any default and Lenders shall have the right to enter all or any portion of the Property, at such times and in such manner as Lenders reasonably deem necessary, to cure any such default. Without limiting the foregoing, upon any such default, Borrower shall promptly execute, acknowledge and deliver to Lenders such instruments as may reasonably be required of Borrower to permit Lenders to cure any default under the Borrower Lease or permit Lenders to take such other action required to enable Lenders to cure or remedy the matter in default and preserve the security interest of Lenders under the Loan Documents with respect to the Borrower Facility.

(iii) Borrower shall use commercially reasonable efforts to enforce, in a commercially reasonable manner, each material covenant or obligation of the Borrower Landlord in the Borrower Lease in accordance with its terms. Subject to the terms and requirements of the Borrower Lease, within thirty (30) days after receipt of written request by Lenders, Borrower shall use reasonable efforts to obtain from the Borrower Landlord under the Borrower Lease and furnish to Lenders an estoppel certificate from Borrower Landlord stating the date through which rent has been paid and whether or not, to Borrower Landlord's knowledge, there are any defaults thereunder and specifying the nature of such claimed defaults, if any, and such other matters as Lenders may reasonably request or in the form required pursuant to the terms of the Borrower Lease. Borrower shall furnish to Lenders all information that Lenders may reasonably request from time to time in the possession of Borrower (or reasonably available to Borrower) concerning the Borrower Lease and Borrower's compliance with the Borrower Lease.

(iv) Borrower, promptly upon learning that Borrower Landlord has failed to perform the material terms and provisions under the Borrower Lease and immediately upon learning of a rejection or disaffirmance or purported rejection or disaffirmance of the Borrower Lease pursuant to any state or federal bankruptcy law, shall notify Lenders thereof. Borrower shall promptly notify Lenders of any request that any party to the Borrower Lease makes for arbitration or other dispute resolution procedure pursuant to the Borrower Lease and of the institution of any such arbitration or dispute resolution. Borrower hereby authorizes Lenders to attend any such arbitration or dispute, and upon the occurrence and during the continuance of an Event of Default participate in any such arbitration or dispute resolution but such participation shall not be to the exclusion of Borrower; provided, however, that, in any case, Borrower shall consult with Lenders with respect to the matters related thereto. Borrower shall promptly deliver to Lenders a copy of the determination of each such arbitration or dispute resolution mechanism.

(v) If Lenders or their designee shall acquire or obtain a new Borrower Lease following a termination of the Borrower Lease, then Borrower shall have no right, title or interest whatsoever in or to such new Borrower Lease, or any proceeds or income arising from the estate arising under any such new Borrower Lease, including from any sale or other disposition thereof. Lenders or their designee shall hold such new Borrower Lease free and clear of any right or claim of Borrower.

(vi) Borrower shall promptly, after obtaining knowledge of such filing notify Lenders orally of any filing by or against Borrower Landlord under the Borrower Lease of a petition under the Bankruptcy Code or other applicable law. Borrower shall thereafter promptly give written notice of such filing to Lenders, setting forth any material information available to Borrower as to the date of such filing, the court in which such petition was filed, and the relief sought in such filing. Borrower shall promptly deliver to Lenders any and all notices, summonses, pleadings, applications and other documents received by Borrower in connection with any such petition and any proceedings relating to such petition.

**8.09 Licenses.** Borrower shall, and shall cause each of its Subsidiaries to, obtain and maintain all licenses, authorizations, consents, filings, exemptions, registrations and other Governmental Approvals necessary in connection with the execution, delivery and performance of the Loan Documents, the consummation of the Transactions or the operation and conduct of its business and ownership of its properties, except where failure to do so could not reasonably be expected to have a Material Adverse Effect.

**8.10 Action under Environmental Laws.** Borrower shall, and shall cause each of its Subsidiaries to, upon becoming aware of the presence of any Hazardous Materials or the existence of any environmental liability under applicable Environmental Laws with respect to their respective businesses, operations or properties, take all actions, at their cost and expense, as shall be necessary or advisable to investigate and clean up the condition of their respective businesses, operations or properties, including all required removal, containment and remedial actions, and restore their respective businesses, operations or properties to a condition in compliance with applicable Environmental Laws.

**8.11 Use of Proceeds.** The proceeds of the Loans will be used only as provided in **Section 2.05**. No part of the proceeds of the Loans will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board of Governors of the Federal Reserve System, including Regulations T, U and X.

**8.12 Certain Obligations Respecting Subsidiaries; Further Assurances.**

(a) **Subsidiary Guarantors.** Borrower will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries that are Domestic Subsidiaries of Borrower, and such Foreign Subsidiaries as are required under **Section 8.12(b)**, are “Subsidiary Guarantors” hereunder. Without limiting the generality of the foregoing, in the event that Borrower or any of its Subsidiaries shall form or acquire any new Subsidiary that is a Domestic Subsidiary or a Foreign Subsidiary meeting the requirements of **Section 8.12(b)**, Borrower and its Subsidiaries will:

(i) cause such new Subsidiary to become a “Subsidiary Guarantor” hereunder, and a “Grantor” under the Security Agreement, pursuant to a Guarantee Assumption Agreement;

(ii) take such action or cause such Subsidiary to take such action (including delivering such shares of stock together with undated transfer powers executed in blank) as shall be necessary to create and perfect valid and enforceable first priority (subject to Permitted Liens permitted under **Section 9.02(c)**) Liens on substantially all of the personal property of such new Subsidiary as collateral security for the obligations of such new Subsidiary hereunder;

(iii) cause the parent of such Subsidiary to execute and deliver a pledge agreement in favor of the Lenders in respect of all outstanding issued shares of such Subsidiary; and

(iv) deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Obligor pursuant to **Section 6.01** on the Closing Date or as the Majority Lenders shall have requested.

(b) **Foreign Subsidiaries.** In the event that, at any time, Foreign Subsidiaries of Borrower have, in the aggregate, (i) total revenues constituting 5% or more of the total revenues

of Borrower and its Subsidiaries on a consolidated basis, or (ii) total assets constituting 5% or more of the total assets of Borrower and its Subsidiaries on a consolidated basis, promptly (and, in any event, within 30 days after such time) the Borrower shall cause one or more of such Foreign Subsidiaries to become Subsidiary Guarantors in the manner set forth in **Section 8.12(a)**, such that, after such Subsidiaries become Subsidiary Guarantors, the non-guarantor Foreign Subsidiaries in the aggregate shall cease to have revenues or assets, as applicable, that meet the thresholds set forth in **clauses (i) and (ii)** above; *provided that* no Foreign Subsidiary shall be required to become a Subsidiary Guarantor if doing so would result in adverse tax consequences for Borrower and its Subsidiaries, taken as a whole. However, if a Foreign Subsidiary is precluded from becoming a Subsidiary Guarantor as a result of the adverse tax consequences described in the previous sentence, Borrower shall nonetheless pledge 65% of the total number of shares of voting stock of such Foreign Subsidiary to the Lenders to secure the Obligations under this Agreement.

(c) **Further Assurances.** Borrower will, and will cause each of its Subsidiaries to, take such action from time to time as shall reasonably be requested by the Majority Lenders to effectuate the purposes and objectives of this Agreement.

Without limiting the generality of the foregoing, the Borrower will, and will cause each Person that is required to be a Subsidiary Guarantor to, take such action from time to time (including executing and delivering such assignments, security agreements, control agreements and other instruments) as shall be reasonably requested by the Majority Lenders to create, in favor of the Lenders, perfected security interests and Liens in substantially all of the personal property of such Obligor (subject to Permitted Liens) as collateral security for the Obligations; *provided that* any such security interest or Lien shall be subject to the relevant requirements of the Security Documents.

**8.13 Termination of Non-Permitted Liens.** In the event that Borrower or any of its Subsidiaries shall become aware or be notified by the Lenders of the existence of any outstanding Lien against any Property of Borrower or any of its Subsidiaries, which Lien is not a Permitted Lien, the Borrower shall use its reasonable best efforts to promptly terminate or cause the termination of such Lien.

**8.14 Intellectual Property.**

(a) Notwithstanding any provision in this Agreement or any other Loan Documents to the contrary, the Lenders are not assuming any liability or obligation of the Borrower, the Subsidiary Guarantors or their Subsidiaries of whatever nature, whether presently in existence or arising or asserted hereafter, except to the extent required under applicable law in connection with any Intellectual Property license agreement of the Borrower, the Subsidiary Guarantors or their Subsidiaries in the event that the Lenders foreclose on such Collateral. All such liabilities and obligations shall be retained by and remain obligations and liabilities of the Obligors, the Subsidiary Guarantors and/or their Subsidiaries as the case may be, except to the extent required under applicable law in connection with any Intellectual Property license agreement of the Borrower, the Subsidiary Guarantors or their Subsidiaries in the event that the Lenders foreclose on such Collateral. Without limiting the foregoing, the Lenders are not assuming and shall not be responsible for any liabilities or Claims of the Borrower, the Subsidiary Guarantors or their

Subsidiaries, whether present or future, absolute or contingent and whether or not relating to the Obligors, the Obligor Intellectual Property, and/or the Material Agreements, and the Borrower shall indemnify and save harmless the Lenders from and against all such liabilities, Claims and Liens, except to the extent required under applicable law in connection with any Intellectual Property license agreement of the Borrower, the Subsidiary Guarantors or their Subsidiaries in the event that the Lenders foreclose on such Collateral. Without limiting the foregoing, this Agreement shall not constitute an agreement to assign any Contracts of, or Obligor Intellectual Property to, the Lenders, except to the extent required under applicable law in connection with any Intellectual Property license agreement of the Borrower, the Subsidiary Guarantors or their Subsidiaries in the event that the Lenders foreclose on such Collateral.

(b) In the event that the Obligors acquire Obligor Intellectual Property during the term of this Agreement, then the provisions of this Agreement shall automatically apply thereto and any such Obligor Intellectual Property shall automatically constitute part of the Collateral hereunder, without further action by any party, in each case from and after the date of such acquisition (except that any representations or warranties of any Obligor shall apply to any such Obligor Intellectual Property only from and after the date, if any, subsequent to such acquisition that such representations and warranties are brought down or made anew as provided herein).

#### **8.15 Post-Closing Items.**

(a) Borrower shall use (i) commercially reasonable efforts to cause the Borrower Landlord to execute and deliver to Lenders the Landlord Consent in substantially the form attached hereto as **Exhibit G**, with such changes as may be reasonably agreed to by Borrower and Majority Lenders, and (ii) subject to receipt of the consent in **subsection 8.15(a)(i)** above, execute, acknowledge and deliver to Lenders a Collateral Access Agreement with such changes as may be reasonably agreed to by Borrower and Majority Lenders.

(b) On or prior to the date that is 30 days after the Closing Date, Borrower shall execute and deliver to the Lenders duly executed control agreements in favor of the Lenders for all Deposit Accounts, Securities Accounts and Commodity Accounts owned by the Obligors in the United States as of the date hereof.

(c) Borrower shall use commercially reasonable efforts to execute and deliver to the Lenders such duly executed Intellectual Property security agreements, as the Lenders may require with respect to foreign Intellectual Property, and take such other action as the Lenders may reasonably deem necessary or appropriate to duly record or otherwise perfect the security interest created thereunder in that portion of the Collateral consisting of Intellectual Property located outside the United States in the jurisdictions listed on **Schedule 8.15(c)**.

### **SECTION 9 NEGATIVE COVENANTS**

Borrower covenants and agrees with the Lenders that, until the Commitments have expired or been terminated and all Obligations (other than the Warrant Obligations) have been paid in full indefeasibly in cash:

**9.01 Indebtedness.** Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, whether directly or indirectly, except:

(a) the Obligations;

(b) Indebtedness existing on the date hereof and set forth on **Schedule 7.13(b)-1** and Permitted Refinancings thereof; *provided that*, in each case, such Indebtedness is subordinated to the Obligations on terms satisfactory to the Majority Lenders;

(c) Permitted Priority Debt;

(d) solely until and including the Closing Date, the SVB Debt;

(e) accounts payable to trade creditors for goods and services and current operating liabilities (not the result of the borrowing of money) incurred in the ordinary course of Borrower's or its Subsidiary's business in accordance with customary terms and paid within the specified time, unless contested in good faith by appropriate proceedings and reserved for in accordance with GAAP;

(f) Indebtedness consisting of guarantees resulting from endorsement of negotiable instruments for collection by Borrower or any Subsidiary Guarantor in the ordinary course of business;

(g) Indebtedness (i) of Borrower to any Subsidiary Guarantor and (ii) of any Subsidiary Guarantor to Borrower or any other Subsidiary Guarantor;

(h) Guarantees by Borrower of Indebtedness of any Subsidiary Guarantor and by any Subsidiary Guarantor of Indebtedness of Borrower or any other Subsidiary Guarantor; *provided that* the aggregate outstanding principal amount of such Indebtedness, when added to the aggregate principal amount of the outstanding Indebtedness permitted in reliance on **Section 9.01(i)**, does not exceed \$250,000 (or the Equivalent Amount in other currencies) at any time;

(i) normal course of business equipment financing; *provided that* (i) if secured, the collateral therefor consists solely of the assets being financed, the products and proceeds thereof and books and records related thereto, and (ii) the aggregate outstanding principal amount of such Indebtedness, when added to the aggregate principal amount of the outstanding Indebtedness permitted in reliance on **Section 9.01(h)**, does not exceed \$250,000 (or the Equivalent Amount in other currencies) at any time;

(j) Permitted Subordinated Debt;

(k) Indebtedness incurred in a transaction specifically permitted under **Section 9.10(d)**; and

(l) Indebtedness approved in advance in writing by the Majority Lenders.

**9.02 Liens.** Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except (collectively, "**Permitted Liens**");

(a) Liens securing the Obligations;

(b) any Lien on any property or asset of Borrower or any of its Subsidiaries existing on the date hereof and set forth in **Schedule 7.13(b)-2**; *provided that* (i) no such Lien shall extend to any other property or asset of Borrower or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens described in the definition of “Permitted Priority Debt”;

(d) Liens securing Indebtedness permitted under **Section 9.01(i)**; *provided that* such Liens are restricted solely to the collateral described in **Section 9.01(i)**;

(e) Liens imposed by law which were incurred in the ordinary course of business, including (but not limited to) carriers’, warehousemen’s and mechanics’ liens and other similar liens arising in the ordinary course of business and which (x) do not in the aggregate materially detract from the value of the Property subject thereto or materially impair the use thereof in the operations of the business of such Person or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such liens and for which adequate reserves have been made if required in accordance with GAAP;

(f) pledges or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance or other similar social security legislation;

(g) Liens securing taxes, assessments and other governmental charges, the payment of which is not yet due or is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made;

(h) servitudes, easements, rights of way, restrictions and other similar encumbrances on real Property imposed by applicable Laws and encumbrances consisting of zoning or building restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto which, in the aggregate, are not material, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any of the Obligors;

(i) with respect to any real Property, (A) such defects or encroachments as might be revealed by an up-to-date survey of such real Property; (B) the reservations, limitations, provisos and conditions expressed in the original grant, deed or patent of such property by the original owner of such real Property pursuant to applicable Laws; and (C) rights of expropriation, access or user or any similar right conferred or reserved by or in applicable Laws, which, in the aggregate for (A), (B) and (C), are not material, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any of the Obligors; and

(j) Bankers' liens, rights of setoff and similar Liens incurred on deposits made in the ordinary course of business;

*provided that* no Lien otherwise permitted under any of the foregoing **Sections 9.02(b), (c), (d), (e), (f), (h) and (i)** shall apply to any Material Intellectual Property.

**9.03 Fundamental Changes and Acquisitions.** Borrower will not, and will not permit any of its Subsidiaries to, (i) enter into any transaction of merger, amalgamation or consolidation (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution) (iii) make any Acquisition or otherwise acquire any business or substantially all the property from, or capital stock of, or be a party to any acquisition of, any Person. Notwithstanding the foregoing provisions of this **Section 9.03**:

(a) Borrower and its Subsidiaries may make Investments permitted under **Section 9.05**;

(b) any Subsidiary Guarantor may be merged, amalgamated or consolidated with or into Borrower or any other Subsidiary Guarantor;

(c) any Subsidiary Guarantor may sell, lease, transfer or otherwise dispose of any or all of its property (upon voluntary liquidation or otherwise) to Borrower or another Subsidiary Guarantor; and

(d) the capital stock of any Subsidiary Guarantor may be sold, transferred or otherwise disposed of to Borrower or another Subsidiary Guarantor; and

(e) Borrower and its Subsidiaries may make Permitted Acquisitions, not to exceed \$5,000,000 in the aggregate.

**9.04 Lines of Business.** Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than the business engaged in on the date hereof by Borrower or any Subsidiary or a business reasonably related thereto.

**9.05 Investments.** Borrower will not, and will not permit any of its Subsidiaries to, make, directly or indirectly, or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in **Schedule 9.05**;

(b) operating deposit accounts with banks;

(c) extensions of credit in the nature of accounts receivable or notes receivable arising from the sales of goods or services in the ordinary course of business;

(d) Permitted Cash Equivalent Investments;



(e) Investments by Borrower and the Subsidiary Guarantors in Borrower's wholly-owned Subsidiary Guarantors (for greater certainty, Borrower shall not be permitted to have any direct or indirect Subsidiaries that are not wholly-owned Subsidiaries);

(f) Hedging Agreements entered into in the ordinary course of Borrower's financial planning solely to hedge currency risks (and not for speculative purposes) and in an aggregate notional amount for all such Hedging Agreements not in excess of \$500,000 (or the Equivalent Amount in other currencies);

(g) Investments consisting of security deposits with utilities and other like Persons made in the ordinary course of business;

(h) Investments consisting of employee loans, travel advances and guarantees in accordance with Borrower's usual and customary practices with respect thereto (if permitted by applicable law) which in the aggregate shall not exceed \$500,000 outstanding at any time (or the Equivalent Amount in other currencies);

(i) Investments received in connection with any Insolvency Proceedings in respect of any customers, suppliers or clients and in settlement of delinquent obligations of, and other disputes with, customers, suppliers or clients;

(j) Investments permitted pursuant to **Section 9.03**; and

(k) Indebtedness permitted by **Section 9.01**.

**9.06 Restricted Payments.** Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except:

(a) Borrower may declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock;

(b) Borrower may purchase, redeem, retire, or otherwise acquire shares of its capital stock or other equity interests with the proceeds received from a substantially concurrent issue of new shares of its capital stock or other equity interests;

(c) for the payment of dividends by any Subsidiary Guarantor to Borrower or to any other Subsidiary Guarantor; and

(d) Borrower may make the following Restricted Payments, not to exceed \$300,000 in the aggregate in any fiscal year:

(i) Borrower may purchase, redeem, retire, or otherwise acquire shares of its capital stock or other equity interests from former employees or consultants pursuant to stock repurchase agreements or agreements that have a similar purpose or function so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase;

(ii) Borrower may purchase shares of capital stock in connection with the exercise of stock options by way of cashless exercise or in connection with the satisfaction of withholding obligations; and

(iii) Borrower may purchase fractional shares of capital stock arising out of stock dividends, forward or reverse stock splits, combinations or business combinations.

**9.07 Payments of Indebtedness.** Borrower will not, and will not permit any of its Subsidiaries to, make any payments in respect of any Indebtedness other than (i) the Obligations and (ii) subject to any applicable terms of subordination, other Permitted Indebtedness.

**9.08 Change in Fiscal Year.** The Borrower will not, and will not permit any of its Subsidiaries to, change the last day of its fiscal year from that in effect on the date hereof, except to change the fiscal year of a Subsidiary acquired in connection with an Acquisition to conform its fiscal year to the Borrower's.

**9.09 Sales of Assets, Etc.** Unless the Borrower simultaneously makes the prepayment required under **Section 3.03(b)(i)**, the Borrower will not, and will not permit any of its Subsidiaries to, sell, lease, exclusively license (in terms of geography or field of use), transfer, or otherwise dispose of any of its Property (including accounts receivable and capital stock of Subsidiaries) to any Person in one transaction or series of transactions (any thereof, an "**Asset Sale**"), except for any of the following:

(a) transfers of cash in the ordinary course of its business for equivalent value;

(b) sales of inventory in the ordinary course of its business on ordinary business terms including to distributors;

(c) development and other collaborative arrangements where such arrangements provide for the licenses or disclosure of Patents, Trademarks, Copyrights or other Intellectual Property rights in the ordinary course of business and consistent with general market practices where such license requires periodic payments based on per unit sales of a product over a period of time and provided that such licenses must be true licenses as opposed to licenses that are sales transactions in substance;

(d) transfers of Property by any Obligor to any other Obligor;

(e) dispositions of any Property that is obsolete or worn out or no longer used or useful in the Business; and

(f) those transactions permitted by **Sections 9.03** or **9.04**.

Lenders acknowledge and agree that clause (e) above includes the right for Borrower to make decisions in the ordinary course of business regarding the registration of any of its Intellectual Property, including without limitation, any decisions regarding application, prosecution, abandonment, or cancellation of any such Intellectual Property, without the consent of any Lender.

**9.10 Transactions with Affiliates.** Borrower will not, and will not permit any of its Subsidiaries to, sell, lease, license or otherwise transfer any assets to, or purchase, lease, license or otherwise acquire any assets from, or otherwise engage in any other transactions with, any of its Affiliates, except for any of the following:

(a) transactions between or among Obligor;

(b) any Indebtedness permitted by **Section 9.01**;

(c) any Investment permitted by **Section 9.05**;

(d) any Restricted Payment permitted by **Section 9.06**;

(e) any Asset Sale permitted by **Section 9.09**;

(f) customary compensation and indemnification of, and other employment arrangements with, directors, officers and employees of Borrower or any Subsidiary in the ordinary course of business,

(g) Borrower may issue debt or Equity Interests to Affiliates in exchange for cash, *provided that* the terms thereof are no less favorable (including the amount of cash received by Borrower) to Borrower than those that would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of Borrower; and

(h) the transactions set forth on **Schedule 9.10**.

**9.11 Restrictive Agreements.** Except for Permitted Restrictive Agreements, Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to Borrower or any other Subsidiary or to Guarantee Indebtedness of Borrower or any other Subsidiary; *provided that*:

(i) the foregoing shall not apply to (x) restrictions and conditions imposed by law or by this Agreement and (y) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder; and

(ii) the foregoing **clause (a)** shall not apply to (x) restrictions or conditions imposed by any agreement relating to secured Permitted Indebtedness if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (y) customary provisions in leases, in-bound licenses of Intellectual Property and other contracts restricting the assignment thereof;

(iii) the foregoing shall not apply to any stockholder agreement, charter, by laws or other organizational documents of Borrower or any Subsidiary as in effect on the date hereof and as amended as permitted hereunder; and

(iv) the foregoing shall not apply to Permitted Liens.

**9.12 Amendments to Material Agreements.** Borrower will not, and will not permit any of its Subsidiaries to, enter into any amendment to or modification of any Material Agreement or terminate any Material Agreement (unless replaced with another agreement that, viewed as a whole, is on better terms for Borrower or such Subsidiary) without in each case the prior written consent of the Lender (which consent shall not be unreasonably withheld or delayed).

**9.13 Preservation of Borrower Lease; Operating Leases.**

(a) Notwithstanding any provision of this Agreement to the contrary, Borrower shall not:

(i) Surrender, terminate, forfeit, or suffer or permit the surrender, termination or forfeiture of, or agree to a material change, modification, or amendment to, the Borrower Lease, nor transfer, sell, assign, convey, dispose of, mortgage, pledge, hypothecate, assign or encumber any of its interest in, the Borrower Lease;

(ii) Consent to, cause, agree to, or permit to occur any subordination, or consent to the subordination of, the Borrower Lease to any mortgage, deed of trust or other lien encumbering (or that may in the future encumber) the interest of Borrower Landlord in the Borrower Facility;

(iii) Waive, excuse, condone or in any way release or discharge Borrower Landlord of or from its material obligations, covenants and/or conditions under the Borrower Lease; or

(iv) Elect to treat the Borrower Lease as terminated or rejected under subsection 365 of the Bankruptcy Code or other applicable Law. Any such election made without Majority Lenders' prior written consent shall be void. If, pursuant to subsection 365 of the Bankruptcy Code or other applicable law, Borrower seeks to offset, against the rent reserved in the Borrower Lease, the amount of any damages caused by the nonperformance by Borrower Landlord of any of its obligations thereunder after the rejection by Borrower Landlord of the Borrower Lease under the Bankruptcy Code or other applicable Law, then Borrower shall not effect any offset of any amounts objected to by Lenders.

(b) Borrower will not, and will not permit any of its Subsidiaries to, make any expenditures in respect of operating leases, except for:

(i) real estate operating leases;

(ii) operating leases between Borrower and any of its wholly-owned Subsidiaries or between any of Borrower's wholly-owned Subsidiaries; and

(c) operating leases that would not cause Borrower and its Subsidiaries, on a consolidated basis, to make payments exceeding \$1,000,000 (or the Equivalent Amount in other currencies) in any fiscal year.

**9.14 Sales and Leasebacks.** Except as disclosed on **Schedule 9.14**, Borrower will not, and will not permit any of its Subsidiaries to, become liable, directly or indirectly, with respect to any lease, whether an operating lease or a Capital Lease Obligation, of any property (whether real, personal, or mixed), whether now owned or hereafter acquired, (i) which Borrower or such Subsidiary has sold or transferred or is to sell or transfer to any other Person and (ii) which Borrower or such Subsidiary intends to use for substantially the same purposes as property which has been or is to be sold or transferred.

**9.15 Hazardous Material.** Borrower will not, and will not permit any of its Subsidiaries to, use, generate, manufacture, install, treat, release, store or dispose of any Hazardous Material, except in compliance with all applicable Environmental Laws or where the failure to comply could not reasonably be expected to result in a Material Adverse Change.

**9.16 Accounting Changes.** Borrower will not, and will not permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required or permitted by GAAP.

**9.17 Compliance with ERISA.** No ERISA Affiliate shall cause or suffer to exist (a) any event that could result in the imposition of a Lien with respect to any Title IV Plan or Multiemployer Plan or (b) any other ERISA Event that would, in the aggregate, have a Material Adverse Effect. No Obligor or Subsidiary thereof shall cause or suffer to exist any event that could result in the imposition of a Lien with respect to any Benefit Plan.

## **SECTION 10**

### **FINANCIAL COVENANTS**

#### **10.01 Minimum Revenue.**

(a) Borrower and its Subsidiaries shall have Revenue:

- (i) during the twelve month period beginning on January 1, 2013, of at least \$25,000,000;
- (ii) during the twelve month period beginning on January 1, 2014, of at least \$50,000,000;
- (iii) during the twelve month period beginning on January 1, 2015, of at least \$75,000,000;
- (iv) during the twelve month period beginning on January 1, 2016, and each twelve month period following thereafter, of at least \$100,000,000;

## 10.02 Cure Right.

(a) Notwithstanding anything to the contrary contained in **Section 11**, in the event that the Borrower fails to comply with the covenants contained in **Section 10.01(a)(i), a(ii), (a)(iii)** or **Section 10.03** (such covenants for such applicable periods being the “*Specified Financial Covenants*”), Borrower shall have the right:

(i) to issue additional shares of Equity Interests in exchange for cash (the “*Equity Cure Right*”), or

(ii) to borrow Permitted Subordinated Debt (the “*Subordinated Debt Cure Right*” and, collectively with the Equity Cure Right, the “*Cure Right*”),

and such cash immediately shall be contributed as equity to Borrower, and upon the receipt by Borrower of the Cure Amount pursuant to the exercise of such Cure Right, such Cure Amount shall be deemed to constitute Revenue or cash, as applicable, of Borrower for purposes of the Specified Financial Covenants and the Specified Financial Covenants shall be recalculated. If, after giving effect to the foregoing recalculation, Borrower shall then be in compliance with the requirements of the Specified Financial Covenants, Borrower shall be deemed to have satisfied the requirements of the Specified Financial Covenants as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach of the Specified Financial Covenants that had occurred shall be deemed cured for this purposes of this Agreement.

(b) Notwithstanding anything herein to the contrary, (i) the Cure Right may be exercised no more than twice, (ii) the amount of the payment received by Borrower from investors investing in Borrower pursuant to **Section 10.02(a)** (the “*Cure Amount*”) shall be equal to twice the shortfall amount required to cause the Borrower to be in compliance with the Specified Financial Covenants, (iii) Borrower shall deliver a compliance certificate, evidencing compliance with the Specified Financial Covenants after giving effect to receipt of the Cure Amount, and (iv) upon receipt by Borrower of the Cure Amount, Borrower shall immediately prepay the Loans, without any Prepayment Premium, in an amount equal to 50% of the Cure Amount, credited in the order set forth on **Section 3.03(b)(i)(A)-(E)**.

## 10.03 Minimum Cash

Borrower and Subsidiaries shall (i) maintain, at any time, a minimum daily balance of cash and Permitted Cash Equivalent Investments of at least \$2,000,000 (Two Million Dollars), and (ii) provide the Lenders once a quarter a compliance certificate relating to the foregoing in such form satisfactory to the Majority Lenders.

## SECTION 11 EVENTS OF DEFAULT

**11.01 Events of Default.** Each of the following events shall constitute an “*Event of Default*”:

(a) Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Obligor shall fail to pay any Obligation (other than an amount referred to in **Section 11.01(a)**) when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall: (i) prove to have been incorrect when made or deemed made to the extent that such representation or warranty contains any materiality or Material Adverse Effect qualifier; or (ii) prove to have been incorrect in any material respect when made or deemed made to the extent that such representation or warranty does not otherwise contain any materiality or Material Adverse Effect qualifier;

(d) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in **Section 8.02, 8.03** (with respect to the Borrower's existence), **8.11, 8.12, 8.14, 9** or **10**;

(e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in **Section 11.01(a), (b)** or **(d)**) or any other Loan Document and such failure shall continue unremedied for a period of 20 or more days after written notice thereof from the Lenders is received by a Responsible Officer of Borrower;

(f) Borrower or any of its Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any applicable grace or cure period as originally provided by the terms of such Indebtedness;

(g) (i) any material breach of, or "event of default" or similar event by any Obligor under, any Material Agreement, (ii) any material breach of, or "event of default" or similar event under, the documentation governing any Material Indebtedness shall occur, or (iii) any event or condition occurs (A) that results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of such Material Indebtedness or any trustee or agent on its or their behalf to cause such Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; *provided that* this **Section 11.01(g)** shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Material Indebtedness.

(h) any Obligor:

(i) becomes insolvent, or generally does not or becomes unable to pay its debts or meet its liabilities as the same become due, or admits in writing its inability to pay its debts generally, or declares any general moratorium on its indebtedness, or proposes a compromise or arrangement or deed of company arrangement between it and any class of its creditors;

(ii) commits an act of bankruptcy or makes an assignment of its property for the general benefit of its creditors or makes a proposal (or files a notice of its intention to do so);

(iii) institutes any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors or at common law or in equity, or files an answer admitting the material allegations of a petition filed against it in any such proceeding;

(iv) applies for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator, voluntary administrator, receiver and manager or other similar official for it or any substantial part of its property; or

(v) takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this **Section 11.01(h)** or in **Section 11.01(i)**, or otherwise acts in furtherance thereof or fails to act in a timely and appropriate manner in defense thereof;

(i) any petition is filed, application made or other proceeding instituted against or in respect of Borrower or any Subsidiary:

(i) seeking to adjudicate it an insolvent;

(ii) seeking a receiving order against it;

(iii) seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), deed of company arrangement or composition of it or its debts or any other relief under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors or at common law or in equity; or

(iv) seeking the entry of an order for relief or the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator, voluntary administrator, receiver and manager or other similar official for it or any substantial part of its property, and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of thirty (30) days after the institution thereof; *provided that* if an order, decree or judgment is granted or entered (whether or not entered or subject to appeal) against Borrower or such Subsidiary thereunder in the interim, such grace period will cease to apply; *provided further that* if Borrower or such Subsidiary files an answer admitting the material allegations of a petition filed against it in any such proceeding, such grace period will cease to apply;



(j) any other event occurs which, under the laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either of **Section 11.01(h)** or **(i)**;

(k) one or more judgments for the payment of money shall be rendered against any Obligor or any combination thereof in an aggregate amount in excess of (i) \$500,000 (or the Equivalent Amount in other currencies) and the same shall remain undischarged for a period of 45 consecutive days, or (ii) \$5,000,000 (or the Equivalent Amount in other currencies) and the same shall remain undischarged for a period of 60 consecutive days, in either case, during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Obligor to enforce any such judgment;

(l) a Material Adverse Change shall have occurred;

(m) (i) the Liens created by the Security Documents shall at any time not constitute a valid and perfected Lien on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Lenders, free and clear of all other Liens (other than Permitted Liens), (ii) except for expiration in accordance with its terms, any of the Security Documents or any Guarantee of any of the Obligations (including that contained in **Section 13**) shall for whatever reason be terminated or cease to be in full force and effect, (ii) the enforceability of any of the Security Documents or any Guarantee of any of the Obligations (including that contained in **Section 13**) shall be contested by any Obligor;

(n) any injunction, whether temporary or permanent, shall be rendered against any Obligor that prevents the Obligors from selling or manufacturing the Product or its commercially available successors, or any of their other material and commercially available products in the United States or Europe for more than 45 consecutive calendar days.

**11.02 Remedies.** Upon the occurrence of any Event of Default, then, and in every such event (other than an Event of Default described in **Section 11.01(h), (i)** or **(j)**), and at any time thereafter during the continuance of such event, Majority Lenders may, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations, shall become due and payable immediately (in the case of the Loans, at the Redemption Price therefor), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor; and in case of any an Event of Default described in **Section 11.01(h), (i)** or **(j)**, the Commitment shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations, shall automatically become due and payable immediately (in the case of the Loans, at the Redemption Price therefor), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

**SECTION 12**  
**MISCELLANEOUS**

**12.01 No Waiver.** No failure on the part of the Lenders to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

**12.02 Notices.** All notices, requests, instructions, directions and other communications provided for herein (including any modifications of, or waivers, requests or consents under, this Agreement) shall be given or made in writing (including by telecopy) delivered, if to Borrower, another Obligor or the Lenders, to its address specified on the signature pages hereto or its Guarantee Assumption Agreement, as the case may be, or at such other address as shall be designated by such party in a notice to the other parties. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given upon receipt of a legible copy thereof, in each case given or addressed as aforesaid. All such communications provided for herein by telecopy shall be confirmed in writing promptly after the delivery of such communication (it being understood that non-receipt of written confirmation of such communication shall not invalidate such communication). Notices, documents, certificates and other deliverables to the Lenders by any Obligor may be made solely to the Control Agent and the Control Agent shall promptly deliver such notices, documents, certificates and other deliverables to the other Lenders hereunder.

**12.03 Expenses, Indemnification, Etc.**

(a) **Expenses.** Borrower agrees to pay or reimburse (i) the Lenders for all of their reasonable out of pocket costs and expenses (including the reasonable out-of-pocket fees and expenses of Morrison & Foerster LLP, special counsel to the Lenders, and any sales, goods and services or other similar taxes applicable thereto, and printing, reproduction, document delivery, communication and travel costs) in connection with (x) the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and the making of the Loans (exclusive of post-closing costs), (y) post-closing costs and (z) the negotiation or preparation of any modification, supplement or waiver of any of the terms of this Agreement or any of the other Loan Documents (whether or not consummated) and (ii) the Lenders for all of their out of pocket costs and expenses (including the fees and expenses of legal counsel) in connection with any enforcement or collection proceedings resulting from the occurrence of an Event of Default; *provided, however, that* the Borrower shall not be required to pay or reimburse any amounts pursuant to **Section 12.03(a)(i)(x)** in excess of \$300,000; *provided further that*, so long as the Loans are consummated and all Commitments fully drawn prior to the expiry of the Commitment Period, then such fees shall be credited from the fees paid by the Borrower pursuant to **Section 2.03**.

(b) **Indemnification.** Borrower hereby indemnifies the Lenders, their Affiliates, and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties (each, an “**Indemnified Party**”) from and against, and agrees to hold them harmless against, any

and all Claims or Losses of any kind (including reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto arising out of or in connection with or relating to this Agreement or any of the other Loan Documents or the transactions contemplated hereby or thereby or any use made or proposed to be made with the proceeds of the Loans, whether or not such investigation, litigation or proceeding is brought by Borrower, any of its shareholders or creditors, an Indemnified Party or any other Person, or an Indemnified Party is otherwise a party thereto, and whether or not any of the conditions precedent set forth in **Section 6** are satisfied or the other transactions contemplated by this Agreement are consummated, except to the extent such Claim or Loss is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. No Obligor shall assert any claim against any Indemnified Party, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to this Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans. Borrower, its Subsidiaries and Affiliates and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties are each sometimes referred to in this Agreement as a "**Borrower Party**." No Lender shall assert any claim against any Borrower Party, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to this Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans.

**12.04 Amendments, Etc.** Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be modified or supplemented only by an instrument in writing signed by the Borrower and the Lenders. Any consent, approval, (including without limitation any approval of or authorization for any amendment to any of the Loan Documents), instruction or other expression of the Lenders under any of the Loan Documents may be obtained by an instrument in writing signed in one or more counterparts by Majority Lenders; provided however, that the consent of all of the Lenders shall be required to:

(i) amend, modify, discharge, terminate or waive any of the terms of this Agreement if such amendment, modification, discharge, termination or waiver would increase the amount of the Loans, reduce the fees payable hereunder, reduce interest rates or other amounts payable with respect to the Loans, extend any date fixed for payment of principal, interest or other amounts payable relating to the Loans or extend the repayment dates of the Loans;

(ii) amend the provisions of **Section 6**;

(iii) amend, modify, discharge, terminate or waive any Security Document if the effect is to release a material part of the Collateral subject thereto otherwise than pursuant to the terms hereof or thereof; or

(iv) amend this **Section 12.04**.

Notwithstanding anything to the contrary herein, a Defaulting Lender shall not have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

#### **12.05 Successors and Assigns.**

(a) **General.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lenders. Any of the Lenders may assign or otherwise transfer any of their rights or obligations hereunder to an assignee in accordance with the provisions of **Section 12.05(b)**, (ii) by way of participation in accordance with the provisions of **Section 12.05(e)** subject to the limitations of **Section 12.05(f)** or (iii) by way of pledge or assignment of a security interest subject to the restrictions of **Section 12.05(g)**. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in **Section 12.05(e)** and, to the extent expressly contemplated hereby, the Indemnified Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) **Assignments by Lenders.** Any of the Lenders may at any time assign to one or more Eligible Transferees all or a portion of their rights and obligations under this Agreement (including all or a portion of the Commitment and the Loans at the time owing to it); *provided, however, that* no such assignment shall be made to Borrower, an Affiliate of Borrower, or any employees or directors of Borrower at any time. Subject to the recording thereof by the Lenders pursuant to **Sections 12.05(c)** and **12.05(d)**, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of the Lenders under this Agreement, and correspondingly the assigning Lender shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of a Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of **Section 5** and **Section 12.03**. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this **Section 12.05(b)** shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with **Section 12.05(e)**.

(c) **Amendments to Loan Documents.** Each of the Lenders and the Obligors agrees to enter into such amendments to the Loan Documents, and such additional Security Documents and other instruments and agreements, in each case in form and substance reasonably acceptable to the Lenders and the Obligors, as shall reasonably be necessary to implement and give effect to any assignment made under this **Section 12.05**.

(d) **Register.** The Lenders, acting solely for this purpose as an agent of Borrower, shall maintain at one of its offices, which shall be the office of the Control Agent, a register for the recordation of the name and address of any assignee of the Lenders and the Commitment and outstanding principal amount of the Loans owing thereto (the “**Register**”). The entries in the Register shall be conclusive, absent manifest error, and Borrower may treat each Person whose name is recorded in the Register pursuant to the terms hereof as the “Lender” hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower, at any reasonable time and from time to time upon reasonable prior notice.

(e) **Participations.** Any of the Lenders may at any time, without the consent of, or notice to, Borrower, sell participations to any Person (other than a natural person or Borrower or any of the Borrower’s Affiliates or Subsidiaries) (each, a “**Participant**”) in all or a portion of such Lender’s rights and/or obligations under this Agreement (including all or a portion of the Commitment and/or the Loans owing to it); *provided that* (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deal solely and directly with the Lenders in connection therewith.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided that* such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that would (i) increase or extend the term of such Lender’s Commitment, (ii) extend the date fixed for the payment of principal of or interest on the Loans or any portion of any fee hereunder payable to the Participant, (iii) reduce the amount of any such payment of principal, or (iv) reduce the rate at which interest is payable thereon to a level below the rate at which the Participant is entitled to receive such interest. Subject to **Section 12.05(f)**, Borrower agrees that each Participant shall be entitled to the benefits of **Section 5** to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to **Section 12.05(b)**. To the extent permitted by law, each Participant also shall be entitled to the benefits of **Section 4.04(a)** as though it were the Lender.

(f) **Limitations on Rights of Participants.** A Participant shall not be entitled to receive any greater payment under **Section 5.01** or **5.05** than a Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower’s prior written consent.

(g) **Certain Pledges.** The Lenders may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement and any other Loan Document to secure obligations of the Lenders, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided that* no such pledge or assignment shall release the Lenders from any of their obligations hereunder or substitute any such pledgee or assignee for the Lenders as a party hereto.

**12.06 Survival.** The obligations of Borrower under **Sections 5.01, 5.03, 5.05, 12.03, 12.05, 12.09, 12.10, 12.11, 12.12, 12.13, 12.14** and **Section 13** (solely to the extent guaranteeing any of

the obligations under the foregoing Sections) shall survive the repayment of the Loans and the termination of the Commitment and, in the case of the Lenders' assignment of any interest in the Commitment or the Loans hereunder, shall survive, in the case of any event or circumstance that occurred prior to the effective date of such assignment, the making of such assignment, notwithstanding that the Lenders may cease to be "Lenders" hereunder. In addition, each representation and warranty made, or deemed to be made by a notice of the Loans, herein or pursuant hereto shall survive the making of such representation and warranty.

**12.07 Captions.** The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

**12.08 Counterparts.** This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

**12.09 Governing Law.** This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided that Section 5-1401 of the New York General Obligations Law shall apply.

**12.10 Jurisdiction, Service of Process and Venue.**

(a) **Submission to Jurisdiction.** Each Obligor agrees that any suit, action or proceeding with respect to this Agreement or any other Loan Document to which it is a party or any judgment entered by any court in respect thereof may be brought initially in the federal or state courts in Houston, Texas or in the courts of its own corporate domicile and irrevocably submits to the non-exclusive jurisdiction of each such court for the purpose of any such suit, action, proceeding or judgment. This **Section 12.10(a)** is for the benefit of the Lenders only and, as a result, no Lender shall be prevented from taking proceedings in any other courts with jurisdiction. To the extent allowed by applicable Laws, the Lenders may take concurrent proceedings in any number of jurisdictions.

(b) **Alternative Process.** Nothing herein shall in any way be deemed to limit the ability of the Lenders to serve any such process or summonses in any other manner permitted by applicable law.

(c) **Waiver of Venue, Etc.** Each Obligor irrevocably waives to the fullest extent permitted by law any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document and hereby further irrevocably waives to the fullest extent permitted by law any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. A final judgment (in respect of which time for all appeals has elapsed) in any such suit, action or proceeding shall be conclusive and may be enforced in any court to the jurisdiction of which such Obligor is or may be subject, by suit upon judgment.

**12.11 Waiver of Jury Trial.** EACH OBLIGOR AND EACH LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

**12.12 Waiver of Immunity.** To the extent that any Obligor may be or become entitled to claim for itself or its Property or revenues any immunity on the ground of sovereignty or the like from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment or execution of a judgment, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), such Obligor hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity with respect to its obligations under this Agreement and the other Loan Documents.

**12.13 Entire Agreement.** This Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. EACH OBLIGOR ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IN DECIDING TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR IN TAKING OR NOT TAKING ANY ACTION HEREUNDER OR THEREUNDER, IT HAS NOT RELIED, AND WILL NOT RELY, ON ANY STATEMENT, REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR UNDERSTANDING, WHETHER WRITTEN OR ORAL, OF OR WITH THE LENDERS OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

**12.14 Severability.** If any provision hereof is found by a court to be invalid or unenforceable, to the fullest extent permitted by applicable law the parties agree that such invalidity or unenforceability shall not impair the validity or enforceability of any other provision hereof.

**12.15 No Fiduciary Relationship.** Borrower acknowledges that the Lenders have no fiduciary relationship with, or fiduciary duty to, Borrower arising out of or in connection with this Agreement or the other Loan Documents, and the relationship between the Lenders and the Borrower are solely that of creditor and debtor. This Agreement and the other Loan Documents do not create a joint venture among the parties.

**12.16 Confidentiality.** The Lenders agree to maintain the confidentiality of the Confidential Information (as defined in the Non-Disclosure Agreement (defined below)) in accordance with the terms of that certain non-disclosure agreement dated October 31, 2012 among Borrower and Capital Royalty, L.P (the “***Non-Disclosure Agreement***”).

Any new Lender that becomes party to this Agreement hereby agrees to be bound by the terms of the Non-Disclosure Agreement. The parties to this Agreement shall prepare a mutually agreeable press release announcing the completion of this transaction on the Closing Date.

**12.17 USA PATRIOT Act.** The Lenders hereby notify the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “**Act**”), they are required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender to identify Borrower in accordance with the Act.

**12.18 Maximum Rate of Interest.** Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (in each case, the “**Maximum Rate**”). If the Lenders shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans, and not to the payment of interest, or, if the excessive interest exceeds such unpaid principal, the amount exceeding the unpaid balance shall be refunded to the applicable Obligor. In determining whether the interest contracted for, charged, or received by the Lenders exceeds the Maximum Rate, the Lenders may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Indebtedness and other obligations of any Obligor hereunder, or (d) allocate interest between portions of such Indebtedness and other obligations under the Loan Documents to the end that no such portion shall bear interest at a rate greater than that permitted by applicable Law.

**12.19 Real Property Security Waivers.**

(A) Borrower acknowledges that all or any portion of the Obligations may now or hereafter be secured by a Lien or Liens upon real property evidenced by certain documents including, without limitation, deeds of trust and assignments of rents. Lenders may, pursuant to the terms of said real property security documents and applicable law, foreclose under all or any portion of one or more of said Liens by means of judicial or nonjudicial sale or sales. Borrower agrees that Lenders may exercise whatever rights and remedies they may have with respect to said real property security, all without affecting the liability of Borrower hereunder, except to the extent Lenders realize payment by such action or proceeding. Except as provided under applicable law, no election to proceed in one form of action or against any party, or on any obligation shall constitute a waiver of Lenders’ rights to proceed in any other form of action or against Borrower or any other Person, or diminish the liability of Borrower, or affect the right of Lenders to proceed against Borrower for any deficiency, except to the extent Lenders realize payment by such action, notwithstanding the effect of such action upon Borrower’s rights of subrogation, reimbursement or indemnity, if any, against Borrower or any other Person.

(B) To the extent permitted under applicable law, Borrower hereby waives any rights and defenses that are or may become available to Borrower by reason of Sections 2787 to 2855, inclusive, of the California Civil Code.



(C) To the extent permitted under applicable law, Borrower hereby waives all rights and defenses that Borrower may have because the Obligations are or may be secured by real property. This means, among other things:

(1) Lenders may collect from Borrower without first foreclosing on any real or personal property collateral pledged by any other Obligor;

(2) If Lenders foreclose on any real property collateral pledged by Borrower:

i. The amount of the Loan may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price; and

ii. Lenders may collect from Borrower even if Lender, by foreclosing on the real property collateral, has destroyed any right Borrower may have to collect from any other Obligor.

To the extent permitted under applicable law, this is an unconditional and irrevocable waiver of any rights and defenses Borrower may have because the Obligations hereunder are or may be secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(D) To the extent permitted under applicable law, Borrower waives all rights and defenses arising out of an election of remedies by Lenders, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed Borrower's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

### **SECTION 13 GUARANTEE**

**13.01 The Guarantee.** The Subsidiary Guarantors hereby jointly and severally guarantee to the Lenders and their successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans and all fees and other amounts from time to time owing to the Lenders by Borrower under this Agreement or under any other Loan Document and by any other Obligor under any of the Loan Documents, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the “**Guaranteed Obligations**”). The Subsidiary Guarantors hereby further jointly and severally agree that if Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Subsidiary Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

**13.02 Obligations Unconditional.** The obligations of the Subsidiary Guarantors under **Section 13.01** are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of Borrower under this Agreement or any other agreement or instrument referred to herein, or any substitution, release or exchange of any

other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this **Section 13.02** that the obligations of the Subsidiary Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Subsidiary Guarantors hereunder, which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to the Subsidiary Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein shall be done or omitted;

(c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

(d) any lien or security interest granted to, or in favor of, the Lenders as security for any of the Guaranteed Obligations shall fail to be perfected.

The Subsidiary Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Lenders exhaust any right, power or remedy or proceed against Borrower under this Agreement or any other agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

**13.03 Reinstatement.** The obligations of the Subsidiary Guarantors under this **Section 13** shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Subsidiary Guarantors jointly and severally agree that they will indemnify the Lenders on demand for all reasonable costs and expenses (including fees of counsel) incurred by the Lenders in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

**13.04 Subrogation.** The Subsidiary Guarantors hereby jointly and severally agree that until the payment and satisfaction in full of all Guaranteed Obligations (other than the Warrant Obligations) and the expiration and termination of the Commitment of the Lenders under this Agreement they shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in **Section 13.01**, whether by subrogation or otherwise, against Borrower or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

**13.05 Remedies.** The Subsidiary Guarantors jointly and severally agree that, as between the Subsidiary Guarantors and the Lenders, the obligations of Borrower under this Agreement and under the other Loan Documents may be declared to be forthwith due and payable as provided in **Section 11** (and shall be deemed to have become automatically due and payable in the circumstances provided in **Section 11**) for purposes of **Section 13.01** notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by Borrower) shall forthwith become due and payable by the Subsidiary Guarantors for purposes of **Section 13.01**.

**13.06 Instrument for the Payment of Money.** Each Subsidiary Guarantor hereby acknowledges that the guarantee in this **Section 13** constitutes an instrument for the payment of money, and consents and agrees that the Lender, at its sole option, in the event of a dispute by such Subsidiary Guarantor in the payment of any moneys due hereunder, shall have the right to proceed by motion for summary judgment in lieu of complaint pursuant to N.Y. Civ. Prac. L&R § 3213.

**13.07 Continuing Guarantee.** The guarantee in this **Section 13** is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

**13.08 Rights of Contribution.** The Subsidiary Guarantors hereby agree, as between themselves, that if any Subsidiary Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Subsidiary Guarantor of any Guaranteed Obligations, each other Subsidiary Guarantor shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Subsidiary Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Subsidiary Guarantor to any Excess Funding Guarantor under this **Section 13.08** shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Subsidiary Guarantor under the other provisions of this **Section 13** and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this **Section 13.08**, (i) "**Excess Funding Guarantor**" means, in respect of any Guaranteed Obligations, a Subsidiary Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) "**Excess Payment**" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) "**Pro Rata Share**" means, for any Subsidiary Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate present fair saleable value of all properties of such Subsidiary Guarantor (excluding any shares of stock of any other Subsidiary Guarantor) exceeds the amount of all the debts and liabilities of such Subsidiary Guarantor (including contingent, subordinated, unmatured and unliquidated

liabilities, but excluding the obligations of such Subsidiary Guarantor hereunder and any obligations of any other Subsidiary Guarantor that have been Guaranteed by such Subsidiary Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Subsidiary Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Borrower and the Subsidiary Guarantors hereunder and under the other Loan Documents) of all of the Subsidiary Guarantors, determined (A) with respect to any Subsidiary Guarantor that is a party hereto on the Closing Date, as of the Closing Date, and (B) with respect to any other Subsidiary Guarantor, as of the date such Subsidiary Guarantor becomes a Subsidiary Guarantor hereunder.

**13.09 General Limitation on Guarantee Obligations.** In any action or proceeding involving any provincial, territorial or state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Subsidiary Guarantor under **Section 13.01** would otherwise, taking into account the provisions of **Section 13.08**, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under **Section 13.01**, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Subsidiary Guarantor, the Lenders or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

**13.10 Additional Waivers.**

(a) To the extent permitted under applicable law, each Subsidiary Guarantor hereby waives any rights and defenses that are or may become available to Subsidiary Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code.

(b) To the extent permitted under applicable law, each Subsidiary Guarantor hereby waives all rights and defenses that Subsidiary Guarantor may have because the Obligations are or may be secured by real property. This means, among other things:

(i) Lenders may collect from any Subsidiary Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower;

(ii) If Lenders foreclose on any real property collateral pledged by Borrower:

(A) The amount of the Loan may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price; and

(B) Lenders may collect from each Subsidiary Guarantor even if Lenders, by foreclosing on the real property collateral, has destroyed any right such Subsidiary Guarantor may have to collect from Borrower.

To the extent permitted under applicable law, this is an unconditional and irrevocable waiver of any rights and defenses each Subsidiary Guarantor may have because the Obligations are or may

be secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(c) To the extent permitted under applicable law, each Subsidiary Guarantor waives all rights and defenses arising out of an election of remedies by Lenders, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed such Subsidiary Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

(d) To the extent permitted under applicable law, each Subsidiary Guarantor hereby waives any right or defense it may have at law or equity, including California Code of Civil Procedure Section 580a, to a fair market value hearing or action to determine a deficiency judgment after a foreclosure.

**13.11 Timing of Closing Date.** The parties hereto agree that if the Closing Date does not occur on or before January 31, 2013 (or such later date as mutually agreed between the parties hereto), this Agreement and the other Loan Documents shall terminate without any further action by any Person as of such date, and as of such date, (i) all Indebtedness and Obligations of the Obligors under this Agreement and the other Loan Documents shall terminate without any further action by any Person, other than those Obligations that are expressly specified in any Loan Document as surviving that respective agreement's termination, including those referred to in **Section 12.06** hereto; (ii) Borrower shall pay or reimburse to the Lenders in immediate funds such costs and expenses owed by the Borrower to the Lenders in accordance with **Section 12.03(a)**; and (iii) all security interests and other Liens of every type at any time granted to or held by Lenders as security for the Indebtedness and Obligations of the Obligors under this Agreement and the other Loan Documents shall terminate without any further action by any Person. The parties agree to take such necessary action promptly to effect the foregoing, including filing within 2 Business Days any termination statements of Uniform Commercial Code financing statements and intellectual property security agreement releases with the United States Patent and Trademark Office and the United States Copyright Office, and promptly to take any other action necessary to cure any default or event of default that has arisen under any documentation relating to the SVB Debt in connection with the Transactions.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

**BORROWER:**

**TANDEM DIABETES CARE, INC.**

By /s/ Kim Blickenstaff

Name: Kim Blickenstaff

Title: President and Chief Executive Officer

Address for Notices:

11045 Roselle Street

San Diego, CA 92121

Attn: Chief Executive Officer

Tel.: 858-366-6876

Fax: 858-202-6707

Email: kblickenstaff@tandemdiabetes.com

[Signature Page to Term Loan Agreement]

LENDERS:

**CAPITAL ROYALTY PARTNERS II L.P.**

By CAPITAL ROYALTY PARTNERS II GP  
L.P., its General Partner  
By CAPITAL ROYALTY PARTNERS II  
GP LLC, its General Partner

By /s/ Charles Tate

Name: Charles Tate

Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500

Houston, TX 77002

Attn: General Counsel

Tel.: 713.209.7350

Fax: 713.209.7351

Email: adorenbaum@capitalroyalty.com

**CAPITAL ROYALTY PARTNERS II –  
PARALLEL FUND “A” L.P.**

By CAPITAL ROYALTY PARTNERS II –  
PARALLEL FUND “A” GP L.P., its General  
Partner

By CAPITAL ROYALTY PARTNERS II –  
PARALLEL FUND “A” GP LLC, its  
General Partner

By /s/ Charles Tate

Name: Charles Tate

Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500

Houston, TX 77002

Attn: General Counsel

Tel.: 713.209.7350

Fax: 713.209.7351

Email: adorenbaum@capitalroyalty.com

[Signature Page to Term Loan Agreement]

COMMITMENTS AND WARRANTS

<u>Lender</u>	<u>Commitment</u>	<u>Proportionate Share</u>	<u>Common Stock of Borrower Entitled under Warrant<sup>1</sup></u>
Capital Royalty Partners II – Parallel Fund “A” L.P.	20,936,987.48	46.52664%	211,923
Capital Royalty Partners II L.P.	24,063,012.52	53.47336%	243,564
<b>TOTAL</b>	<b>\$ 45,000,000</b>	<b>100%</b>	<b>455,487</b>

<sup>1</sup> 2% of common stock of Borrower as of the Closing Date on a fully diluted basis.



GOVERNMENTAL AND OTHER APPROVALS; NO CONFLICTS

1. Loan and Security Agreement, dated March 13, 2012, by and between the Borrower and Silicon Valley Bank, as amended by the Forbearance and First Amendment to Loan and Security Agreement, dated June 4, 2012 by and between the Borrower and Silicon Valley Bank and the Forbearance and Second Amendment to Loan and Security Agreement, dated July 20, 2012 by and between the Borrower and Silicon Valley Bank.
2. Post-closing filings as may be required under applicable state securities laws with respect to the issuance of the Warrants, which such filings shall be timely made within the applicable periods therefor.

**INTELLECTUAL PROPERTY**

**Schedule 7.05(b)(i)(A)**

See attached docket reports.

**Schedule 7.05(b)(i)(B)**

See attached docket reports.

**Schedule 7.05(b)(i)(C)**

No applied for or registered Copyrights.

**Schedule 7.05(b)(ii)(D)**

1. An opposition was filed on December 12, 2012 by Masimo Corporation (“*Masimo*”) against Borrower’s U.S. Trademark Application No. 85/580,018 for the mark T:SET based upon Masimo’s U.S. Registration No. 1,941,315 for the mark SET. Prior to filing this opposition, Borrower received a letter dated October 3, 2012 from counsel for Masimo regarding this matter. Counsel for Borrower and Masimo thereafter exchanged written communications.

**Schedule 7.05(b)(ii)(E)**

1. Borrower believes that certain of the Obligor Intellectual Property to which Borrower obtained title pursuant to the “Confidential Intellectual Property Agreement” by and between Borrower and Smiths Medical ASD, Inc. dated July 10, 2012 may be infringed, violated, misappropriated or otherwise used by one or more Persons that compete with Borrower. Borrower is analyzing such Obligor Intellectual Property.

**Schedule 7.05(b)(iii)(A)**

1. Borrower believes that all or most of the Patents to which Borrower obtained title pursuant to the “Confidential Intellectual Property Agreement” by and between Borrower and Smiths Medical ASD, Inc. dated July 10, 2012 are valid and enforceable; however, Borrower is analyzing certain of these Patents.

INTELLECTUAL PROPERTY  
PATENTS AND PATENT APPLICATIONS

<u>Docket Number</u>	<u>Title</u>	<u>Series No / Filing Date</u>
92860-843117	Therapy Management System	61/656,731 6/7/2012
92860-847765	Therapy Management System	PCT/US2012/049 145 8/1/2012
92860-847596	Therapy Management System	13/564,188 8/1/2012
92860-829948	Device and Method for Training Users of Ambulatory Medical Devices (Kruse et al.)	61/656,984 6/7/2012
92860-826228	System and Method for Reduction of Inadvertent Activation of Medical Device During Manipulation (Farnan et al.)	61/637,210 4/23/2012
92860-821927	Sealed Infusion Device with Electrical Connector Port (Brown et al.)	61/656,967 6/7/2012
92860-842421	Preventing Inadvertent Changes in Ambulatory Medical Devices (Rosinko et al.)	61/656,997 6/7/2012
4574.01US01	Method and Insulin Pump For Providing a Forgotten Bolus Warning	09/596,648 6,650,951 6/19/2000 11/18/2003
4574.03US01	Programmable Insulin Pump	10/086,641 6,852,104 2/28/2002 2/8/2005
TDM-1500-AU Australia	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	2010278894 7/29/2010

TDM-1500-CA Canada	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	2,769,030 7/29/2010
TDM-1500-CT4 United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	13/270,160 Patent No. 8,287,495 10/10/2011
TDM-1500-CT5 United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	13/271,156 Patent No. 8,298,184 10/11/2011
TDM-1500-EP Europe	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	10805076.6 7/29/2010
TDM-1500-PC World Intellectual Property Office	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	PCT/US2010/043789 7/29/2010
TDM-1500-UT United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	12/846,688 7/29/2010
TDM-1500-UT2 United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	12/846,706 7/29/2010
TDM-1500-UT3 United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	12/846,720 7/29/2010
TDM-1500-UT4 United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	12/846,733 7/29/2010
TDM-1500-UT5 United States of America	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	12/846,734 7/29/2010
TDM-1620-PV	Infusion Pump System With Disposable Cartridge Having Pressure Venting and Pressure Feedback	61/655,883 6/05/2012

**NO ACTIONS OR PROCEEDINGS**

See Schedule 7.05(b)(ii)(D)

TAXES

None

SUBSIDIARIES

None

**INDEBTEDNESS AND LIENS**

1. Agreement, dated March 10, 2005, by and among Precision Fluid Management, LLC, Concept Foundry, LLC, and the Borrower's predecessor-in-interest, Cognitive Ventures. Insight Legal analyzed Tandem's T:SLIM product in the context of the Covered Product and Technology in this agreement and concluded that the Borrower's product does not read on or infringe any claim in the patent assigned by parties to such agreement and therefore no royalty payments are owed. The Covered Product and Technology in the agreement is also not currently being used in the development of Tandem's pipeline products.
2. Loan and Security Agreement, dated March 13, 2012, by and between the Borrower and Silicon Valley Bank, as amended by the Forbearance and First Amendment to Loan and Security Agreement, dated June 4, 2012 by and between the Borrower and Silicon Valley Bank and the Forbearance and Second Amendment to Loan and Security Agreement, dated July 20, 2012 by and between the Borrower and Silicon Valley Bank.



**INDEBTEDNESS AND LIENS**

- 1.** Loan and Security Agreement, dated March 13, 2012, by and between the Borrower and Silicon Valley Bank, as amended by the Forbearance and First Amendment to Loan and Security Agreement, dated June 4, 2012 by and between the Borrower and Silicon Valley Bank and the Forbearance and Second Amendment to Loan and Security Agreement, dated July 20, 2012 by and between the Borrower and Silicon Valley Bank.
- 2.** UCC-1 Financing Statement filed by Silicon Valley Bank on March 14, 2012 in the State of Delaware.

**MATERIAL AGREEMENTS**

1. Loan and Security Agreement, dated March 13, 2012, by and between the Borrower and Silicon Valley Bank, as amended by the Forbearance and First Amendment to Loan and Security Agreement, dated June 4, 2012 by and between the Borrower and Silicon Valley Bank and the Forbearance and Second Amendment to Loan and Security Agreement, dated July 20, 2012 by and between the Borrower and Silicon Valley Bank.
2. Purchase commitments dated June 21, 2011, July 28, 2011, and July 29, 2011 by and between the Borrower and SMS Technologies
3. Purchase commitment dated July 23, 2012 by and between the Borrower and Proch Plastics Co.
4. Purchase commitment dated August 10, 2011 and November 28, 2012 by and between the Borrower and Portescap.
5. Purchase Agreement, dated November 27, 2012, by and between the Borrower and DexCom, Inc.
6. OEM Agreement, dated May 1, 2012, by and between the Borrower and Smiths Medical ASD, Inc.
7. Distributor Agreement, dated March 9, 2012, by and between the Borrower and Unomedical
8. Distributor Agreement, dated March 6, 2012, by and between the Borrower and Fifty 50 Medical
9. Distribution Agreement, dated August 20, 2012, by and between the Borrower and Solara Medical Supplies
10. Distribution Agreement, dated August 30, 2012, by and between the Borrower and Edwards Healthcare Services
11. Distribution Agreement, dated September 5, 2012, by and between the Borrower and Byram Healthcare Centers
12. Distribution Agreement, dated September 12, 2012, by and between the Borrower and RGH
13. Distribution Agreement, dated September 21, 2012, by and between the Borrower and Diabetes Supply Center of the Midlands
14. Distribution Agreement, dated September 26, 2012, by and between the Borrower and Neighborhood Diabetes
15. Distribution Agreement, dated October 10, 2012, by and between the Borrower and Better Living Now Healthcare Centers
16. Distribution Agreement, dated October 29, 2012, by and between the Borrower and Pinnacle Medical Solutions
17. Distribution Agreement, dated October 31, 2012, by and between the Borrower and One Source Medical Group
18. Ancillary Provider Agreement, dated March 1, 2012, by and between the Borrower and 4Most Holdings LLC
19. Service Agreement, dated May 1, 2012, by and between the Borrower and Arkansas Managed Care Organization

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20. MPI Participating Ancillary Agreement, dated May 15, 2012, by and between the Borrower and MultiPlan, Inc
  21. Organizational Provider Agreement, dated July 17, 2012, by and between the Borrower and Commonwealth Health Corporation
  22. Provider Participation Agreement, dated August 15, 2012, by and between the Borrower and HealthOne Alliance
  23. National Ancillary Provider Agreement, dated August 31, 2012, by and between the Borrower and Evolutions Healthcare Systems
  24. Contracting Provider Agreement, dated September 13, 2012, by and between the Borrower and Blue Cross and Blue Shield of Kansas
  25. Provider Agreement, dated September 24, 2012, by and between the Borrower and CareCentrix, Inc – *Receipt of counter signature pending*
  26. Vendor Agreement, dated October 1, 2012, by and between the Borrower and HealthPartners – *Receipt of counter signature pending*
  27. PPO Provider Agreement, dated October 1, 2012, by and between the Borrower and Volusia Health Network
  28. Network Provider Durable Medical Equipment Contract, dated October 24, 2012, by and between the Borrower and HealthChoice Provider Network
  29. Entity Services Agreement, dated October 25, 2012, by and between the Borrower and Blue Cross Blue Shield of South Dakota Wellmark – *Receipt of counter signature pending*
  30. Entity Services Agreement, dated October 25, 2012, by and between the Borrower and Blue Cross Blue Shield of Iowa Wellmark – *Receipt of counter signature pending*
  31. Ancillary Provider Agreement, dated November 1, 2012, by and between the Borrower and Colorado Access
  32. Participating Provider Agreement, dated November 11, 2012, by and between the Borrower and National Preferred Provider Network, LLC, Plan Care America, LLC, and Ohio Preferred Provider Network, LLC
  33. Manufacturing Agreement, dated August 11, 2011, by and between the Borrower and SMS Technologies.
  34. Development and Commercialization Agreement, dated February 1, 2012, by and between the Borrower and DexCom, Inc.
  35. Promotion Agreement, dated February 28, 2012, by and between the Borrower and LifeScan, Inc.
  36. Confidential Intellectual Property Agreement, dated July 11, 2012, by and between the Borrower and Smiths Medical ASD, Inc., and U.S. Patent Assignment dated July 16, 2012.
  37. Agreement, dated October 5, 2012, by and between the Borrower and Armentum Partners
  38. Distribution Agreement, dated November 7, 2012, by and between the Borrower and JQ Medical
  39. Distribution Agreement, dated November 13, 2012, by and between the Borrower and Fifty-50 Medical
  40. Distribution Agreement, dated November 30, 2012, by and between the Borrower and Premier Kids Care
  41. Distribution Agreement, dated November 29, 2012, by and between the Borrower and Liberty Medical

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42. Distribution Agreement, dated December 6, 2012, by and between the Borrower and CCS Medical
  43. Letter of Intent, dated June 23, 2011, by and between the Borrower and the Juvenile Diabetes Research Foundation
  44. Research, Development and Commercialization Agreement, dated January 2, 2013, *pending execution*, by and between the Borrower and the Juvenile Diabetes Research Foundation
  45. Letter of Intent, dated April 12, 2012, by and between the Borrower and JSI Logistics, Inc.

**RESTRICTIVE AGREEMENTS**

1. Loan and Security Agreement, dated March 13, 2012, by and between the Borrower and Silicon Valley Bank, as amended by the Forbearance and First Amendment to Loan and Security Agreement, dated June 4, 2012 by and between the Borrower and Silicon Valley Bank and the Forbearance and Second Amendment to Loan and Security Agreement, dated July 20, 2012 by and between the Borrower and Silicon Valley Bank.

**REAL PROPERTY**

- 1.** Lease Agreement, dated March 7, 2012, by and between the Borrower and ARE 11025/11075 Roselle Street, LLC, as amended by that First Amendment to Lease Agreement, dated April 24, 2012, by and between the Borrower and ARE 11025/11075 Roselle Street, LLC, and that Second Amendment to Lease Agreement, dated July 31, 2012, by and between the Borrower and 11025/11075 Roselle Street, LLC.

PENSION MATTERS

1. Tandem Diabetes Care, Inc. 401(k) Plan
2. Tandem Diabetes Care Employee Handbook
3. Tandem Diabetes Care Travel and Expense Policies

[POST-CLOSING ITEMS]

1. Europe: rights in various European countries through the European Patent Organisation (for Patents) and the European Union (via the Community Trade Mark system for Trademarks).
2. Canada
3. China
4. Japan
5. Korea
6. Australia
7. Member states of the World Intellectual Property Organisation per international applications for Patents filed via the Patent Cooperation Treaty (PCT)]



**INVESTMENTS**

1. Silicon Valley Bank Asset Management account, where current total investment as of December 17, 2012 is \$32,975.27. Funds are currently invested in Permitted Cash Equivalent Investments (JP Morgan US Treasury Plus Money Market Fund with S&P rating AAAm and Moody's rating Aaa-mf), and the investment banking relationship is governed by Borrower's Investment Policy.

**TRANSACTIONS WITH AFFILIATES**

1. Third Amended and Restated Investors' Rights Agreement, dated August 30, 2012, by and among the Borrower and certain stockholders of Borrower named therein.

**PERMITTED SALES AND LEASEBACKS**

FORM OF GUARANTEE ASSUMPTION AGREEMENT

GUARANTEE ASSUMPTION AGREEMENT dated as of [DATE] by [NAME OF ADDITIONAL SUBSIDIARY GUARANTOR], a [corporation][limited liability company] (the “***Additional Subsidiary Guarantor***”), in favor of Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P., as Lenders (the “***Lenders***”) under that certain Term Loan Agreement, dated as of December 24, 2012 (as amended, restated, supplemented or otherwise modified, renewed, refinanced or replaced, the “***Loan Agreement***”), among Tandem Diabetes Care, Inc., a Delaware corporation (“***Borrower***”), the lenders party thereto and the Subsidiary Guarantors party thereto.

Pursuant to **Section 8.12(a)** of the Loan Agreement, the Additional Subsidiary Guarantor hereby agrees to become a “Subsidiary Guarantor” for all purposes of the Loan Agreement, and a “Grantor” for all purposes of the Security Agreement. Without limiting the foregoing, the Additional Subsidiary Guarantor hereby, jointly and severally with the other Subsidiary Guarantors, guarantees to the Lenders and their successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations (as defined in **Section 13.01** of the Loan Agreement) in the same manner and to the same extent as is provided in **Section 13** of the Loan Agreement. In addition, as of the date hereof, the Additional Subsidiary Guarantor hereby makes the representations and warranties set forth in **Sections 7.01, 7.02, 7.03, 7.05(a), 7.06(a), 7.06(b), 7.07, 7.08** and **7.18** of the Loan Agreement, and in **Section 2** of the Security Agreement, with respect to itself and its obligations under this Agreement and the other Loan Documents, as if each reference in such Sections to the Loan Documents included reference to this Agreement, such representations and warranties to be made as of the date hereof.

The Additional Subsidiary Guarantor hereby instructs its counsel to deliver the opinions referred to in **Section 8.12(a)** of the Loan Agreement to the Lenders.

IN WITNESS WHEREOF, the Additional Subsidiary Guarantor has caused this Guarantee Assumption Agreement to be duly executed and delivered as of the day and year first above written.

[ADDITIONAL SUBSIDIARY GUARANTOR]

By \_\_\_\_\_  
Name:  
Title:

Exhibit A-1

FORM OF NOTICE OF BORROWING

Date : [                      ]

To: Capital Royalty Partners II L.P. and the other Lenders  
1000 Main Street, Suite 2500  
Houston, TX 77002  
Attn: General Counsel

***Re: Borrowing under Term Loan Agreement***

Ladies and Gentlemen:

The undersigned, Tandem Diabetes Care, Inc., a Delaware corporation (“***Borrower***”), refers to the Term Loan Agreement, dated as of December 24, 2012 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “***Loan Agreement***”), among Borrower, Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P., and other parties from time to time party thereto as lenders (“***Lenders***”), and the subsidiary guarantors from time to time party thereto. The terms defined in the Loan Agreement are herein used as therein defined.

Borrower hereby gives you notice irrevocably, pursuant to **Section 2.02** of the Loan Agreement, of the borrowing of the Loan specified herein:

1. The proposed Borrowing Date is [                      ].
2. The amount of the proposed Borrowing is \$[              ].
3. The payment instructions with respect to the funds to be made available to the Borrower are as follows:

Bank name: [                      ]  
Bank Address: [                      ]  
Routing Number: [                      ]  
Account Number: [                      ]  
Swift Code: [                      ]

The Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed borrowing of the Loan, before and after giving effect thereto and to the application of the proceeds therefrom:

a) the representations and warranties made by the Borrower in **Section 7** of the Loan Agreement shall be true on and as of the Borrowing Date and immediately after giving effect to the application of the proceeds of the Borrowing with the same force and effect as if made on and as of such date except that the representation regarding representations and warranties that refer to a specific earlier date shall be that they were true on such earlier date;

Exhibit B-1

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b) on and as of the Borrowing Date, there shall have occurred no Material Adverse Change since [ ]; and

c) no Default exists or would result from such proposed borrowing.

Exhibit B-2

IN WITNESS WHEREOF, the Borrower has caused this Notice of Borrowing to be duly executed and delivered as of the day and year first above written.

BORROWER:

**TANDEM DIABETES CARE, INC.**

By \_\_\_\_\_  
Name:  
Title:

FORM OF TERM LOAN NOTE

U.S. \$[     ]

[DATE]

FOR VALUE RECEIVED, the undersigned, Tandem Diabetes Care, Inc., a Delaware corporation (“**Borrower**”), hereby promises to pay to [Capital Royalty Partners II L.P./ Capital Royalty Partners II – Parallel Fund “A” L.P.] or its assigns (the “**Lender**”) at the Lender’s principal office in [                      ], in immediately available funds, the aggregate principal sum set forth above, or, if less, the aggregate unpaid principal amount of all Loans made by the Lender pursuant to **Section 2.01** of the Term Loan Agreement, dated as of December 24, 2012 (as amended, restated, supplemented or otherwise modified, renewed, refinanced or replaced, the “**Loan Agreement**”), among the Borrower, the Lender, the other lenders party thereto and the Subsidiary Guarantors party thereto, on the date or dates specified in the Loan Agreement, together with interest on the principal amount of such Loans from time to time outstanding thereunder at the rates, and payable in the manner and on the dates, specified in the Loan Agreement.

This Note is a Note issued pursuant to the terms of **Section 2.04** of the Loan Agreement, and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Loan Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Loan Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION; *PROVIDED THAT* SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY.

THIS NOTE IS SUBJECT TO THE TERMS OF THE INTERCREDITOR AGREEMENT, DATED AS OF                      , AMONG CAPITAL ROYALTY PARTNERS II L.P., CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” L.P., AND SILICON VALLEY BANK.

The Borrower hereby waives demand, presentment, protest or notice of any kind hereunder, other than notices provided for in the Loan Documents. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in such particular or any subsequent instance.

THIS NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE LOAN AGREEMENT.

Exhibit C-1



By \_\_\_\_\_  
Name:  
Title:

FORM OF PIK LOAN NOTE

U.S. \$[       ] [DATE]

FOR VALUE RECEIVED, the undersigned, Tandem Diabetes Care, Inc. (“**Borrower**”), hereby promises to pay to [Capital Royalty Partners II L.P./ Capital Royalty Partners II – Parallel Fund “A” L.P.] or its assigns (the “**Lender**”) at the Lender’s principal office in [       ], in immediately available funds, the aggregate principal sum set forth above, or, if less, the aggregate unpaid principal amount of all PIK Loans made by the Lender pursuant to **Section 3.02(d)** of the Term Loan Agreement, dated as of December 24, 2012 (as amended, restated, supplemented or otherwise modified, renewed, refinanced or replaced, the “**Loan Agreement**”), among the Borrower, the Lender, the other lenders party thereto and the Subsidiary Guarantors party thereto, on the date or dates specified in the Loan Agreement, together with interest on the principal amount of such PIK Loans from time to time outstanding thereunder at the rates, and payable in the manner and on the dates, specified in the Loan Agreement.

This Note is a Note issued pursuant to the terms of **Section 3.02(d)** of the Loan Agreement, and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Loan Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Loan Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION; *PROVIDED THAT* SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY.

THIS NOTE IS SUBJECT TO THE TERMS OF THE INTERCREDITOR AGREEMENT, DATED AS OF       , AMONG CAPITAL ROYALTY PARTNERS II L.P., CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” L.P., AND SILICON VALLEY BANK.

The Borrower hereby waives demand, presentment, protest or notice of any kind hereunder, other than notices provided for in the Loan Documents. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in such particular or any subsequent instance.

THIS NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE LOAN AGREEMENT.

Exhibit C-2

By \_\_\_\_\_  
Name:  
Title:

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

Reference is made to the Term Loan Agreement, dated as of December 24, 2012 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “**Loan Agreement**”), among Tandem Diabetes Care, Inc., a Delaware corporation (“**Borrower**”), Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P., and other parties from time to time party thereto as lenders (“**Lenders**”), and the subsidiary guarantors from time to time party thereto. [ ] (the “**Foreign Lender**”) is providing this certificate pursuant to **Section 5.05(e)(ii)(B)** of the Loan Agreement. The Foreign Lender hereby represents and warrants that:

1. The Foreign Lender is the sole record owner of the Loans as well as any obligations evidenced by any Note(s) in respect of which it is providing this certificate;

2. The Foreign Lender’s direct or indirect partners/members are the sole beneficial owners of the Loans as well as any obligations evidenced by any Note(s) in respect of which it is providing this certificate;

3. Neither the Foreign Lender nor its direct or indirect partners/members is a “bank” for purposes of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the “**Code**”). In this regard, the Foreign Lender further represents and warrants that:

(a) neither the Foreign Lender nor its direct or indirect partners/members is subject to regulatory or other legal requirements as a bank in any jurisdiction; and

(b) neither the Foreign Lender nor its direct or indirect partners/members has been treated as a bank for purposes of any tax, securities law or other filing or submission made to any Governmental Authority, any application made to a rating agency or qualification for any exemption from tax, securities law or other legal requirements;

3. Neither the Foreign Lender nor its direct or indirect partners/members is a 10-percent shareholder of Borrower within the meaning of Section 881(c)(3)(B) of the Code; and

4. Neither the Foreign Lender nor its direct or indirect partners/members is a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Code.

[Signature follows]

Exhibit D-1

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered as of the date indicated below.

[NAME OF NON-U.S. LENDER]

By \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_

FORM OF COMPLIANCE CERTIFICATE

[DATE]

This certificate is delivered pursuant to **Section 8.01(c)** of, and in connection with the consummation of the transactions contemplated in, the Term Loan Agreement, dated as of December 24, 2012 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “**Loan Agreement**”), among Tandem Diabetes Care, Inc., a Delaware corporation (“**Borrower**”), Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” L.P., and other parties from time to time party thereto as lenders (“**Lenders**”), and the subsidiary guarantors from time to time party thereto. Capitalized terms used herein and not otherwise defined herein are used herein as defined in the Loan Agreement.

The undersigned, a duly authorized Responsible Officer of Borrower having the name and title set forth below under his signature, hereby certifies, on behalf of the Borrower for the benefit of the Lenders and pursuant to **Section 8.01(c)** of the Loan Agreement that such Responsible Officer of the Borrower is familiar with the Loan Agreement and that, in accordance with each of the following sections of the Loan Agreement, each of the following is true on the date hereof, both before and after giving effect to any Loan to be made on or before the date hereof:

In accordance with Section **8.01(a)(b)** of the Loan Agreement, attached hereto as **Annex A** are the financial statements for the [fiscal quarter/fiscal year] ended [ ] required to be delivered pursuant to **Section 8.01(a)(b)** of the Loan Agreement. Such financial statements fairly present in all material respects the consolidated financial position, results of operations and cash flow of the Borrower and its Subsidiaries as at the dates indicated therein and for the periods indicated therein in accordance with GAAP [(subject to the absence of footnote disclosure and normal year-end audit adjustments)]<sup>2</sup> [and subject to Internal Management Reporting Basis]<sup>3</sup> [without qualification as to the scope of the audit.]<sup>4</sup>

Attached hereto as **Annex B** are the calculations used to determine compliance with each financial covenant contained in **Section 10** of the Loan Agreement.

No Default is continuing as of the date hereof[, except as provided for on **Annex C** attached hereto, with respect to each of which Borrower proposes to take the actions set forth on **Annex C**].

IN WITNESS WHEREOF, the undersigned has executed this certificate on the date first written above.

<sup>2</sup> Insert language in brackets only for quarterly certifications.

<sup>3</sup> Insert language in brackets only for certifications for fiscal year 2013.

<sup>4</sup> Insert language in brackets only for annual certifications.

By \_\_\_\_\_  
Name:  
Title:

FINANCIAL STATEMENTS

[see attached]

Exhibit E-3



## CALCULATIONS OF FINANCIAL COVENANT COMPLIANCE

<b>I.</b>	<b>Section 10.01(a)(i)-(iv): Minimum Revenue</b>	
A.	Revenue received during the twelve month period beginning on January 1, 2013:	\$
	Test Period: January 1, 2013 to December 31, 2013	
	<i>Is line I.A equal to or greater than \$25,000,000?</i>	<i>Yes: In compliance; No: Not in compliance</i>
B.	Revenue received during the twelve month period beginning on January 1, 2014:	\$
	Test Period: January 1, 2014 to December 31, 2014	
	<i>Is line I.B equal to or greater than \$50,000,000?</i>	<i>Yes: In compliance; No: Not in compliance</i>
C.	Revenue received during the twelve month period beginning on January 1, 2015:	\$
	Test Period: January 1, 2015 to December 31, 2015	
	<i>Is line I.C equal to or greater than \$75,000,000?</i>	<i>Yes: In compliance; No: Not in compliance</i>
D.	Revenue received during the twelve month period beginning on January 1, 2016:	\$
	Test Period: January 1, 2016 to December 31, 2016	
	<i>Is line I.D equal to or greater than \$100,000,000?</i>	<i>Yes: In compliance; No: Not in compliance</i>
E.	Revenue received during the twelve month period beginning on January 1, 201	\$
	Test Period: January 1, 201 to December 31, 201	
	<i>Is line I.E equal to or greater than \$100,000,000?</i>	<i>Yes: In compliance; No: Not in compliance</i>
<b>II</b>	<b>Section 10.03: Minimum Cash</b>	
A.	Minimum daily balance of cash and Permitted Cash Equivalent Investments during the Test Period stated below:	\$
	Test Period <sup>5</sup> : [January/April/July/October] to [March/June/September/December]	
	<i>Is line II.A equal to or greater than \$2,000,000?</i>	<i>Yes: In compliance; No: Not in compliance</i>

<sup>5</sup> Quarterly test

**OPINION REQUEST**

The opinion of legal counsel to the Borrower and each other Obligor should address the following matters (capitalized terms used but not defined herein have the meanings given to them in the Agreement):<sup>6</sup>

1. Power and Authority (Section 7.01) (including issuance of the Warrants)
2. Due Organization/Good Standing (Section 7.01)
3. Due Authorization (Section 7.02)
4. Due Execution & Delivery (Section 7.02)
5. Enforceability (Section 7.02)
6. No Consents/Conflicts (Section 7.03)
7. Investment Company (Section 7.10(a))<sup>7</sup>
8. Board Regulations T, U & X (Section 7.10(b))
9. Legal, Valid and Enforceable Security Interest (Section 7.18)
10. Perfection of Security Interest (UCC and US IP filings, Control Agreements) (Section 7.18)
11. Choice of Law (Sections 12.09 and 12.10)
12. Securities Filings relating to the Warrants (Form D/California Section 25102(f) filing)
13. Due Authorization and Valid Issuance of Common Stock upon Conversion of Warrants

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<sup>6</sup> The section numbers relate to those sections that are relevant to the particular opinion.

<sup>7</sup> Subject to due diligence by Borrower's counsel.

FORM OF LANDLORD CONSENT

**LANDLORD CONSENT**

WHEREAS, CAPITAL ROYALTY PARTNERS II L.P., as Collateral Agent (“**CRPII**”, and in such capacity, “**Collateral Agent**”) and the lenders party thereto from time to time including PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P., each in its capacity as a Lender (“each a “**Lender**” and collectively, the “**Lenders**”), have entered into a term loan agreement (the “**Loan Agreement**”) and a security agreement, each dated as of December 24, 2012, with TANDEM DIABETES CARE, INC. (“**Debtor**”), pursuant to which Lenders have been granted a security interest in all of Debtor’s personal property, including, but not limited to, inventory, equipment and trade fixtures (hereinafter “**Personal Property**”), and

WHEREAS, ARE-11025/11075 ROSELLE STREET, LLC (“**Landlord**”) is the owner of the real property located at 11025, 11035, and 11045 Roselle Street, San Diego, CA 92121 (the “**Premises**”); and

WHEREAS, Landlord has entered into that certain Lease Agreement dated March 7, 2012 with Debtor, as tenant (“**Tenant**”), as amended by that First Amendment to the Lease (the “**First Amendment**”) dated April 24, 2012, as further amended by that Second Amendment to Lease (the “**Second Amendment**”) dated July 31, 2012 (collectively, the “**Lease**”); and

WHEREAS, as security for the loans (the “**Loans**”) made pursuant to the Loan Agreement, Debtor executed a leasehold deed of trust (“**Leasehold Deed of Trust**”), dated December 24, 2012, for the benefit of the Lenders, granting a security interest in Debtor’s leasehold interest in the Lease; and

WHEREAS, certain of the Personal Property has or may become affixed to or be located on, wholly or in part, the Premises.

NOW, THEREFORE, in consideration of any loans or other financial accommodation extended by Lenders to Debtor at any time, and other good and valuable consideration, the parties agree as follows:

(a) Landlord consents to the Collateral Access Agreement.

(b) Landlord subordinates to Lenders all rights of security interest or other interest Landlord may now or hereafter have in any of the Personal Property whether for rent or otherwise while Debtor is indebted to Lenders.

(c) That the Personal Property may be installed in or located on the Premises and is not and shall not be deemed a fixture or part of the real estate and shall at all times be considered personal property.

(d) That Collateral Agent or its representatives may enter upon the Premises during normal business hours, and upon not less than 24-hours advance notice, to inspect the Personal Property.

(e) That Collateral Agent, at its option, upon written notice delivered to Landlord not less than ten (10) business days in advance, may enter the Premises during normal business hours for the purpose of repossessing, removing or otherwise dealing with said Personal Property; provided that neither Collateral Agent nor Lenders shall be permitted to operate the business of Debtor on the Premises or sell, auction or otherwise dispose of any Personal Property at the Premises or advertise any of the foregoing; and such license shall continue, subject to paragraph (h) below, from the date Collateral Agent enters the Premises for as long as Collateral Agent reasonably deems necessary but not to exceed a period of ten (10) days. During the period Collateral Agent occupies the Premises, it shall pay to Landlord the Rent and Additional Rent provided under the Lease relating to the Premises, prorated on a per diem basis to be determined on a thirty (30) day month, without incurring any other obligations of Debtor.

(f) Collateral Agent shall pay to Landlord any costs for damage to the Premises or the building in which the Premises is located in removing or otherwise dealing with said Personal Property and shall indemnify and hold harmless Landlord from and against (i) all claims, disputes and expenses, including reasonable attorneys' fees, suffered or incurred by Landlord arising from Collateral Agent's exercise of any of its rights hereunder, and (ii) any injury to third persons, caused by actions of Collateral Agent pursuant to this consent.

(g) Landlord agrees to give notice to Collateral Agent in writing by certified mail or facsimile of Landlord's intent to exercise its remedies in response to any default by Debtor of any of the provisions of the Lease, to:

Capital Royalty Partners II L.P.  
1000 Main Street, Suite 2500  
Houston, TX 77002  
Attention: General Counsel  
Fax: 713.209.7351

(h) If Landlord acquires possession of the Premises after a default by Debtor, it may require that the Personal Property be removed by Collateral Agent within sixty (60) days following written notice in accordance with paragraph (g) above. If the Lease has expired by its own terms (absent a default thereunder), Collateral Agent shall remove the Personal Property prior to the expiration date of the Lease by its terms.

(i) If Collateral Agent fails to exercise its right to remove the Personal Property strictly in accordance with the requirements and conditions of this consent, Landlord may proceed with any remedies available to it by reason of Debtor's default under the Lease and may remove all Personal Property from the Premises and dispose of same, without regard to this consent or Collateral Agent's security interest in the Personal Property.

Exhibit G-2

(j) Landlord shall have no obligation to preserve or protect the Personal Property or take any action in connection therewith, and Lenders waive all claims they may now or hereafter have against Landlord in connection with the Personal Property.

(k) Upon payment and performance of all indebtedness secured by the Personal Property to Lenders, Lenders shall, upon Landlord's or Debtor's request, execute and/or file any release or termination statement reasonably necessary to evidence Lenders' release of the subordination herein provided by it. In no event shall this consent remain in force or effect after the date that the Lease is terminated or expires.

(l) Nothing contained herein shall be construed to amend the Lease, and the Lease remains unchanged and in full force and effect.

This consent shall be construed and interpreted in accordance with and governed by the laws of the State of California.

Exhibit G-3

This consent may not be changed or terminated orally and is binding upon and shall inure to the benefit of Landlord, Collateral Agent, Lenders and Debtor and the heirs, personal representatives, successors and assigns of Landlord, Collateral Agent, Lenders and Debtor.

[Signature Page follows]

Exhibit G-4

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

LANDLORD:

ARE-11025/11075 ROSELLE STREET, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LENDERS:

CAPITAL ROYALTY PARTNERS II L.P.

By CAPITAL ROYALTY PARTNERS II GP L.P., its  
General Partner

By CAPITAL ROYALTY PARTNERS II GP  
LLC, its General Partner

By \_\_\_\_\_  
Name: Charles Tate  
Title: Sole Member

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A”  
L.P.

By CAPITAL ROYALTY PARTNERS II –  
PARALLEL FUND “A” GP L.P., its General Partner

By CAPITAL ROYALTY PARTNERS II –  
PARALLEL FUND “A” GP LLC, its General Partner

By \_\_\_\_\_  
Name: Charles Tate  
Title: Sole Member



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TANDEM DIABETES CARE, INC.

By: \_\_\_\_\_

Name: Kim Blickenstaff

Title: President and Chief Executive Officer

Exhibit G-7

FORM OF WARRANT

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

**Company:** TANDEM DIABETES CARE, INC.  
2% of common stock as of First Draw Date on a  
**Number of Shares:** fully diluted basis, 455,487 delivered Pro Rata  
between the two Lenders  
**Series of Stock:** Common Stock  
**Warrant Price:** \$0.01 per share  
**Issue Date:** January 16, 2012  
**Expiration Date:** January 16, 2022  
**Credit Facility:** This Warrant to Purchase Stock (“Warrant”) is issued in connection with that certain Term Loan Agreement of even date herewith between the Company, as borrower, and Capital Royalty Partners II L.P. and Capital Royalty Partners II – Parallel Fund “A” GP L.P., as lenders (the “Loan Agreement”).

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, [CAPITAL ROYALTY PARTNERS II L.P. / CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” GP L.P.] (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 Common Stock (the “Stock”) of the above-named company (the “Company”) at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time 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**"), 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 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, Marketable Securities or otherwise (an “**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 Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated 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 Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the 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 of the date thereof.

(d) 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 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 Third Amended and Restated Voting Agreement, dated as of August 30, 2012, 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 Stock 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 Stock 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 Stock 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 Stock 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 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.

2.4 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Stock 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, Stock 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, Stock and number of Shares in effect upon the date of such adjustment.

### **SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.**

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

(a) 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 Stock as will be sufficient to permit the exercise in full of this Warrant.

(b) Any shares of Common Stock of the Company issuable or issued upon exercise of this Warrant shall be deemed to be "Registrable Securities" for the purposes of the Third Amended and Restated Investors' Rights Agreement, dated August 30, 2012, 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 Third Amended and Restated Voting Agreement, dated August 30, 2012, by and among the Company and the other parties thereto, as amended.

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

### **SECTION 4. REPRESENTATIONS AND 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 Third Amended and Restated Investors’ Rights Agreement, dated as of August 30, 2012, 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.

Exhibit H-6

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 [CAPITAL ROYALTY PARTNERS II L.P. / CAPITAL ROYALTY PARTNERS II – PARALLEL FUND “A” GP L.P.] DATED JANUARY 16, 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 any 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. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, 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) may be transferred to any transferee, provided, however, in connection with any such transfer, 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 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

Exhibit H-7



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:

[Capital Royalty Partners II L.P. / Capital Royalty Partners II – Parallel  
Fund “A” GP L.P.]  
Attn: General Counsel  
1000 Main Street, Suite 2500  
Houston, Texas 77002  
Telephone: (713) 209-7350  
Facsimile: (713) 209-7351  
Email address: adorenbaum@capitalroyal.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,  
San Diego, California 92121  
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) 725-4123  
Facsimile: (949) 725-4100  
Email: feuchter@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.

Exhibit H-8

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 commercial banks in New York are authorized or required to be closed.

*[Balance of Page Intentionally Left Blank]*

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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:

Name:  
(Print)

Title:

“HOLDER”

[CAPITAL ROYALTY PARTNERS II  
L.P. / CAPITAL ROYALTY  
PARTNERS II – PARALLEL FUND  
“A” GP L.P.]

By:

Name:  
(Print)

Title:

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right to purchase \_\_\_\_\_ shares of the Common 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: \_\_\_\_\_

FORM OF INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT

This Intercreditor Agreement (this “**Agreement**”) is made as of \_\_\_\_\_, 2012, among Capital Royalty Partners II L.P., a Delaware limited partnership (“**CRII**”), and Capital Royalty Partners II — Parallel Fund “A” L.P., a Delaware limited partnership (“**CRPPF**” and, collectively with CRII, and their successors and assignees, “**CR**”), and Silicon Valley Bank, a California corporation (“**SVB**”).

RECITALS

- A. SVB and Tandem Diabetes Care, Inc., a Delaware corporation (“**Borrower**”), have entered into the SVB Credit Agreement (as defined below), which, along with any Bank Services Agreements (as defined therein) is secured by certain property of Borrower.
- B. CR and Borrower has entered into that certain Term Loan Agreement, dated as of December 24, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the “**CR Credit Agreement**”), which is secured by certain property of one or more Obligor (as defined below).
- C. To induce each of SVB and CR (collectively, “**Creditors**” and each individually, a “**Creditor**”) to make and maintain the credit extensions under the SVB Credit Agreement and the CR Credit Agreement, respectively, the other Creditor is willing to enter into this Agreement to, among other things, subordinate certain of its liens on the terms and conditions herein set forth.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions.**

(a) As used herein, the following terms have the following meanings:

“**Bankruptcy Code**” means the federal bankruptcy law of the United States as from time to time in effect, currently as Title 11 of the United States Code. Section references to current sections of the Bankruptcy Code shall refer to comparable sections of any revised version thereof if section numbering is changed.

“**Claim**” means, (i) in the case of SVB, any and all present and future “claims” (used in its broadest sense, as contemplated by and defined in Section 101(5) of the Bankruptcy Code, but without regard to whether such claim would be disallowed under the Bankruptcy Code) of SVB now or hereafter arising or existing under or relating to the SVB Documents, whether joint, several, or joint and several, whether fixed or indeterminate, due or not yet due, contingent or non-contingent, matured or unmatured, liquidated or unliquidated, or disputed or undisputed,

whether under a guaranty or a letter of credit, and whether arising under contract, in tort, by law, or otherwise, any interest or fees thereon (including interest or fees that accrue after the filing of a petition by or against Borrower under the Bankruptcy Code, irrespective of whether allowable under the Bankruptcy Code), any costs of Enforcement Actions, including reasonable attorneys' fees and costs, and any prepayment or termination, and (ii) in the case of CR, any and all present and future "claims" (used in its broadest sense, as contemplated by and defined in Section 101(5) of the Bankruptcy Code, but without regard to whether such claim would be disallowed under the Bankruptcy Code) of CR now or hereafter arising or existing under or relating to the CR Documents, whether joint, several, or joint and several, whether fixed or indeterminate, due or not yet due, contingent or non-contingent, matured or unmatured, liquidated or unliquidated, or disputed or undisputed, whether under a guaranty or a letter of credit, and whether arising under contract, in tort, by law, or otherwise, any interest or fees thereon (including interest or fees that accrue after the filing of a petition by or against Borrower under the Bankruptcy Code, irrespective of whether allowable under the Bankruptcy Code), any costs of Enforcement Actions, including reasonable attorneys' fees and costs, and any prepayment or termination.

**"Collateral"** means all real or personal property of any Obligor in which any Creditor now or hereafter has a security interest.

**"Common Collateral"** means all Collateral in which both SVB and CR have a security interest.

**"CR Documents"** means all documentation related to the CR Credit Agreement and all Loan Documents (as defined in the CR Credit Agreement), including security or pledge agreements and all other related agreements.

**"CR Senior Collateral"** means all Collateral in which CR has a security interest, other than the SVB Senior Collateral.

**"Credit Documents"** means, collectively, the CR Documents and the SVB Documents.

**"Enforcement Action"** means, with respect to any Creditor and with respect to any Claim of such Creditor or any item of Collateral in which such Creditor has or claims a security interest, lien, or right of offset, any action, whether judicial or nonjudicial, to repossess, collect, offset, recoup, give notification to third parties with respect to, sell, dispose of, foreclose upon, give notice of sale, disposition, or foreclosure with respect to, or obtain equitable or injunctive relief with respect to, such Claim or Collateral. The filing by any Creditor of, or the joining in the filing by any Creditor of, an involuntary bankruptcy or insolvency proceeding against Borrower also is an Enforcement Action.

**"Intellectual Property"** means, collectively, all copyrights, copyright registrations and applications for copyright registrations, including all renewals and extensions thereof, all rights to recover for past, present or future infringements thereof and all other rights whatsoever accruing thereunder or pertaining thereto (collectively, **"Copyrights"**), all patents and patent applications, including the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations in part thereof, all damages and payments for past or future infringements thereof and rights to sue therefor, and

all rights corresponding thereto throughout the world and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect thereto (collectively, “**Patents**”), and all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including all renewals of trademark and service mark registrations, all rights to recover for all past, present and future infringements thereof and all rights to sue therefor, and all rights corresponding thereto throughout the world (collectively, “**Trademarks**”), together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to any Obligor with respect to any of the foregoing, in each case whether now or hereafter owned or used; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (d) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (e) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by any Obligor; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by any Obligor in respect of any of the items listed above.

“**Junior Collateral**” means, (i) in the case of SVB, all Common Collateral consisting of CR Senior Collateral and (ii) in the case of CR, all Common Collateral consisting of SVB Senior Collateral.

“**Obligor**” means Borrower, each subsidiary thereof and each other person or entity that provides a guaranty of or collateral for, any Claim of any Creditor.

“**Proceeds Sweep Period**” means the period beginning on the later to occur of (i) the occurrence of an event of default under any Creditor’s Credit Documents and (ii) receipt by the other Creditor of written notice from such Creditor of such event of default, and ending on the date on which such event of default shall have been waived in writing by the Creditor issuing such notice.

“**Senior Collateral**” means, (i) in the case of SVB, all SVB Senior Collateral and (ii) in the case of CR, all CR Senior Collateral.

“**SVB Credit Agreement**” means that certain Amended and Restated Loan and Security Agreement between SVB and Borrower dated as of December 24, 2012 as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**SVB Documents**” means the SVB Credit Agreement and all Loan Documents, each as defined in the SVB Credit Agreement.

“**SVB Senior Collateral**” means all Collateral in which SVB has a security interest, and which consists of: (A) prior to the occurrence of the Second Borrowing Milestone (as defined in the CR Credit Agreement), all (i) accounts, (ii) to the extent evidencing, governing, securing or otherwise related to such accounts, all general intangibles (excluding Intellectual Property), chattel paper, instruments and documents, and (iii) proceeds of such accounts or proceeds of insurance policies thereof; and (B) after the occurrence of the Second Borrowing Milestone (as defined in the CR Credit Agreement as in effect on the date hereof) and the amendment of the SVB Credit Agreement by SVB and Borrower thereafter, all (i) cash and cash equivalents, (ii) accounts, (iii) inventory, (iv) to the extent evidencing, governing, securing or otherwise related to such accounts and inventory, all general intangibles (excluding Intellectual Property), chattel paper, instruments and documents, and (v) proceeds of such accounts and inventory or proceeds of insurance policies thereof;

*provided that*, for purposes of clarification, notwithstanding the foregoing, in no event shall “SVB Senior Collateral” include (i) any right, title or interest of any Obligor in any Intellectual Property, any licenses or any proceeds of the sale or licensing of any Intellectual Property or licenses (except to the extent such property constitutes accounts), (ii) equipment, (iii) to the extent evidencing, governing, securing or otherwise related to such equipment, all general intangibles, chattel paper, instruments and documents, or (iv) proceeds of such equipment or proceeds of insurance policies thereof.

“**UCC**” means the Uniform Commercial Code of any applicable jurisdiction and, if the applicable jurisdiction shall not have any Uniform Commercial Code, the Uniform Commercial Code as in effect in the State of California. The following terms have the meanings given to them in the applicable UCC: “account”, “chattel paper”, “commodity account”, “deposit account”, “document”, “equipment”, “general intangible”, “instrument”, “inventory”, “proceeds” and “securities account”.

## **2. Lien Subordination.**

(a) Notwithstanding the respective dates of attachment or perfection of the security interests of CR and the security interests of SVB, or any contrary provision of the UCC, or any applicable law or decision, or the provisions of the Credit Documents, and irrespective of whether SVB or CR holds possession of all or any part of the Collateral, (i) all now existing and hereafter arising security interests of SVB in any SVB Senior Collateral shall at all times be senior to the security interests of CR in such SVB Senior Collateral, and (ii) all now existing and hereafter arising security interests of CR in any CR Senior Collateral shall at all times be senior to the security interests of SVB in such CR Senior Collateral.

(b) Each Creditor hereby:

(i) acknowledges and consents to (A) Borrower granting to the other Creditor a security interest in the Common Collateral of such other Creditor, (B) the other Creditor filing any and all financing statements and other documents as deemed necessary by the other Creditor in order to perfect its security interest in its Common Collateral, and (C) Borrower’s entry into the Credit Documents to which the other Creditor is a party;



(ii) acknowledges and agrees that the other Creditor's Claims, the Borrower's entry into the Credit Documents with the other Creditor, and the security interests in the Common Collateral granted by Borrower to the other Creditor shall be permitted under such Creditor's Credit Documents, notwithstanding any provision of such Creditor's Credit Documents to the contrary; and

(iii) acknowledges, agrees and covenants, notwithstanding **Section 2(c)**, that it shall not contest, challenge or dispute the validity, attachment, perfection, priority or enforceability of the other Creditor's security interest in the Common Collateral, or the validity, priority or enforceability of the other Creditor's Claim.

(c) Subject to **Section 2(b)(iii)**, the priorities provided for herein with respect to security interests and liens are applicable only to the extent that such security interests and liens are enforceable, perfected and have not been avoided; if a security interest or lien is judicially determined to be unenforceable or unperfected or is judicially avoided with respect to one or more Claims or any part thereof, the priorities provided for herein shall not be available to such security interest or lien to the extent that it is avoided or determined to be unenforceable. Nothing in this **Section 2(c)** affects the operation of any turnover of payment provisions hereof, or of any other agreements among any of the parties hereto.

### 3. Distribution of Proceeds of Common Collateral.

(a) During each Proceeds Sweep Period, all proceeds including proceeds of any sale, exchange, collection, or other disposition of:

(i) SVB Senior Collateral shall be distributed first, to SVB, in an amount up to the amount of SVB's Claim; then, to CR, in an amount up to the amount of CR's Claim;

(ii) CR Senior Collateral shall be distributed first, to CR, in an amount up to the amount of CR's Claim; then, to SVB, in an amount up to the amount of SVB's Claim.

(b) Each Creditor shall promptly deliver any payment, distribution, security or proceeds received by it during each Proceeds Sweep Period in respect of its Junior Collateral to the other Creditor, in the form received (except for endorsement or assignment) for application to the other Creditor's Claims in accordance with Section 3(a).

(c) At all times other than during a Proceeds Sweep Period, all proceeds including proceeds of any sale, exchange, collection, or other disposition of Collateral shall be distributed or applied, as applicable, in accordance with the CR Documents and the SVB Documents.

4. **Subordination of Remedies.** Each Creditor (for purposes of this Section 4, the "**Junior Creditor**") agrees that, (i) unless and until all Claims of the other Creditor (for purposes of this **Section 4**, the "**Senior Creditor**") have been indefeasibly paid in full and all commitments of the Senior Creditor under its Credit Documents have been terminated, or (ii) until the expiration of a period of 180 days from the date of notice of default under the Senior Creditor's Credit Documents given by the Senior Creditor to the Junior Creditor, whichever is earlier, and whether or not any Insolvency Proceeding has been commenced by or against Borrower, the Junior Creditor shall not, without the prior written consent of the Senior Creditor, enforce, or attempt to

enforce, any rights or remedies under or with respect to any of such Junior Creditor's Junior Collateral, including causing or compelling the pledge or delivery of Junior Collateral, any attachment of levy upon, execution against, foreclosure upon or the taking of other action against or institution of other proceedings with respect to any Junior Collateral, notifying any account debtors of Borrower, asserting any claim or interest in any insurance with respect to the Junior Collateral, or exercising any rights under any lockbox agreement, account control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Junior Creditor is a party, or institute or commence, or join with any person or entity in commencing, any action or proceeding with respect to such rights or remedies (including any action of foreclosure, enforcement, collection or execution and any Insolvency Proceeding involving Borrower), except that notwithstanding the foregoing, at all times, including during a Proceeds Sweep Period, the Junior Creditor shall be able to exercise its rights under a lockbox agreement or an account control agreement with respect to any deposit account, securities account or commodity account constituting Collateral, including its rights to freeze such account or exercise any rights of offset, provided that any distribution or withdrawal from such account shall be applied in accordance with **Section 3(a)**.

**5. Insolvency Proceedings.** In the event of Borrower's insolvency, reorganization or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors, including, without limitation, any voluntary or involuntary bankruptcy, insolvency, receivership or other similar statutory or common law proceeding or arrangement involving Borrower, the readjustment of its liabilities, any assignment for the benefit of its creditors or any marshalling of its assets or liabilities (each, an **"Insolvency Proceeding"**), (a) this Agreement shall remain in full force and effect in accordance with Section 510(a) of the United States Bankruptcy Code, (b) the Collateral shall include, without limitation, all Collateral arising during or after any such Insolvency Proceeding.

**6. Limitation on Liens.** Each Creditor agrees that it shall not obtain a security interest on any property of any Obligor to secure all or any portion of such Creditor's Claims unless, concurrently therewith, the other Creditor obtains a security interest on such property and the Creditors agree that all such security interests are and shall be subject to this Agreement.

**7. Notice of Default.** Each Creditor shall give to the other prompt written notice of the occurrence of any default or event of default (which has not been promptly waived or cured) under any of such Creditor's Credit Documents (and any subsequent cure or waiver thereof) and shall, simultaneously with giving any notice of default or acceleration to Borrower, provide to the other Creditor a copy of such notice of default. CR acknowledges and agrees that any event of default under the CR Documents shall be deemed to be an event of default under the SVB Documents, and SVB acknowledges and agrees that any event of default under the SVB Documents shall be deemed to be an event of default under the CR Documents.

**8. Release of Liens.** In the event of any private or public sale or other disposition, by or with the consent of any Creditor (for purposes of this **Section 8**, the **"Senior Creditor"**), of all or any portion of such Creditor's Senior Collateral, the other Creditor (for purposes of this **Section 8**, the **"Junior Creditor"**) agrees that such sale or disposition shall be free and clear of such Junior Creditor's liens, provided that such sale or disposition is made in accordance with the UCC. The Junior Creditor agrees that, in connection with any such sale or other disposition,

(i) the Senior Creditor is authorized to file any and all UCC and other applicable lien releases and/or terminations in respect of the liens held by the Junior Creditor in connection with such a sale or other disposition, and (ii) it shall execute any and all lien releases or other documents reasonably requested by the Senior Creditor in connection therewith.

#### **9. Agent for Perfection.**

(a) SVB acknowledges that applicable provisions of the UCC may require, in order to properly perfect CR's security interest in the Common Collateral securing the CR Claims, that CR possess certain of such Common Collateral, and may require the execution of control agreements in favor of CR concerning such Common Collateral. In order to help ensure that CR's security interest in such Common Collateral is properly perfected (but subject to and without waiving the other provisions of this Agreement), SVB agrees to hold both for itself and, solely for the purposes of perfection and without incurring any duties or obligations to CR as a result thereof or with respect thereto, for the benefit of CR, any such Common Collateral, and agrees that CR's lien in such Common Collateral shall be deemed perfected in accordance with applicable law.

(b) CR acknowledges that applicable provisions of the UCC may require, in order to properly perfect SVB's security interest in the Common Collateral securing the SVB Claims, that SVB possess certain of such Common Collateral, and may require the execution of control agreements in favor of SVB concerning such Common Collateral. In order to help ensure that SVB's security interest in such Common Collateral is properly perfected (but subject to and without waiving the other provisions of this Agreement), CR agrees to hold both for itself and, solely for the purposes of perfection and without incurring any additional duties or obligations to SVB as a result thereof or with respect thereto, for the benefit of SVB, any such Common Collateral, and agrees that SVB's lien in such Common Collateral shall be deemed perfected in accordance with applicable law.

#### **10. Credit Documents.**

(a) Each Creditor represents and warrants that it has provided to the other true, correct and complete copies of all Credit Documents which relate to its credit agreement.

(b) At any time and from time to time, without notice to the other Creditor, each Creditor may take such actions with respect to its Claims as such Creditor, in its sole discretion, may deem appropriate, including, without limitation, terminating advances to Borrower, increasing the principal amount, extending the time of payment, increasing applicable interest to the default rate, renewing, compromising or otherwise amending the terms of any documents affecting its Claims and any Collateral therefor, and enforcing or failing to enforce any rights against Borrower or any other person. No such action or inaction shall impair or otherwise affect such Creditor's rights hereunder. Each Creditor waives any benefits of California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433. Each Creditor waives the benefits, if any, of any statutory or common law rule that may permit a subordinating creditor to assert any defenses of a surety or guarantor, or that may give the subordinating creditor the right to require a senior creditor to marshal assets, and each Creditor agrees that it shall not assert any such defenses or rights.

(c) Each Creditor agrees that any other Creditor may release or refrain from enforcing its security interest in the Collateral, or permit the use or consumption of such Collateral by Borrower free of the other Creditor's security interest, without incurring any liability to any other Creditor.

**11. Waiver of Right to Require Marshaling.** Each Creditor hereby expressly waives any right that it otherwise might have to require any other Creditor to marshal assets or to resort to Collateral in any particular order or manner, whether provided for by common law or statute. No Creditor shall be required to enforce any guaranty or any security interest or lien given by any person or entity as a condition precedent or concurrent to the taking of any Enforcement Action with respect to the Collateral.

**12. Representations and Warranties.** Each Creditor represents and warrants to the other that:

(a) all action on the part of such Creditor, its officers, directors, partners, members and shareholders, as applicable, necessary for the authorization of this Agreement and the performance of all obligations of such Creditor hereunder has been taken;

(b) this Agreement constitutes the legal, valid and binding obligation of such Creditor, enforceable against such Creditor in accordance with its terms;

(c) the execution, delivery and performance of and compliance with this Agreement by such Creditor will not (i) result in any material violation or default of any term of any of such Creditor's charter, formation or other organizational documents (such as Articles or Certificate of Incorporation, bylaws, partnership agreement, operating agreement, etc.) or (ii) violate any material applicable law, rule or regulation.

**13. Disgorgement.**

(a) If, at any time after payment in full of the SVB Claims any payments of the SVB Claims must be disgorged by SVB for any reason (including, without limitation, any Insolvency Proceeding), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and CR shall immediately pay over to SVB all money or funds received or retained by CR with respect to the CR Claims to the extent that such receipt or retention would have been prohibited hereunder.

(b) If, at any time after payment in full of the CR Claims any payments of the CR Claims must be disgorged by CR for any reason (including, without limitation, any Insolvency Proceeding), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and SVB shall immediately pay over to CR all money or funds received or retained by SVB with respect to the SVB Claims to the extent that such receipt or retention would have been prohibited hereunder.

**14. Successors and Assigns.** This Agreement shall bind any successors or assignees of each Creditor. This Agreement shall remain effective until all Claims are indefeasibly paid or

otherwise satisfied in full and Creditors have no commitment to extend credit under the Credit Documents. This Agreement is solely for the benefit of the Creditors and not for the benefit of Borrower, any Obligor or any other party. Each Creditor shall not sell, assign, pledge, dispose of or otherwise transfer all or any portion of its Claims or any of its Credit Documents or any interest in any Common Collateral unless prior to the consummation of any such action, the transferee thereof shall execute and deliver to the other Creditor an agreement of such transferee to be bound hereby, or an agreement substantially identical to this Agreement providing for the continued subjection of such Claims, the interests of the transferee in the Collateral and the remedies of the transferee with respect thereto as provided herein with respect to the transferring Creditor and for the continued effectiveness of all of the other rights of the other Creditor arising under this Agreement, in each case in form satisfactory to the other Creditor.

15. **Further Assurances.** Each Creditor hereby agrees to execute such documents and/or take such further action as the other Creditor may at any time or times reasonably request in order to carry out the provisions and intent of this Agreement, including, without limitation, ratifications and confirmations of this Agreement from time to time hereafter, as and when requested by the other Creditor.

16. **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 constitute one instrument.

17. **Governing Law; Waiver of Jury Trial.**

(a) This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of California without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction.

(b) EACH CREDITOR WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN.

18. **Entire Agreement.** This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Each Creditor is not relying on any representations by the other Creditor or Borrower in entering into this Agreement, and each Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower. This Agreement may be amended only by written instrument signed by the Creditors.

19. **Relationship among Creditors.** The relationship among the Creditors is, and at all times shall remain solely that of Creditors. Creditors shall not under any circumstances be construed to be partners or joint venturers of one another; nor shall the Creditors under any circumstances be deemed to be in a relationship of confidence or trust or a fiduciary relationship with one another, or to owe any fiduciary duty to one another. Creditors do not undertake or assume any responsibility or duty to one another to select, review, inspect, supervise, pass judgment upon or otherwise inform each other of any matter in connection with Borrower's property, any Collateral held by any Creditor or the operations of Borrower. Each Creditor shall

rely entirely on its own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by any Creditor in connection with such matters is solely for the protection of such Creditor.

20. **Credit Agreements.** Notwithstanding anything to the contrary in the CR Credit Agreement, the parties agree that (i) this Agreement shall be a “Loan Document” under the CR Credit Agreement, and (ii) indebtedness of the Borrower under the SVB Credit Agreement shall be “Permitted Priority Debt” under the CR Credit Agreement. Notwithstanding anything to the contrary in the SVB Credit Agreement, the parties agree that (i) this Agreement shall be a “Loan Document” under the SVB Credit Agreement, and (ii) indebtedness of the Borrower under the CR Credit Agreement shall be “Permitted Indebtedness” under the SVB Credit Agreement.

21. **Severability.** Any provision of this Agreement which is illegal, invalid, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent such illegality, invalidity, prohibition or unenforceability without invalidating or impairing the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

22. **Notices.** All notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be delivered or sent by first-class mail, postage prepaid, or by overnight courier or messenger service or by facsimile, message confirmed, and shall be deemed to be effective for purposes of this Agreement on the day that delivery is made or refused. Unless otherwise specified in a notice mailed or delivered in accordance with the foregoing sentence, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses and facsimile numbers indicated on the signature pages hereto.

[Signature pages follow.]

Exhibit I-10

IN WITNESS WHEREOF, the undersigned have executed this Intercreditor Agreement as of the date first above written.

**SVB:**

SILICON VALLEY BANK

By \_\_\_\_\_

Name: Michael White

Title: Senior Relationship Manager (Life  
Sciences)

Address for Notices:

4370 La Jolla Village Drive, Suite 860

San Diego, CA 92122

Attn: Michael White, Senior Relationship Manager  
(Life Sciences)

Tel: 858.784.3310

Email: mwhite@svb.com

Exhibit I-11

**CR:**

CAPITAL ROYALTY PARTNERS II L.P.

By CAPITAL ROYALTY PARTNERS II GP

L.P., its General Partner

By CAPITAL ROYALTY PARTNERS II

GP LLC, its General Partner

By

\_\_\_\_\_  
Name: Charles Tate

Title: Sole Member

CAPITAL ROYALTY PARTNERS II –

PARALLEL FUND “A” L.P.

By CAPITAL ROYALTY PARTNERS II-

PARALLEL FUND “A” GP L.P., its General Partner

By CAPITAL ROYALTY PARTNERS II –

PARALLEL FUND “A” GP LLC, its

General Partner

By

\_\_\_\_\_  
Name: Charles Tate

Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500

Houston, TX 77002

Attn: General Counsel

Tel: 713.209.7350

Fax: 713.209.7351

Email: adorenbaum@capitalroyalty.com

Exhibit I-12



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Acknowledged and Agreed to:

**BORROWER:**

TANDEM DIABETES CARE, INC.

By: \_\_\_\_\_

Name: Kim Blickenstaff

Title: President and Chief Executive Officer

Address for Notices:

11045 Roselle Street

San Diego, CA 92121

Attn: Chief Executive Officer

Tel.: 858.366.6876

Fax: 858.202.6707

Email: kblickenstaff@tandemdiabetes.com

Exhibit I-13

TANDEM DIABETES CARE DOCKET/STATUS REPORT – October 31, 2012

PENDING MATTERS

DKT. NO	TITLE	APP NO PATENT NO.	FILING DATE/ ISSUE DATE	PRIORITY APP NO. PRIORITY APP DATE	INVENTOR(S)	STATUS PUB. NO. PUB. DATE	MOST RECENT ACTION / DATE
TDM-1000-CP United States of America	SYSTEMS AND METHODS FOR THE ACCURATE DELIVERY OF FLOW MATERIALS	12/108,462	04/23/2008	10/200,109 07/19/2002	-Scott Mallett -Paul M. DiPerna	PENDING 2008-0196762 08/21/2008	RCE FILED 10/17/2011
TDM-1000-DV United States of America	INFUSION PUMP AND METHOD FOR USE	11/342,015 7,341,581	01/27/2006 03/11/2008	10/200,109 07/19/2002	Scott Mallett	ISSUED 2006-0150747 07/13/2006	MAINTENANCE FEE DUE 09/11/2015 (4TH year)
TDM-1000-DV2 United States of America	INFUSION PUMP AND METHOD FOR USE	11/343,817 7,374,556	01/31/2006 05/20/2008	10/200,109 07/19/2002	Scott Mallett	ISSUED 2006-0150748 07/13/2006	MAINTENANCE FEE DUE 11/20/2015 (4TH year)
TDM-1000-EP Europe	INFUSION PUMP AND METHOD FOR USE	03765818.4	07/15/2003	10/200,109 07/19/2002	Scott Mallett	PUBLISHED 1523349 04/20/2005	ANNUITY DUE 07/15/2013
TDM-1000-JP2 Japan	INFUSION PUMP AND METHOD FOR USE	2009-042965 4756077	07/15/2003 06/03/2011	10/200,109 07/19/2002	Scott Mallett	GRANTED 2009-148591 07/9/2009	ANNUITY DUE 06/03/2014 (4TH year)

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO.</u>	<u>FILING DATE/ ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1000-UT United States of America	INFUSION PUMP AND METHOD FOR USE	10/200,109 7,008,403	07/19/2002 03/07/2006		Scott Mallett	ISSUED No Publication	MAINTENANCE FEE DUE 09/07/2013 (4TH year)
TDM-1100-CP United States of America	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	11/694,841	03/30/2007	11/462,962 08/07/2006	Paul DiPerna	PENDING 2008-0029173 02/07/2008	RCE & RESPONSE TO FINAL OFFICE ACTION FILED 05/29/2012
TDM-1120-UT United States of America 2010-0036327	FLOW PREVENTION, REGULATION, AND SAFETY DEVICES AND RELATED METHODS	12/189,070	08/08/2008		Paul DiPerna	PENDING 02/11/2010	RCE FILED 05/19/2011
TDM-1130-UT United States of America	SYSTEM OF STEPPED FLOW RATE REGULATION USING COMPRESSIBLE MEMBERS	12/189,064 8,056,582	08/08/2008 11/15/2011		Paul DiPerna	ISSUED 2010-0032041 02/11/2010	LETTERS PATENT ISSUED 11/15/2011
TDM-1200-CP United States of America	TWO CHAMBER PUMPS AND RELATED METHODS	12/538,018	08/07/2009	12/020,498 01/25/2008	Paul DiPerna	PENDING 2010-0008795 01/14/2010	NON FINAL OFFICE ACTION MAILED 9/18/2012
TDM-1200-EP Europe	TWO CHAMBER PUMPS AND RELATED METHODS	09704892	01/23/2009	12/020,498 01/25/2008	Paul DiPerna	PENDING 2242421 10/27/2010	ANNUITY DUE 01/23/2013
TDM-1300-AU Australia	DISPOSABLE PUMP RESERVOIR AND RELATED METHODS	2009249132	05/19/2009 Nat'l. Phase entered 11/18/2010	61/054,420 05/19/2008	Paul DiPerna	PENDING	ANNUITY DUE 05/19/2013 (4 <sup>TH</sup> year)

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO.</u>	<u>FILING DATE/ ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1300-CA Canada	DISPOSABLE PUMP RESERVOIR AND RELATED METHODS	2,724,635	05/19/2009 Nat'l. Phase entered 11/12/2010	61/054,420 05/19/2008	Paul DiPerna	PENDING	ANNUITY DUE 05/19/2013
TDM-1300-EP Europe	DISPOSABLE PUMP RESERVOIR AND RELATED METHODS	09751416	05/19/2009 Regl. Phase entered 11/10/2010	61/054,420 05/19/2008	Paul DiPerna	PENDING 2276525 01/26/2011	ANNUITY DUE 05/19/2013
TDM-1300-UT United States of America	DISPOSABLE PUMP RESERVOIR AND RELATED METHODS	12/468,795	05/19/2009	61/054,420 05/19/2008	Paul DiPerna	PENDING 2009- 0287180 11/19/2009	RCE FILED 11/24/2010
TDM-1310-UT United States of America	FLOW REGULATING STOPCOCKS AND RELATED METHODS	12/260,804	10/29/2008	61/097,492 09/16/2008	Paul DiPerna	PENDING 2010- 0065578 03/18/2010	RESPONSE TO NON-FINAL OFFICE ACTION FILED 09/4/2012
TDM-1310-UT2 United States of America	SLIDEABLE FLOW METERING DEVICES AND RELATED METHODS	12/393,973	02/26/2009	61/097,492 09/16/2008	Paul DiPerna	PENDING 2010- 0065579 03/18/2010	FINAL OFFICE ACTION MAILED 9/10/2012.
TDM-1320-AU	METHODS AND DEVICES FOR DETERMINATION OF FLOW RESERVOIR VOLUME	2010217760	02/26/2010 Nat'l. Phase entered 08/11/2011	61/156,405 02/27/2009	-Michael Rosinko -Paul DiPerna	PENDING	ANNUITY DUE 02/26/2014 (4TH year)
TANDEM – CONFIDENTIAL			3	November 26, 2012			

DKT. NO.	TITLE	APP NO. PATENT NO.	FILING DATE/ ISSUE DATE	PRIORITY APP NO. PRIORITY APP DATE	INVENTOR(S)	STATUS PUB. NO. PUB. DATE	MOST RECENT ACTION / DATE
TDM-1320-CA	METHODS AND DEVICES FOR DETERMINATION OF FLOW RESERVOIR VOLUME	Not yet assigned (FR expected 11/19/2011)	02/26/2010 Nat'l. Phase entered 08/19/2011	61/156,405 02/27/2009	-Michael Rosinko -Paul DiPerna	PENDING	ANNUITY DUE 02/26/2013
TDM-1320-EP	METHODS AND DEVICES FOR DETERMINATION OF FLOW RESERVOIR VOLUME	10746944.7	02/26/2010 Nat'l. Phase entered 09/23/2011	61/156,405 02/27/2009	-Michael Rosinko -Paul DiPerna	PUBLISHED 2401587 01/04/2012	APP PUBLISHED 01/04/2012 ANNUITY DUE 2/26/2013
TDM-1320-UT United States of America	METHODS AND DEVICES FOR DETERMINATION OF FLOW RESERVOIR VOLUME	12/714,299	02/26/2010	61/156,405 02/27/2009	-Michael Rosinko -Paul DiPerna	PENDING 2010-0218586 09/02/2010	NON-FINAL OFFICE ACTION RECEIVED 10/24/2012
TDM-1400-AU Australia	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	2009293019	09/18/2009 Nat'l. Phase entered 04/07/2011	61/098,655 09/19/2008	David Brown	PENDING	ANNUITY DUE 09/18/2013 (4TH year)
TDM-1400-CA Canada	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	2,737,461	09/18/2009 Nat'l. Phase entered 03/16/2011	61/098,655 09/19/2008	David Brown	PENDING	ANNUITY DUE 09/18/2013

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO.</u>	<u>FILING DATE/ ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1400-EP Europe	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	09815314.1	09/18/2009 Reg'l. Phase entered 03/22/2011	61/098,655 09/19/2008	David Brown	PENDING 2334234 06/22/2011	ANNUITY DUE 09/18/2013
TDM-1400-UT United States of America	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	12/563,046	09/18/2009	61/098,655 09/19/2008	David Brown	PENDING 2010- 0071446 03/25/2010	NON-FINAL OFFICE ACTION MAILED 10/22/2012
TDM-1500-AU Australia	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	2010278894	07/29/2010 Nat'l. Phase entered 02/09/2012	61/230,061 07/30/2009	-David Brown -Brian Bureson -Chris Dabrow -Paul DiPerna -Jason Farnan -Dan Kincade -Geoffrey Kruse -Phil Lamb -Michael Michaud -John Nadworny -Kathryn Rieger -Mike Rosinko -Sean Saint -Stuart Sundem -William Trevaskis -Tom Ulrich -Erik Verhoef -Mark Williamson	Pending	REQUEST FOR EXAMINATION FILED 02/09/2012 ANNUITY DUE 7/29/2014

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO.</u>	<u>FILING DATE/ ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1500-CA Canada	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	2,769,030	07/29/2010 Nat'l. Phase entered 01/24/2012	61/230,061 07/30/2009	-David Brown -Brian Bureson -Chris Dabrow -Paul DiPerna -Jason Farnan -Dan Kincade -Geoffrey Kruse -Phil Lamb -Michael Michaud -John Nadworn -Kathryn Rieger -Mike Rosinko -Sean Saint -Stuart Sundem -William Trevaskis -Tom Ulrich -Erik Verhoef -Mark Williamson	PENDING	ANNUITY DUE 07/29/2013
TDM-1500-CT4 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	13/270,160 Patent No. 8,287,495	10/10/2011	12/846,706 07/29/2010	-Michael Michaud -Geoffrey Kruse	ISSUED 2012- 0029433 02/02/2012	GRANT DATE: OCTOBER 16, 2012
TDM-1500-CT5 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	13/271,156 Patent No. 8,298,184	10/11/2011	12/846,720 07/29/2010	-Paul DiPerna -David Brown -Mike Rosinko -Dan Kincade -Michael Michaud -John Nadworny -Geoffrey Kruse -Thomas Ulrich	ISSUED 2012- 0029468 02/02/2012	GRANT DATE: OCTOBER 30, 2012
TANDEM – CONFIDENTIAL			6	November 26, 2012			

DKT. NO.	TITLE	APP NO PATENT NO.	FILING DATE/ ISSUE DATE	PRIORITY APP NO. PRIORITY APP DATE	INVENTOR(S)	STATUS PUB. NO. PUB. DATE	MOST RECENT ACTION / DATE
TDM-1500-EP Europe	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	10805076.6	07/29/2010 Reg'I. Phase entered 02/08/2012	61/230,061 07/30/2009	-David Brown -Brian Bureson -Chris Dabrow -Paul DiPerna -Jason Farnan -Dan Kincade -Geoffrey Kruse -Phil Lamb -Michael Michaud -John Nadworny -Kathryn Rieger -Mike Rosinko -Sean Saint -Stuart Sundem -William Trevaskis -Tom Ulrich -Erik Verhoef -Mark Williamson	PENDING 2459251 06/06/2012	ANNUITY DUE 07/29/2013
TDM-1500-PC World Intellectual Property Office	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	PCT/ US2010/043789	07/29/2010	61/230,061 07/30/2009	-David Brown -Brian Bureson -Chris Dabrow -Paul DiPerna -Jason Farnan -Dan Kincade -Geoffrey Kruse -Phil Lamb -Michael Michaud -John Nadworny -Kathryn Rieger -Mike Rosinko -Sean Saint -Stuart Sundem -William Trevaskis -Tom Ulrich -Erik Verhoef -Mark Williamson	PENDING 2011/014704 02/03/2011	IPRP MAILED 02/09/2012



<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO.</u>	<u>FILING DATE/ ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1500-UT United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	12/846,688	07/29/2010	61/230,061 07/30/2009	-Paul DiPerna -Mike Rosinko -Geoffrey Kruse -Thomas Ulrich -Christopher Dabrow -Mark Williamson -Brian Bureson -Kathryn Rieger	PENDING 2011- 0152770 06/23/2011	RESTRICTION REQUIREMENT RESPONSE FILED 11/14/2012
TDM-1500-UT2 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	12/846,706	07/29/2010	61/230,061 07/30/2009	-Michael Michaud -Geoffrey Kruse	PENDING 2011- 0144616 06/16/2011	RESTRICTION REQUIREMENT RESPONSE FILED 11/8/2012
TDM-1500-UT3 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	12/846,720	07/29/2010	61/230,061 07/30/2009	-Paul DiPerna -David Brown -Mike Rosinko -Dan Kincade -Michael Michaud -John Nadworny -Geoffrey Kruse -Thomas Ulrich	PENDING 2011- 0152824 06/23/2011	RESTRICTION REQUIREMENT RESPONSE FILED 11/20/2012
TDM-1500-UT4 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	12/846,733	07/29/2010	61/230,061 07/30/2009	-Michael Michaud -John Nadworny	PENDING 2011- 0144586 06/16/2011	RESTRICTION REQUIREMENT RESPONSE FILED 10/25/2012

DKT. NO.	TITLE	APP NO. PATENT NO.	FILING DATE/ ISSUE DATE	PRIORITY APP NO. PRIORITY APP DATE	INVENTOR(S)	STATUS PUB. NO. PUB. DATE	MOST RECENT ACTION / DATE
TDM-1500-UT5 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	12/846,734	07/29/2010	61/230,061 07/30/2009	-Erik Verhoef -Paul DiPerna -Mike Rosinki -Mark Williamson -Geoffrey Kruse -Thomas Ulrich -Phil Lamb -Sean Saint -Michael Michaud -William Trevaskis	PENDING 2011- 0166544 07/07/2011	RESTRICTION REQUIREMENT RESPONSE FILED 11/5/2012
TDM-1510-PV United States of America	MULTI- RESERVOIR INFUSION PUMP SYSTEMS AND METHODS	61/511,220	07/25/2011		-Paul M. DiPerna -Steve Griffie	EXPIRED	NON- PROVISIONAL CONVERSION FILINGS COMPLETED IN US & PCT 07/24/2012
TDM-1510-PC World Intellectual Property Office	MULTI- RESERVOIR INFUSION PUMP SYSTEMS AND METHODS	PCT/ US2012/048020	07/24/2012	61/511,220 07/25/2011	-Paul M. DiPerna -Steve Griffie	PENDING	30 MON NAT'L PHASE FILINGS DUE 01/25/2014
TDM-1510-UT United States of America	MULTI- RESERVOIR INFUSION PUMP SYSTEMS AND METHODS	13/557,163	07/24/2012	61/511,220 07/25/2011	-Paul M. DiPerna -Steve Griffie	PENDING	RESPONSE TO NOTICE TO FILE MISSING PARTS FILED 11/8/2012
TDM-1530-UT United States of America	METHODS AND DEVICES FOR MULTIPLE FLUID TRANSFER	13/474,032	05/17/2012		-Thomas Metzmaker -Sean Saint -Michael Michaud -Mike Rosinko -Vance Swanson	PENDING	RESPONSE TO NOTICE TO FILE MISSING PARTS FILED 10/17/2012
TDM-1600-UT	ANALYTE MONITORING SYSTEMS AND METHODS OF USE	13/272,111	10/12/2011	61/392,858 10/13/2010	-Dave Brown -Paul DiPerna	PENDING 2012- 0123230 05/17/2012	RESPONSE TO NOTICE TO FILE MISSING PARTS FILED 01/26/2012

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO.</u>	<u>FILING DATE/ ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1620-PV	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	61/655,883	06/05/2012		-Geoffrey A. Kruse -Phil Lamb	PENDING	NON- PROVISIONAL CONVERSION DUE 06/05/2013

**ABANDONED/LAPSED/COMPLETED MATTERS**

<u>DKT. NO</u>	<u>TITLE</u>	<u>APP NO PATENT NO</u>	<u>FILING DATE ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1000-CP United States of America	INFUSION PUMP AND METHOD FOR USE	11/744,819	05/04/2007	10/200,109 07/19/2002	Scott Mallett	ABANDONED 2007-0264130 11/15/2007	
TDM-1000-HK Hong Kong	INFUSION PUMP AND METHOD FOR USE	5106657.6	07/15/2003	10/200,109 07.19.2002	Scott Mallett	Abandoned Published 1072911 09/16/2005	
TDM-1000-JP Japan	INFUSION PUMP AND METHOD FOR USE	2004-523192	07/15/2003	10/200,109 07.19.2002	Scott Mallett	Abandoned Published 2005-533559 11/10/2005	
TDM-1000-JP3 Japan	INFUSION PUMP AND METHOD OF USE	2009-298939	07/15/2003	10/200,109 07/19/2002	Scott Mallett	ABANDONED 2010-75736 04/08/2010	
TDM-1000-PC World Intellectual Property Office	INFUSION PUMP AND METHOD FOR USE	PCT/US2003/02 2703	07/15/2003	10/200,109 07.19.2002	Scott Mallett	Nat'l. Stage Completed 2004/009152 01/29/2004	
TDM-1100-AU Australia	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	2007211176	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned	
TDM-1100-CA Canada	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	2,640,403	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned	

<u>DKT. NO</u>	<u>TITLE</u>	<u>APP NO PATENT NO</u>	<u>FILING DATE ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1100-CN China	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	2,0078E+11	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned Published CN 101405041A 04/08/2009	
TDM-1100-DV United States of America	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	12/646,881	12/23/2009	11/462,962 08.07.2006	Paul DiPerna	Abandoned 2010- 0096019 04/22/2001	
TDM-1100-EP Europe	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	7762801.4	01/17/2001	11/342,015 01.27.2006	Paul DiPerna	Abandoned Published 1981565 10/22/2008	
TDM-1100-HK Hong Kong	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	9109324.9	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned Published 1130715A 01/08/2010	
TDM-1100-IN India	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	4201/CHENP/20 08	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned	
TDM-1100-JP Japan	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	2008-552527	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned	
TDM-1100-KR Korea	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	10-2008- 7020721	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Abandoned Published 102009001002 3 A 01/08/2009	

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO</u>	<u>FILING DATE ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1100-PC World Intellectual Property Office	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	PCT/US2007/06 0633	01/17/2007	11/342,015 01.27.2006	Paul DiPerna	Nat'l. Stage Completed Published 2007/08998 3 08/09/2007	
TDM-1100- PC2 World Intellectual Property Office	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	PCT/US2008/05 8044	03/24/2008	11/694,841 03.30.2007	Paul DiPerna	Published 2008/12159 9 10/09/2008	
TDM-1100-UT United States of America	VARIABLE FLOW RESHAPABLE FLOW RESTRICTOR APPARATUS AND RELATED METHODS	11/462,962	08/07/2006	10/200,109 07.19.2002	Paul DiPerna	Abandoned 2008- 0092969 4/24/2008	
TDM-1110-PC World Intellectual Property Office	ADJUSTABLE FLOW CONTROLLERS FOR REAL-TIME MODULATION OF FLOW RATE	PCT/US2009/03 5022	02/24/2009	12/039,693 02.28.2008	Paul DiPerna	Lapsed Published 2009/108539 09/03/2009	
TDM-1110-UT United States of America	ADJUSTABLE FLOW CONTROLLERS FOR REAL-TIME MODULATION OF FLOW RATE	12/039,693	02/28/2008		Paul DiPerna	Abandoned Published 2009 0217982 09/03/2009	
TDM-1120-PC World Intellectual Property Office	FLOW PREVENTION, REGULATION, AND SAFETY DEVICES AND RELATED METHODS	PCT/US2009/04 9110	06/29/2009	12/189,070 08,08.2008	Paul DiPerna	Abandoned Published 2010/01697 7 02/11/2010	
TDM-1130-PC World Intellectual Property Office	SYSTEM OF STEPPED FLOW RATE REGULATION USING COMPRESSIBLE MEMBERS	PCT/US2009/04 9116	06/29/2009	12/189,064 08.08.2008	Paul DiPerna	Abandoned Published 2010/01697 8 02/11/2010	
TANDEM – CONFIDENTIAL			13	November 26, 2012			

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO</u>	<u>FILING DATE ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1200-PC World Intellectual Property Office	TWO CHAMBER PUMPS AND RELATED METHODS	PCT/US2009/03 1906	01/23/2009	12/020,498 01.28.2008	Paul DiPerna	Nat'l. Stage Completed Published 2009/09459 0 07/30/2009	
TDM-1200-PC2 World Intellectual Property Office	TWO CHAMBER PUMPS AND RELATED METHODS	PCT/US2010/04 4789	08/06/2010	12/538,018 08.07.2009	Paul DiPerna	Abandoned	
TDM-1200-UT United States of America	TWO CHAMBER PUMPS AND RELATED METHODS	12/020,498	01/25/2008		Paul DiPerna	Abandoned Published 2009 - 0191067 07/30/2009	
TDM-1300-PC World Intellectual Property Office	DISPOSABLE PUMP RESERVOIR AND RELATED METHODS	PCT/US2009/04 4569	05/19/2009	61/054,420 05.19.2008	Paul DiPerna	Nat'l. Stage Completed Published 2009/14318 8 11/26/2009	
TDM-1300-PV United States of America	DISPOSABLE PUMP RESERVOIR AND RELATED METHODS	61/054,420	05/19/2008		Paul DiPerna	Expired	
TDM-1310-PC World Intellectual Property Office	FLOW REGULATING STOPCOCKS AND RELATED METHODS	PCT/US2009/05 7208	09/16/2009	61/097,492 09.16.2008	Paul DiPerna	Allow to Lapse Published 2010/03363 4 03/25/2010	
TDM-1310-PV United States of America	FLOW REGULATING STOPCOCKS AND RELATED METHODS	61/097,492	09/16/2008		Paul DiPerna	Expired	
TDM-1320-PC WIPO	METHODS AND DEVICES FOR DETERMINATION OF FLOW RESERVOIR VOLUME	PCT/US2010/0256 63	02/26/2010	61/156,405 02/27/2009	-Michael Rosinko -Paul DiPerna	COMPLETED W02010/0994 90 09/02/2010	

<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO</u>	<u>FILING DATE ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1320-PV United States of America	METHODS FOR DETERMINATION OF PUMP SENSOR INTEGRITY AND CALIBRATION OF PUMPS	61/156,405	02/27/2009		-Michael Rosinko -Paul DiPerna	Expired	
TDM-1320- PV2 United States of America	METHODS AND DEVICES FOR DETERMINATION OF FLOW RESERVOIR VOLUME	61/184,282	06/04/2009		-Michael Rosinko -Paul DiPerna	Completed	
TDM-1400-PC World Intellectual Property Office	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	PCT/US2009/05 7591	09/18/2009	61/098,655 09.192008	David Brown	Completed Published 2010/03387 8 03/25/2010	
TDM-1400-PV United States of America	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	61/098,655	09/19/2008		David Brown	Completed	
TDM-1400- PV2 United States of America	SOLUTE CONCENTRATION MEASUREMENT DEVICE AND RELATED METHODS	61/102,776	10/03/2008		David Brown	Completed	
TDM-1500-PV United States of America	INFUSION SYSTEM AND METHODS OF USING SAME	61/230,061	07/30/2009		-Paul DiPerna -Mike Rosinko -Christopher Dabro -Thomas Ulrich -Erik Verhoef -Stuart Sundem -Brian Bureson -Geoffrey Kruse -Mark Williamson	Completed	



<u>DKT. NO.</u>	<u>TITLE</u>	<u>APP NO PATENT NO</u>	<u>FILING DATE ISSUE DATE</u>	<u>PRIORITY APP NO. PRIORITY APP DATE</u>	<u>INVENTOR(S)</u>	<u>STATUS PUB. NO. PUB. DATE</u>	<u>MOST RECENT ACTION / DATE</u>
TDM-1500-CT6 United States of America	INFUSION PUMP SYSTEM WITH DISPOSABLE CARTRIDGE HAVING PRESSURE VENTING AND PRESSURE FEEDBACK	13/273,484	10/14/2011	12/846,688 07/29/2010	-Paul DiPerna -Mike Rosinko -Geoffrey Kruse -Thomas Ulrich -Christopher Dabrow -Mark Williamson -Brian Bureson -Kathryn Rieger	ABANDONED (TRACK I) 2012-0030610 02/02/2012	
TDM-1600-PV United States of America	ANALYTE MONITORING SYSTEMS AND METHODS OF USE	61/392,858	10/13/2010		-Dave Brown -Paul DiPerna	EXPIRED	

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<u>Title</u>	<u>Attorney Docket No.</u>	<u>Serial No./ Patent No.</u>	<u>Filing Date/ Issue Date</u>
METHOD AND INSULIN PUMP FOR PROVIDING A FORGOTTEN BOLUS WARNING	4574.01US01	09/596,648	June 19, 2000
METHOD AND INSULIN PUMP FOR PROVIDING A FORGOTTEN BOLUS WARNING (REISSUE)	4574.01USREII	6,650,951	November 18, 2003
INSULIN PUMP	4574.02W0AU	10/927,662	August 26, 2004
INSULIN PUMP HAVING A SUSPENSION BOLUS	4574.02WOCA	2009201927	October 15, 2007
INSULIN PUMP HAVING A SUSPENSION BOLUS	4574.02WOEP	2,702,843	October 15, 2007
INSULIN PUMP HAVING A SUSPENSION BOLUS	4574.02US01	07839587.8	October 15, 2007
INSULIN PUMP HAVING A SUSPENSION BOLUS	4574.02US02	11/582,519	October 17, 2006
INSULIN PUMP HAVING A SUSPENSION BOLUS	4574.02US02	13/281,168	October 25, 2011
INSULIN PUMP HAVING BASAL RATE TESTING FEATURES	4574.02US03	13/477,641	May 22, 2012
INSULIN PUMP HAVING SELECTABLE INSULIN ABSORPTION MODELS	4574.02US04	13/477,657	May 22, 2012
INSULIN PUMP HAVING A FOOD DATABASE	4574.02US05	13/477,666	May 22, 2012
INSULIN PUMP FOR DETERMINING CARBOHYDRATE CONSUMPTION	4574.02US06	13/477,679	May 22, 2012
INSULIN PUMP HAVING A WEEKLY SCHEDULE	4574.02US07	13/481,228	May 25, 2012
INSULIN PUMP HAVING CORRECTION FACTORS	4574.02US08	13/477,684	May 22, 2012
PROGRAMMABLE INSULIN PUMP	4574.03US01	10/086,641	February 28, 2002
		6,852,104	February 8, 2005
PROGRAMMABLE INSULIN PUMP	4574.03US02	11/018,706	December 20, 2004
EXPERT SYSTEM FOR INSULIN PUMP THERAPY	4574.04WOCA	N/A (Not Filed)	
EXPERT SYSTEM FOR INSULIN PUMP THERAPY	4574.04WOEP	08779626.4-2201	
EXPERT SYSTEM FOR INSULIN PUMP THERAPY	4574.04WOJP	2010-509366	May 20, 2008
EXPERT SYSTEM FOR INSULIN PUMP THERAPY	4574.04US01	11/753,420	May 24, 2007
		7,751,907	July 6, 2010
EXPERT SYSTEM FOR PUMP THERAPY	4574.04US02	12/774,991	May 6, 2010
		8,219,222	July 10, 2012
EXPERT SYSTEM FOR INSULIN PUMP THERAPY	4574.04US03	13/530,404	June 22, 2012
EXPERT SYSTEM FOR INSULIN PUMP THERAPY	4574.04W001	PCT/US2008/006449	May 20, 2008
INSULIN PUMP BASED EXPERT SYSTEM	4574.05WOCA	N/A (Not Filed)	
INSULIN PUMP BASED EXPERT SYSTEM	4574.05WOEP	08767934.6	May 29, 2008
INSULIN PUMP BASED EXPERT SYSTEM	4574.05WOJP	2010-510339	May 29, 2008
INSULIN PUMP BASED EXPERT SYSTEM	4574.05US01	11/755,480	May 30, 2007
		8,221,345	July 17, 2012
INSULIN PUMP BASED EXPERT SYSTEM	4574.05US02	13/465,570	May 7, 2012
INSULIN PUMP BASED EXPERT SYSTEM	4574.05W001	PCT/US2008/006801	May 29, 2008

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<u>Title</u>	<u>Attorney Docket No.</u>	<u>Serial No./ Patent No.</u>	<u>Filing Date/ Issue Date</u>
BASAL RATE TESTING USING BLOOD GLUCOSE INPUT	4574.06WOCA	N/A (Not Filed)	
BASAL RATE TESTING USING BLOOD GLUCOSE INPUT	4574.06WOEP	08726116.0	February 26, 2008
BASAL RATE TESTING USING BLOOD GLUCOSE INPUT	4574.06WOJP	2009-553581	February 26, 2008
BASAL RATE TESTING USING FREQUENT BLOOD GLUCOSE INPUT	4574.06US01	11/685,617	March 13, 2007
BASAL RATE TESTING USING BLOOD GLUCOSE INPUT	4574.06W001	PCT/US2008/002536	February 26, 2008
CORRECTION FACTOR TESTING USING FREQUENT BLOOD GLUCOSE INPUT	4574.07WOCA	N/A (Not Filed)	
CORRECTION FACTOR TESTING USING FREQUENT BLOOD GLUCOSE INPUT	4574.07WOEP	07862256.0	November 26, 2007
CORRECTION FACTOR TESTING USING FREQUENT BLOOD GLUCOSE INPUT	4574.07US01	11/626,653 7,734,323	January 24, 2007 June 8, 2010
CORRECTION FACTOR TESTING USING FREQUENT BLOOD GLUCOSE INPUT	4574.07US02	12/720,306 8,208,984	March 9, 2010 June 26, 2012
CORRECTION FACTOR TESTING USING FREQUENT BLOOD GLUCOSE INPUT	4574.07W001	PCT/US2007/024424	November 26, 2007
INSULIN PUMP WITH INSULIN THERAPY COACHING	4574.08WOCA	N/A (Not Filed)	
INSULIN PUMP WITH INSULIN THERAPY COACHING	4574.08WOEP	N/A (Not Filed)	
INSULIN PUMP WITH INSULIN THERAPY COACHING	4574.08WOJP	N/A (Not Filed)	
INSULIN PUMP WITH INSULIN THERAPY COACHING	4574.08US01	11/970,232	January 7, 2008
PUMP WITH THERAPY COACHING	4574.08US02	12/908,218	October 20, 2010
INSULIN PUMP WITH BLOOD GLUCOSE MODULES	4574.08US03	13/481,302	May 25, 2012
INSULIN PUMP WITH INSULIN THERAPY COACHING	4574.08W001	PCT/US2009/000034	January 6, 2009
INSULIN PUMP WITH ADD-ON MODULES	4574.09WOCA	N/A (Not Filed)	
INSULIN PUMP WITH ADD-ON MODULES	4574.09WOEP	N/A (Not Filed)	
INSULIN PUMP WITH ADD-ON MODULES	4574.09WOJP	N/A (Not Filed)	
INSULIN PUMP WITH ADD-ON MODULES	4574.09US01	11/971,351	January 9, 2008
INFUSION PUMP WITH ADD-ON MODULES	4574.09US02	12/914,295	October 28, 2010
INFUSION PUMP WITH ADD-ON MODULES	4574.09US03	13/482,106	May 29, 2012
INSULIN PUMP WITH ADD-ON MODULES	4574.09W001	PCT/US2009/000107	January 8, 2009
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS, AND OCCLUSIONS IN AN INFUSION PUMP SYSTEM	4574.10W0AU	2010234736	March 31, 2010
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS AND OCCLUSIONS IN AN INFUSION PUMP SYSTEM	4574.10WOCA	2,757,454	March 31, 2010
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS, AND OCCLUSIONS IN AN INFUSION PUMP SYSTEM	4574.10WOCN	20108002399 15	March 31, 2010
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS, AND OCCLUSIONS IN AN INFUSION PUMP SYSTEM	4574.10WOEP	10762209.4	March 31, 2010
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS AND OCCLUSIONS IN AN INFUSION PUMP SYSTEM	4574.10WOJP	2012-503648	March 31, 2010
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS AND OCCLUSIONS IN AN INFUSION PUMP SYSTEM	4574.10WOKR	10-2011-7025870	March 31, 2010

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<u>Title</u>	<u>Attorney Docket No.</u>	<u>Serial No./ Patent No.</u>	<u>Filing Date/ Issue Date</u>
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS AND OCCLUSIONS IN AN INSULIN PUMP SYSTEM	4574.10US01	61/165,275	March 31, 2009
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS AND OCCLUSIONS IN AN INSULIN PUMP SYSTEM	4574.10US02	12/729,985	March 23, 2010
SYSTEMS AND METHODS TO ADDRESS AIR, LEAKS AND OCCLUSIONS IN AN INSULIN PUMP SYSTEM	4574.10W001	PCT/US2010/029339	March 31, 2010


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**TANDEM DIABETES CARE, INC. DOCKET/STATUS REPORT – 11/28/2012**  
**CONFIDENTIAL**

<u>CLIENT REF. NUMBER</u>	<u>KTS DOCKET NUMBER</u>	<u>FAMILY NUMBER</u>	<u>TITLE</u>	<u>SERIAL NO./ FILING DATE</u>	<u>PRIORITY</u>	<u>INVENTOR(S)</u>	<u>STATUS</u>	<u>ACTION/DUE DATE</u>	
D-022	92860-843117	000201US	THERAPY MANAGEMENT SYSTEM	61/656,731 6/7/12		Sal Daoud, Christopher Jung, Gregory Grant Haines	Pending	Foreign Filing Deadline – Final Deadline	Jun 7, 2013
D-022	92860-847765	000210PC	THERAPY MANAGEMENT SYSTEM	PCT/US2012/049 145 8/1/12	61/513,998 8/1/11	Sal Daoud, Christopher Jung, Gregory Grant Haines	Pending	Expecting ISR/WO Extended 19 month Ch2 Demand Deadline 20 month Ch1 National Phase Deadline 30 Month National Phase Applications Due (Ch1 or Ch2)	Dec 7, 2012 Mar 1, 2013 Apr 1, 2013
D-022	92860-847596	000210US	THERAPY MANAGEMENT SYSTEM	13/564,188 8/1/12	61/513,998 8/1/11	Sal Daoud, Christopher Jung, Gregory Grant Haines	Pending	Missing Parts Response Due IDS Due Missing Parts Response – Final	Feb 1, 2014 Oct 24, 2012 Nov 1, 2012 Mar 24, 2013
2011-04	92860-829948	000800US	DEVICE AND METHOD FOR TRAINING USERS OF AMBULATORY MEDICAL DEVICES	61/656,984 6/7/12		Geoff Kruse, Kim Blickenstaff, Mike Rosinko	Pending	Conversion Deadline Foreign Filing Deadline – Final Deadline	Jun 7, 2013 Jun 7, 2013
2-11-10	92860-826228	000500US	SYSTEM AND METHOD FOR REDUCTION OF INADVERTENT ACTIVATION OF MEDICAL DEICE DURING MANIPULATION	61,637,210 4/23/12		Jason Farnan, Brian Bureson	Pending	Conversion Deadline Foreign Deadline – Final Deadline	Apr 23, 2013 Apr 23, 2013

<u>CLIENT REF. NUMBER</u>	<u>KTS DOCKET NUMBER</u>	<u>FAMILY NUMBER</u>	<u>TITLE</u>	<u>SERIAL NO./ FILING DATE</u>	<u>PRIORITY</u>	<u>INVENTOR(S)</u>	<u>STATUS</u>	<u>ACTION/DUE DATE</u>	
2011-15	92860- 821927	000400US	SEALED INFUSION DEVICE WITH ELECTRICAL CONNECTOR PORT	61/656,967 6/7/12		Justin Brown, Donald Ludolph, Michael Michaud, Philip Lamb, Anthony Barghini, Sean Saint, Marcus Julian, Charles Eastridge, Michael Rosinko	Pending	Conversion Deadline	Jun 7, 2013
2012-02	92860- 842421	001000US	PREVENTING INADVERTENT CHANGES IN AMBULATORY MEDICAL DEVICES	61/656,997 6/7/12		Michael Rosinko, Geoff Kruse, Thomas Ulrich, Erik Verhoef	Pending	Foreign Filing Deadline – Final Deadline	Jun 7, 2013



## U.S. Trademark Registrations Docket

<u>Jurisdiction</u>	<u>Mark</u>	<u>Registered Owner</u>	<u>Registration Number</u>	<u>Registration Date</u>
U.S.	T: SLIM	Tandem Diabetes Care, Inc.	4,158,034	6/12/2012
U.S.	TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	4,218,348	10/2/2012
U.S.	 TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	4,218,349	10/2/2012


## U.S. Trademark Applications

<u>Jurisdiction</u>	<u>Mark</u>	<u>Owner</u>	<u>Application Number</u>	<u>Application Date</u>
U.S.	T:CONNECT	Tandem Diabetes Care, Inc.	85/400,294	8/17/2011
U.S.	T:DUAL	Tandem Diabetes Care, Inc.	85/576,990	3/22/2012
U.S.	T:FLEX	Tandem Diabetes Care, Inc.	85/580,036	3/26/2012
U.S.	T:LOOP	Tandem Diabetes Care, Inc.	85/577,026	3/22/2012
U.S.	T:SET	Tandem Diabetes Care, Inc.	85/580,018	3/26/2012
U.S.	T:SPORT	Tandem Diabetes Care, Inc.	85/577,041	3/22/2012
U.S.	THE PUMP YOU WANT FOR THE INSULIN YOU NEED	Tandem Diabetes Care, Inc.	85/571,574	3/16/2012
U.S.	TOUCH SIMPLICITY	Tandem Diabetes Care, Inc.	85/727,089	9/12/2012

## Foreign Trademark Registrations

<u>Jurisdiction</u>	<u>Mark</u>	<u>Registered Owner</u>	<u>Registration Number</u>	<u>Registration Date</u>
CTM	T-2	Tandem Diabetes Care, Inc.	007312713	9/11/2009
CTM	TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	009645698	1/7/2011
CTM	 TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	009645813	1/7/2011
CTM	 TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	007363005	7/21/2009
CTM	T-DUAL	Tandem Diabetes Care, Inc.	007312697	6/23/2009
CTM	T-LOOP	Tandem Diabetes Care, Inc.	007312705	9/24/2009
CTM	T-SLIM	Tandem Diabetes Care, Inc.	007312689	10/29/2009
CTM	T-SPORT	Tandem Diabetes Care, Inc.	007312671	10/22/2009

## Foreign Trademark Applications

<u>Jurisdiction</u>	<u>Mark</u>	<u>Owner</u>	<u>Application Number</u>	<u>Application Date</u>
Canada	TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	1,510,443	1/7/2011
Canada	 TANDEM DIABETES CARE	Tandem Diabetes Care, Inc.	1,510,445	1/7/2011
Canada	TOUCH SIMPLICITY	Tandem Diabetes Care, Inc.	1,594,430	9/17/2012
CTM	TOUCH SIMPLICITY	Tandem Diabetes Care, Inc.	011199163	9/19/2012



**FORM OF INDEMNIFICATION AGREEMENT**

This Indemnification Agreement (this “**Agreement**”), dated \_\_\_\_\_, is by and between Tandem Diabetes Care, Inc., a Delaware corporation (the “**Company**”), and [NAME] (“**Indemnatee**”).

**RECITALS**

WHEREAS, Indemnatee is a director or an officer of the Company;

WHEREAS, the board of directors of the Company (the “**Board**”) has determined that enhancing the ability of the Company to retain and attract as directors and officers the most capable persons is in the best interests of the Company and that the Company therefore should seek to assure such persons that indemnification and insurance coverage is available; and

WHEREAS, in recognition of the need to provide Indemnatee with substantial protection against personal liability, in order to procure Indemnatee’s continued service as a director or officer of the Company and to enhance Indemnatee’s ability to serve the Company in an effective manner, and in order to provide such protection pursuant to express contract rights (intended to be enforceable irrespective of, among other things, any amendment to the Company’s certificate of incorporation or bylaws (collectively, the “**Constituent Documents**”), any change in the composition of the Board or any change in control or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of, and the advancement of Expenses (as defined in Section 2 below) to, Indemnatee as set forth in this Agreement and to the extent insurance is maintained for the continued coverage of Indemnatee under the Company’s directors’ and officers’ liability insurance policies.

NOW, THEREFORE, in consideration of the foregoing and the Indemnatee’s agreement to continue to provide services to the Company, the parties agree as follows:

1. Services to the Company. Indemnatee agrees to continue to serve as a director or officer of the Company for so long as Indemnatee is duly elected or appointed, until Indemnatee tenders Indemnatee’s resignation or until Indemnatee is terminated by the Company, as applicable. This Agreement shall not be deemed an employment agreement between the Company (or any of its subsidiaries or another Enterprise) and Indemnatee. Indemnatee specifically acknowledges that Indemnatee’s service to the Company or any of its subsidiaries or another Enterprise (as defined in Section 2 below) is at will and the Indemnatee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment agreement between Indemnatee and the Company (or any of its subsidiaries or another Enterprise), other applicable formal severance policies duly adopted by the Board or, with respect to service as a director or officer of the Company, by the Company’s Constituent Documents or Delaware law. This Agreement shall continue in force after Indemnatee has ceased to serve as a director or officer of the Company or, at the request of the Company, of any of its subsidiaries or Enterprise, as defined in Section 2 below.

2. **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

- (a) “**Agreement**” shall have the meaning ascribed to it in the prefatory language above.
- (b) “**Beneficial Owner**” has the meaning given to the term “beneficial owner” in Rule 13d-3 under the Exchange Act.
- (c) “**Board**” shall have the meaning ascribed to it in the Recitals above.
- (d) “**Business Combination**” means a reorganization, a merger or a consolidation.
- (e) “**Change in Control**” means the occurrence after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the Company’s Voting Securities, unless the change in the relative Beneficial Ownership of the Company’s securities by any Person results solely from a reduction in the aggregate number of outstanding Voting Securities;

(ii) Corporate Transactions. The consummation of a Business Combination, unless immediately following such Business Combination, (1) the Beneficial Owners of the Voting Securities of the Company immediately prior to such transaction beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the outstanding Voting Securities of the entity resulting from such transaction, (2) no Person (excluding any corporation resulting from such Business Combination) is the Beneficial Owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such corporation except to the extent that such ownership existed prior to the Business Combination and (3) at least a majority of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors (as defined below), at the time of the execution of the initial agreement or of the action of the Board, providing for such Business Combination;

(iii) Change in Board of Directors. The Continuing Directors cease for any reason to constitute at least a majority of the members of the Board; or

(iv) Liquidation. The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company’s assets, other than factoring the Company’s current receivables or escrows due (or, if such approval is not required, the decision by the Board to proceed with such a liquidation, sale, or disposition in one transaction or a series of related transactions).

- (f) “**Claim**” means:

(i) any threatened, pending or completed action, suit, demand, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, arbitral, investigative or other, and whether made pursuant to federal, state or other law; or

(ii) any inquiry, hearing or investigation that the Indemnitee determines might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism.

(g) “**Company**” shall have the meaning ascribed to it in the prefatory language above.

(h) “**Constituent Documents**” shall have the meaning ascribed to it in the Recitals above.

(i) “**Continuing Directors**” means, during a period of two consecutive years, not including any period prior to the execution of this Agreement, the individuals collectively who at the beginning of such period constituted the Board (including for this purpose any new directors whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved).

(j) “**Delaware Court**” means the Court of Chancery of the State of Delaware.

(k) “**Disinterested Director**” means a director of the Company who is not and was not a party to the Claim in respect of which indemnification is sought by Indemnitee.

(l) “**Enterprise**” means, any corporation, limited liability company, partnership, joint venture, trust or other entity.

(m) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(n) “**Expense Advance**” means any payment of Expense advanced to Indemnitee by the Company pursuant to Section 4 or Section 5 hereof.

(o) “**Expenses**” means any and all expenses, including attorneys’ and experts’ fees, court costs, transcript costs, travel expenses, duplicating, printing and binding costs, telephone charges, and all other costs and expenses incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Claim. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Claim, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 5 only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(p) “**Indemnifiable Event**” means any event or occurrence, whether occurring

before, on or after the date of this Agreement, related to the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee or agent of another Enterprise or by reason of an action or inaction by Indemnitee in any such capacity (whether or not serving in such capacity at the time any Loss (as defined below) is incurred for which indemnification can be provided under this Agreement).

(q) “**Indemnitee**” shall have the meaning ascribed to it in the prefatory language above.

(r) “**Independent Counsel**” means a law firm, or a member of a law firm, that is experienced in matters of corporate law and neither presently performs, nor in the past five (5) years has performed, services for either: (i) the Company or Indemnitee (other than in connection with matters concerning other indemnitees under similar agreements) or (ii) any other party to the Claim giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(s) “**Losses**” means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), ERISA excise taxes, amounts paid or payable in settlement, including any interest, assessments, any federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement and all other charges paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Claim.

(t) “**Notification Date**” shall have the meaning ascribed to it in Section 10(c) below.

(u) “**Other Indemnity Provisions**” shall have the meaning ascribed to it in Section 14 below.

(v) “**Person**” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

(w) “**Standard of Conduct Determination**” shall have the meaning ascribed to it in Section 10(b) below.

(x) “**Voting Securities**” means any securities of the Company that vote generally in the election of directors.

3. **Indemnification.** Subject to the terms of this Agreement, the Company shall indemnify Indemnitee, to the fullest extent permitted by the laws of the State of Delaware in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, against any and all Losses if Indemnitee was or is or becomes a party to or participant in, or is threatened to be made a party to or participant in, any Claim by reason of or arising in part out of an Indemnifiable Event, including, without limitation, Claims brought by or in the right of the Company, Claims brought by third parties, and Claims in which the Indemnitee is solely a witness.

4. Advancement of Expenses. Indemnatee shall have the right to advancement by the Company, prior to the final disposition of any Claim by final adjudication to which there are no further rights of appeal, of any and all Expenses actually and reasonably paid or incurred by Indemnatee in connection with any Claim arising out of an Indemnifiable Event. Indemnatee's right to such advancement is not subject to the satisfaction of any standard of conduct. Without limiting the generality or effect of the foregoing, within ten (10) calendar days after any request by Indemnatee, the Company shall, in accordance with such request, (a) pay such Expenses on behalf of Indemnatee, (b) advance to Indemnatee funds in an amount sufficient to pay such Expenses, or (c) reimburse Indemnatee for such Expenses. In connection with any request for Expense Advances, Indemnatee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege. Execution and delivery to the Company of this Agreement by Indemnatee constitutes an undertaking by the Indemnatee to repay any amounts paid, advanced or reimbursed by the Company pursuant to this Section 4 in respect of Expenses relating to, arising out of or resulting from any Claim in respect of which it shall be determined, pursuant to Section 10, following the final disposition of such Claim, that Indemnatee is not entitled to indemnification hereunder. No other form of undertaking shall be required other than the execution of this Agreement. Indemnatee's obligation to reimburse the Company for Expense Advances shall be unsecured and no interest shall be charged thereon.

5. Indemnification for Expenses in Enforcing Rights. To the fullest extent allowable under applicable law, the Company shall also indemnify against, and, if requested by Indemnatee, shall advance to Indemnatee subject to and in accordance with Section 4, any Expenses actually and reasonably paid or incurred by Indemnatee in connection with any action or proceeding by Indemnatee for (a) indemnification or reimbursement or advance payment of Expenses by the Company under any provision of this Agreement, or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Claims relating to Indemnifiable Events, and/or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnatee ultimately is determined to be entitled to such indemnification or insurance recovery, as the case may be. Indemnatee shall be required to reimburse the Company in the event that a final judicial determination is made that such action brought by Indemnatee was frivolous or not made in good faith.

6. Partial Indemnity. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Company for a portion of any Losses in respect of a Claim related to an Indemnifiable Event but not for the total amount thereof, the Company shall nevertheless indemnify Indemnatee for the portion thereof to which Indemnatee is entitled.

7. Contribution in the Event of Joint Liability. To the fullest extent permissible under applicable law, if the indemnification and hold harmless rights provided for in this Agreement are unavailable to Indemnatee in whole or in part for any reason whatsoever, the Company, in lieu of indemnifying and holding harmless Indemnatee, shall pay, in the first instance, the entire amount incurred by Indemnatee, whether for judgments, liabilities, fines, penalties, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Indemnifiable Event, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Indemnifiable

Event in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees, trustees, fiduciaries and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

8. Notification and Defense of Claims.

(a) Notification of Claims. Indemnitee shall notify the Company in writing as soon as practicable of any Claim which could relate to an Indemnifiable Event or for which Indemnitee could seek Expense Advances, including a brief description (based upon information then available to Indemnitee) of the nature of, and the facts underlying, such Claim. The failure by Indemnitee to timely notify the Company hereunder shall not relieve the Company from any liability hereunder other than to the extent the Company's ability to participate in the defense of such claim was materially and adversely prejudiced by such failure.

(b) The Company shall be entitled to participate in the defense of any Claim relating to an Indemnifiable Event at its own expense and, except as otherwise provided below, to the extent the Company so wishes, it may assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of any such Claim, the Company shall not be liable to Indemnitee under this Agreement or otherwise for any Expenses subsequently directly incurred by Indemnitee in connection with Indemnitee's defense of such Claim other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ its own legal counsel in such Claim, but all Expenses related to such counsel incurred after notice from the Company of its assumption of the defense shall be at Indemnitee's own expense; provided, however, that if (i) Indemnitee's employment of its own legal counsel has been authorized by the Company, (ii) Indemnitee's counsel has reasonably determined that there may be a conflict of interest between Indemnitee and the Company in the defense of such Claim, (iii) after a Change in Control, Indemnitee's employment of its own counsel has been approved by the Independent Counsel or (iv) the Company shall not in fact have employed counsel to assume the defense of such Claim, then Indemnitee shall be entitled to retain its own separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any such Claim) and all Expenses related to such separate counsel shall be borne by the Company.

9. Procedure Upon Application for Indemnification. In order to obtain indemnification pursuant to this Agreement, Indemnitee shall submit to the Company a written request therefor, including in such request such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of the Claim. Indemnification shall be made insofar as the Company determines Indemnitee is entitled to indemnification in accordance with Section 10 below.

10. Determination of Right to Indemnification.

(a) Mandatory Indemnification; Indemnification as a Witness.

(i) Mandatory Indemnification. To the extent that Indemnitee shall have been successful on the merits or otherwise in defense of any Claim relating to an Indemnifiable

Event or any portion thereof or in defense of any issue or matter therein, including without limitation dismissal without prejudice or settlement of the Claim (subject to the terms of Section 12 below), Indemnatee shall be indemnified against all Losses relating to such Claim in accordance with Section 3 to the fullest extent allowable by law.

(ii) Indemnification as a Witness. To the extent that Indemnatee's involvement in a Claim relating to an Indemnifiable Event is to prepare to serve and serve as a witness, and not as a party, the Indemnatee shall be indemnified against all Losses incurred in connection therewith to the fullest extent allowable by law.

(b) Standard of Conduct. To the extent that the provisions of Section 10(a) are inapplicable to a Claim related to an Indemnifiable Event that shall have been finally disposed of, any determination of whether Indemnatee has satisfied any applicable standard of conduct under Delaware law that is a legally required condition to indemnification of Indemnatee hereunder against Losses relating to such Claim and any determination that Expense Advances must be repaid to the Company (a "**Standard of Conduct Determination**") shall be made as follows:

(i) if no Change in Control has occurred, (A) by a majority vote of the Disinterested Directors, even if less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum or (C) if there are no such Disinterested Directors, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnatee; and

(ii) if a Change in Control shall have occurred, (A) if the Indemnatee so requests in writing, by a majority vote of the Disinterested Directors, even if less than a quorum of the Board or (B) otherwise, by Independent Counsel in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnatee.

The Company shall indemnify and hold harmless Indemnatee against and, if requested by Indemnatee, shall reimburse Indemnatee for, or advance to Indemnatee, within ten (10) calendar days of such request, any and all Expenses incurred by Indemnatee in cooperating with the Person or Persons making such Standard of Conduct Determination.

(c) Making the Standard of Conduct Determination. The Company shall use its reasonable best efforts to cause any Standard of Conduct Determination required under Section 10(b) to be made as promptly as practicable. If the Person or Persons designated to make the Standard of Conduct Determination under Section 10(b) shall not have made a determination within thirty (30) calendar days after the later of (A) receipt by the Company of a written request from Indemnatee for indemnification pursuant to Section 9 (the date of such receipt being the "**Notification Date**") and (B) the selection of an Independent Counsel, if such determination is to be made by Independent Counsel, then Indemnatee shall be deemed to have satisfied the applicable standard of conduct, absent (i) a misstatement by Indemnatee of a material fact, or an omission of a material fact necessary to make Indemnatee's statement not materially misleading, in connection with the request for indemnification, or (ii) a final judicial determination that any or all such indemnification is expressly prohibited under applicable law; provided, however, that such thirty (30) calendar day period may be extended for a reasonable time, not to exceed an additional fifteen (15) calendar days, if the Person or Persons making such determination in good faith requires such additional time to obtain or evaluate information relating thereto. Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnatee to indemnification under this Agreement shall be required to be made prior to the final disposition of any Claim.

(d) Payment of Indemnification. If, in regard to any Losses:

(i) Indemnitee shall be entitled to indemnification pursuant to Section 10(a);

(ii) no Standard of Conduct Determination is legally required as a condition to indemnification of Indemnitee hereunder; or

(iii) Indemnitee has been determined or deemed pursuant to Section 10(b) or Section 10(c) to have satisfied the Standard of Conduct

Determination,

then the Company shall pay to Indemnitee, within ten (10) calendar days after the later of (A) the Notification Date or (B) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) is satisfied, an amount equal to such Losses.

(e) Selection of Independent Counsel for Standard of Conduct Determination. If a Standard of Conduct Determination is to be made by Independent Counsel pursuant to Section 10(b)(i), the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Standard of Conduct Determination is to be made by the Independent Counsel pursuant to Section 10(b)(ii), the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either case, Indemnitee or the Company, as applicable, may, within ten (10) calendar days after receiving written notice of selection from the other, deliver to the other a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not satisfy the criteria set forth in the definition of "Independent Counsel" in Section 2, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the individual or firm so selected shall act as Independent Counsel. If such written objection is properly and timely made and substantiated, (i) the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit; and (ii) the non-objecting party may, at its option, select an alternative Independent Counsel and give written notice to the other party advising such other party of the identity of the alternative Independent Counsel so selected, in which case the provisions of the two immediately preceding sentences, the introductory clause of this sentence and numbered clause (i) of this sentence shall apply to such subsequent selection and notice. If applicable, the provisions of clause (ii) of the immediately preceding sentence shall apply to successive alternative selections. If no Independent Counsel that is permitted under the foregoing provisions of this Section 10(e) to make the Standard of Conduct Determination shall have been selected within twenty (20) calendar days after the Company gives its initial notice pursuant to the first sentence of this Section 10(e) or Indemnitee gives its initial notice pursuant to the second sentence of this Section 10(e), as the case may be, either the Company or Indemnitee may petition the Delaware Court to resolve any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or to appoint as Independent Counsel an individual or firm to be selected by the Court or such other person as the Court shall designate, and the individual or firm with respect to whom all objections are so resolved or the individual or firm so appointed will act as Independent Counsel. In all events, the Company



shall pay all of the reasonable fees and expenses of the Independent Counsel incurred in connection with the Independent Counsel's determination pursuant to Section 10(b) and shall fully indemnify and hold harmless such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) Presumptions and Defenses.

(i) Indemnitee's Entitlement to Indemnification. In making any Standard of Conduct Determination, the Person or Persons making such determination shall presume that Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification, and the Company shall have the burden of proof to overcome that presumption and establish that Indemnitee is not so entitled. Any Standard of Conduct Determination that is adverse to Indemnitee may be challenged by the Indemnitee in the Delaware Court. No determination by the Company (including by its directors or any Independent Counsel) that Indemnitee has not satisfied any applicable standard of conduct or failure by the Company to reach such a determination may be used as a defense to any legal proceedings brought by Indemnitee to secure indemnification or reimbursement or advance payment of Expenses by the Company hereunder or create a presumption that Indemnitee has not met any applicable standard of conduct.

(ii) Reliance as a Safe Harbor. For purposes of this Agreement, and without creating any presumption as to a lack of good faith if the following circumstances do not exist, Indemnitee shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company if Indemnitee's actions or omissions to act are taken in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to Indemnitee by the officers or employees of the Company or any of its subsidiaries in the course of their duties, or by committees of the Board or by any other Person (including legal counsel, accountants and financial advisors) as to matters Indemnitee reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any director, officer, agent or employee of the Company shall not be imputed to Indemnitee for purposes of determining the right to indemnity hereunder.

(iii) No Other Presumptions. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, will not create a presumption that Indemnitee did not meet any applicable standard of conduct or have any particular belief, or that indemnification hereunder is otherwise not permitted.

(iv) Defense to Indemnification and Burden of Proof. It shall be a defense to any action brought by Indemnitee against the Company to enforce this Agreement (other than an action brought to enforce a claim for Losses incurred in defending against a Claim related to an Indemnifiable Event in advance of its final disposition) that it is not permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed. In connection with any such action or any related Standard of Conduct Determination, the burden of proving such a defense or that the Indemnitee did not satisfy the applicable standard of conduct shall be on the Company.

(v) Resolution of Claims. The Company acknowledges that a settlement or other disposition short of final judgment may be successful on the merits or otherwise for purposes of Section 10(a)(i) if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Claim relating to an Indemnifiable Event to which Indemnatee is a party is resolved in any manner other than by adverse judgment against Indemnatee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnatee has been successful on the merits or otherwise for purposes of Section 10(a)(i). The Company shall have the burden of proof to overcome this presumption.

11. Exclusions from Indemnification. Notwithstanding anything in this Agreement to the contrary, the Company shall not be obligated to:

(a) indemnify or advance funds to Indemnatee for Expenses or Losses with respect to proceedings initiated by Indemnatee, including any proceedings against the Company or its directors, officers, employees or other indemnitees and not by way of defense, except:

(i) proceedings referenced in Section 5 above (unless a court of competent jurisdiction determines that each of the material assertions made by Indemnatee in such proceeding was not made in good faith or was frivolous); or

(ii) where the Company has joined in or the Board has consented to the initiation of such proceedings.

(b) indemnify Indemnatee if a final decision by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law.

(c) indemnify Indemnatee for the disgorgement of profits arising from the purchase or sale by Indemnatee of securities of the Company in violation of Section 16(b) of the Exchange Act, or any similar successor statute, state law or other law.

(d) indemnify or advance funds to Indemnatee for Indemnatee's reimbursement to the Company of any bonus or other incentive-based or equity-based compensation previously received by Indemnatee or payment of any profits realized by Indemnatee from the sale of securities of the Company, 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 of the Company or the payment to the Company of profits arising from the purchase or sale by Indemnatee of securities in violation of Section 306 of the Sarbanes-Oxley Act).

12. Settlement of Claims. The Company shall not be liable to Indemnatee under this Agreement for any amounts paid in settlement of any threatened or pending Claim related to an Indemnifiable Event effected without the Company's prior written consent, which shall not be unreasonably withheld. The Company shall not settle any Claim related to an Indemnifiable Event in any manner that would impose any Losses on the Indemnatee without the Indemnatee's prior written consent. The Company shall not, without the prior written consent of Indemnatee, effect any settlement of any Claim relating to an Indemnifiable Event which the Indemnatee is or could have been a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnatee from all liability on all claims that are the subject matter of such Claim.

13. Duration. All agreements and obligations of the Company contained herein shall continue during the period that Indemnitee is a director, officer, employee or agent of the Company or any subsidiary of the Company (or is serving at the request of the Company as a director, officer, employee, member, trustee or agent of another Enterprise) and shall continue thereafter (i) so long as Indemnitee may be subject to any possible Claim relating to an Indemnifiable Event (including any rights of appeal thereto) and (ii) throughout the pendency of any proceeding (including any rights of appeal thereto) commenced by Indemnitee to enforce or interpret his or her rights under this Agreement, even if, in either case, he or she may have ceased to serve in such capacity at the time of any such Claim or proceeding.

14. Non-Exclusivity. The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have under the Constituent Documents, the law of the State of Delaware, any other contract or otherwise (collectively, “**Other Indemnity Provisions**”); provided, however, that (a) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

15. Liability Insurance. For the duration of Indemnitee’s service as a director or officer of the Company, and thereafter for so long as Indemnitee shall be subject to any pending Claim relating to an Indemnifiable Event, the Company shall use commercially reasonable efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to continue to maintain in effect policies of directors’ and officers’ liability insurance providing coverage that is at least substantially comparable in scope and amount to that provided by the Company’s current policies of directors’ and officers’ liability insurance. The insurance provided pursuant to this Section 15 shall be primary insurance to the Indemnitee for any Indemnifiable Event and/or Expense to which such insurance applies. In all policies of directors’ and officers’ liability insurance maintained by the Company, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are provided to the most favorably insured of the Company’s directors, if Indemnitee is a director, or of the Company’s officers, if Indemnitee is an officer (and not a director) by such policy. Upon request, the Company will provide to Indemnitee copies of all directors’ and officers’ liability insurance applications, binders, policies, declarations, endorsements and other related materials.

16. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment to Indemnitee in respect of any Losses to the extent Indemnitee has otherwise received payment under any insurance policy, the Constituent Documents, Other Indemnity Provisions or otherwise of the amounts otherwise (including from another Enterprise) indemnifiable by the Company hereunder; provided that the foregoing shall not affect the rights of Indemnitee or the Fund Indemnitors (as defined below) as set forth in Section 17.

17. **Primacy of Indemnification.** The Company hereby acknowledges that Indemnatee has or may have in the future certain rights to indemnification, advancement of expenses and/or insurance provided by entities and/or organizations (and certain of their affiliates) other than the Company (collectively, the “**Fund Indemnitors**”). The Company hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnatee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnatee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnatee and (iii) that it shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of this Agreement, the Constituent Documents and/or Other Indemnity Provisions, without regard to any rights Indemnatee may have against the Fund Indemnitors. The Company irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnatee with respect to any claim for which Indemnatee has sought indemnification from the Company shall affect the foregoing, and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnatee against the Company. The Company and Indemnatee agree that the Fund Indemnitors are express third party beneficiaries of the terms of this Section 17.

18. **Subrogation.** In the event of payment to Indemnatee under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee (other than against the Fund Indemnitors). Indemnatee shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

19. **Amendments; Waivers.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be binding unless in the form of a writing signed by the party against whom enforcement of the waiver is sought, and no such waiver shall operate as a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

20. **Enforcement and Binding Effect.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnatee to serve as a director or officer of the Company, and the Company acknowledges that Indemnatee is relying upon this Agreement in serving as a director or officer of the Company.

(b) Without limiting any of the rights of Indemnatee under any Other Indemnity Provisions as they may be amended from time to time, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) This Agreement shall be binding upon and inure to the benefit of and be

enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part of the business and/or assets of the Company, by written agreement in form and substances satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

21. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any portion thereof) are held by a court of competent jurisdiction to be invalid, illegal, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

22. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, by postage prepaid, certified or registered mail:

(a) if to Indemnitee, to the address set forth on the signature page hereto.

(b) if to the Company, to:

Tandem Diabetes Care, Inc.  
Attn: Chief Executive Officer  
11045 Roselle Street, Suite 200  
San Diego, California 92121

Notice of change of address shall be effective only when given in accordance with this Section. All notices complying with this Section shall be deemed to have been received on the date of hand delivery or on the third business day after mailing.

23. Governing Law and Forum. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to its principles of conflicts of laws. The Company and Indemnitee hereby irrevocably and unconditionally: (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court and not in any other state or federal court in the United States or any other country, (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement and (c) waive, and agree not to plead or make, any claim that the Delaware Court lacks venue or that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

24. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original, but all of which together shall constitute one and the same Agreement.

*[Remainder of Page Intentionally Left Blank; Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**COMPANY:**

**TANDEM DIABETES CARE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**INDEMNITEE:**

**[NAME]**

\_\_\_\_\_

\_\_\_\_\_

(Print Name)

**Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*[Signature Page to Indemnification Agreement]*



11045 Roselle Street • San Diego, CA 92121  
858/366-6900 main • 858/202-6718 fax

June 28, 2013

David. B. Berger

Dear David:

Tandem Diabetes Care, Inc. (the "Company") is pleased to offer you employment on the terms set forth below.

1. **Position.** You will serve in a full-time capacity as General Counsel. You will report to Kim Blickenstaff, President and Chief Executive Officer. By signing this letter agreement, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company.
2. **Salary.** You will be paid bi-weekly at a rate of **\$12,500.00 (approx. \$325,000.00 annualized)** payable in accordance with the Company's standard payroll practices and in accordance with applicable laws for exempt employees.
3. **Corporate Bonus.** In addition to your base salary, you will be eligible for the Company Bonus Plan, which for 2013 is a target of **35%** of your eligible wages. This bonus will be paid out on an annual basis at the sole discretion of the Board of Directors and based on the Company meeting specific goals and objectives.
4. **Employee Benefits.** As a full-time employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits in accordance with the terms of the Company's benefit plans. In addition, you will be entitled to paid time off in accordance with the Company's policy. The Company reserves the right to change or eliminate these benefits on a prospective basis at any time.
5. **Stock Options.** In connection with the commencement of your employment, the Company will recommend that the Board of Directors grant you an option to purchase **150,000 options** of the Company's Common Stock with an exercise price equal to fair market value on the date of the grant. These options will vest over a four-year period with a 25% one-year cliff, in accordance with the standard stock plan approved by the Board of Directors. Vesting will, of course, depend on your continued employment with the Company. The grant of the options is subject to approval by the Board of Director and to conditions outlined in the Company's 2006 Stock Incentive Plan.

\*Tandem Diabetes Care reserves the right to review all compensation plans and make changes, additions, and/or deletions at any time. To be eligible to receive any payment you must be on the active Tandem payroll at the time of each payment.

/s/ DB  
DB

Initial each page



6. **Sign-on Bonus.** The Company will pay you a one-time Bonus in amount of **\$60,000.00** within thirty (30) days of your start date less appropriate payroll taxes.
- The Bonus is deemed fully earned on the earlier of (i) after twenty-four (24) months of active employment, or (ii) upon a change of control of the company. Should you leave the company for any reason, voluntarily or involuntarily, unless following a change of control, before you have completed twelve (12) months of active employment, 100% of the bonus is required to be repaid. Should you leave the company for any reason, unless following a change of control, after twelve (12) months of active employment, but prior to completing twenty-four (24) months of active employment, a prorated portion of the bonus is required to be repaid. The required prorated bonus repayment shall be equal to 100% of the bonus, reduced by 1/24th for each full month of active employment at Tandem. Required repayment must be made on or before your final date of active employment and shall be by certified check to the Company or may be deducted from your final payroll.
7. **Employee Proprietary Information Agreement.** Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's Employee Proprietary Information Agreement, which includes the Assignment of Inventions provision.
8. **Employment At Will.** The Company is an at-will employer, and cannot guarantee employment for any specific duration. You are free to quit, and the Company is entitled to terminate your employment at any time, with or without cause or prior warning. This provision supersedes all prior agreements and understandings concerning termination of employment, whether oral, written or implied. Although your job duties, title, reporting structure, compensation and benefits, as well as the Company's personnel policies and procedures may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company with Board of Directors' approval.
9. **Pre-Employment Screening** Your employment is contingent on successfully passing a drug test and background check. The pre-employment testing and verification will be conducted through our 3rd party vendor HireRight.
10. **Outside Activities/Conflicts of Interest.** Employees may hold outside employment as long as they meet the performance standards and attendance requirements of their job with Tandem, and the outside job does not create and actual or potential conflict of interest with the Company. Conflicts of interest exist where an individual's actions or activities, on behalf of Tandem or otherwise, involve the obtaining of an improper personal gain or advantage, or an adverse effect upon the interest of Tandem. For this reason, employees must refrain from engaging in any activity, practice or act which conflicts with the interests of Tandem, its corporate entities, or those it serves.
11. **Withholding Taxes.** All forms of compensation referred to in this letter are subject to reduction to reflect applicable withholding and payroll taxes.
12. **Company Policies.** You agree to abide by the Company's policies and procedures, including those set forth in the Company's Employee Handbook and other Company documents, except to the extent they are inconsistent with the terms of this letter. You will be required to sign the signature page of the Employee Handbook following the commencement of your employment with the Company.

\*Tandem Diabetes Care reserves the right to review all compensation plans and make changes, additions, and/or deletions at any time. To be eligible to receive any payment you must be on the active Tandem payroll at the time of each payment.

/s/ DB  
DB  
Initial each page

13. **Employment Eligibility.** Your employment is contingent on you providing the Company with the legally required proof of your identity and authorization to work in the United States.
14. **Entire Agreement.** This letter contains all of the terms of your employment with the Company and supersedes any prior understandings or agreements, whether oral or written, between you and the Company.

David, we are very enthusiastic about you joining the team. We are impressed with your experience and abilities, and believe that your skills and background provide an excellent match for both Tandem Diabetes Care and for you.

This offer will remain valid until the close of business on **July 8, 2013**, with an anticipated start date of **August 5, 2013**. If the terms are agreeable, please sign, date and return one copy of this letter indicating your acceptance, retaining the second copies for your records.

If you have questions or just wish to discuss things further, please don't hesitate to contact me.

Sincerely,

/s/ Susan Morrison

Susan Morrison  
VP, HR, Corporate & Investor Relations  
Tandem Diabetes Care

I have read and accept this employment offer:

By: /s/ David B. Berger  
**David B. Berger**

Dated: 7/8/13

\*Tandem Diabetes Care reserves the right to review all compensation plans and make changes, additions, and/or deletions at any time. To be eligible to receive any payment you must be on the active Tandem payroll at the time of each payment.

/s/ DB  
DB  
Initial each page



11025 Roselle Street, San Diego, CA 92121  
858/366-6900 main • 858/362-7070 fax

January 29, 2013

John F. Sheridan

Dear John:

Tandem Diabetes Care, Inc. (the "Company") is pleased to offer you employment on the terms set forth below.

1. **Position.** You will serve in a full-time capacity as **Chief Operating Officer**. You will report to Kim Blickenstaff, CEO. By signing this letter agreement, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company.
2. **Salary.** You will be paid bi-weekly at a rate of **\$12,500.00 (approx. \$325,000.00 annualized)** payable in accordance with the Company's standard payroll practices and in accordance with applicable law for exempt employees.
3. **Sign-on Bonus.** The Company will pay you a **\$30,000.00** one-time bonus within one month of your start date less appropriate payroll taxes to assist with your relocation expenses. The bonus is deemed fully earned after twelve (12) months of active employment. Should you leave the company for any reason, voluntarily or involuntarily, before you have completed twelve (12) months of active employment, 100% of the bonus is required to be repaid. Any repayment must be made on or before your final date of active employment and shall be by certified check to the Company or may be deducted from your final payroll.
4. **Employee Benefits.** As a full-time employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits in accordance with the terms of the Company's benefit plans. In addition, you will be entitled to paid time off in accordance with the Company's policy. The Company reserves the right to change or eliminate these benefits on a prospective basis at any time.
5. **Stock Options.** In connection with the commencement of your employment, the Company will recommend that the Board of Directors grant you an option to purchase an amount of options of the Company's Common Stock that is in alignment with the Company's equity scale for your position with an exercise price equal to fair market value on the date of the grant. The actual number of options granted will be at the discretion of the Board of Directors. The Series D round of the Company's fundraising must successfully close, and the Board of Directors must authorize an adequate increase in the number of shares available for grant in the Company's 2006 Stock Incentive

\*Tandem Diabetes Care reserves the right to review all compensation plans and make changes, additions, and/or deletions at any time. To be eligible to receive any payment you must be on the active Tandem payroll at the time of each payment.

/s/ JS  
JS

Initial each page

Plan, in order to fulfill this recommended grant. These options will vest ratably on a monthly basis over a four-year period except that the initial 25% of such shares will vest after a one-year cliff, based on your continued employment with the Company and in accordance with the standard stock plan approved by the Board of Directors. The grant of the options is subject to conditions outlined in the Company's 2006 Stock Incentive Plan.

6. **Employee Proprietary Information Agreement.** Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's Employee Proprietary Information Agreement, which includes the Assignment of Inventions provision.
7. **At Will Employment.** The Company is an at-will employer, and cannot guarantee employment for any specific duration. You are free to quit, and the Company is entitled to terminate your employment at any time, with or without cause or prior warning. This provision supersedes all prior agreements and understandings concerning termination of employment, whether oral, written or implied. Although your job duties, title, reporting structure, compensation and benefits, as well as the Company's personnel policies and procedures may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company with Board of Directors' approval.
8. **Background Check and Drug Test.** As a condition of this offer of employment, you must first successfully complete a background check and drug test, both of which will be conducted through a third party vendor, HireRight.
9. **Outside Activities.** Employees may hold outside employment as long as they meet the performance standards and attendance requirements of their job with Tandem, and the outside job does not create an actual or potential conflict of interest with the Company. Conflicts of interest exist where an individual's actions or activities, on behalf of Tandem or otherwise, involve the obtaining of an improper personal gain or advantage, or an adverse effect upon the interest of Tandem. For this reason, employees must refrain from engaging in any activity, practice or act which conflicts with the interests of Tandem, its corporate entities, or those it serves.
10. **Withholding Taxes.** All forms of compensation referred to in this letter are subject to reduction to reflect applicable withholding and payroll taxes.
11. **Company Policies.** You agree to abide by the Company's policies and procedures, including those set forth in the Company's Employee Handbook and other Company documents, except to the extent they are inconsistent with the terms of this letter. You will be required to sign the signature page of the Employee Handbook following the commencement of your employment with the Company.
12. **Employment Eligibility.** Your employment is contingent on you providing the Company with the legally required proof of your identity and authorization to work in the United States.
13. **Entire Agreement.** This letter and the Exhibits attached hereto contain all of the terms of your employment with the Company and supersede any prior understandings or agreements, whether oral or written, between you and the Company.

\*Tandem Diabetes Care reserves the right to review all compensation plans and make changes, additions, and/or deletions at any time. To be eligible to receive any payment you must be on the active Tandem payroll at the time of each payment.

/s/ JS  
JS

Initial each page

John, we are very enthusiastic about you joining the team. We are impressed with your experience and abilities, and believe that your skills and background provide an excellent match for both Tandem Diabetes Care and for you.

This offer will remain valid until the close of business on **February 1, 2013**, with an anticipated start date of **February 19, 2013**. Upon notification of favorable pre-employment drug test and background screening results, we will contact you to confirm your actual start date. If the terms are agreeable, please sign, date and return one copy of this letter indicating your acceptance, retaining the second copies for your records.

If you have questions or just wish to discuss things further, please don't hesitate to contact me.

Sincerely,

/s/ Susan Morrison

Susan Morrison  
VP, HR, Corporate & Investor Relations  
Tandem Diabetes Care

I have read and accept this employment offer:

By: /s/ John F. Sheridan  
John F. Sheridan

Dated: 2-1-13

\*Tandem Diabetes Care reserves the right to review all compensation plans and make changes, additions, and/or deletions at any time. To be eligible to receive any payment you must be on the active Tandem payroll at the time of each payment.

/s/ JS  
JS  
Initial each page

**AMENDED AND RESTATED EMPLOYMENT SEVERANCE AGREEMENT**

This Amended and Restated Employment Severance Agreement (the “Agreement”) is made and entered into effective as of August 21, 2013 (the “Effective Date”), by and between Kim D. Blickenstaff (the “Employee”) and Tandem Diabetes Care, Inc. (the “Company”).

**R E C I T A L S**

A. The Company and the Employee have entered into that employment letter agreement dated September 1, 2007, and that Employee Proprietary Information Agreement dated May 1, 2008 (the “Existing Agreements”).

B. The Company and the Employee have entered into that Employment Severance Agreement, dated October 20, 2011 (the “Prior Agreement”). The Company and Employee desire to terminate the Prior Agreement as of the Effective Date, release any claims arising therefrom and to amend and restate the terms of the Employee’s severance arrangement in their entirety in this Agreement.

C. The Board of Directors of the Company (the “Board”) believes the Company should provide the Employee with certain severance benefits should the Employee’s employment with the Company terminate under certain circumstances, such benefits to provide the Employee with enhanced financial security and sufficient incentive and encouragement to remain with the Company.

D. Certain capitalized terms used in the Agreement are defined in Section 4 below.

**AGREEMENT**

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Company, the parties agree as follows:

1. At-Will Employment. The Company and the Employee acknowledge that the Employee’s employment is and shall continue to be at-will, as defined under applicable law. If the Employee’s employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company’s established employee plans and practices or in accordance with other agreements between the Company and the Employee.

## 2. Severance and Change of Control Benefits.

(a) Benefits upon Termination in Connection with a Change of Control. If, on or within twelve (12) months after a Change of Control, the Employee's employment terminates as a result of an Involuntary Termination or a Resignation For Good Reason and the Employee signs, complies with and does not revoke a Release of Claims, then the Employee shall receive the following severance benefits:

(i) the Employee will receive during the twenty-four (24) month period immediately following the date of the Involuntary Termination or the Resignation For Good Reason, as applicable (the "Severance Period"), a guarantee of salary continuation equal to the Employee's monthly portion of Base Compensation on the date of termination, less applicable withholdings and deductions;

(ii) (A) the Employee will vest in and have the right to exercise all of the Employee's outstanding options, restricted stock units and stock appreciation rights that were otherwise unvested as of the date of such Involuntary Termination or Resignation For Good Reason, (B) all of the Company's rights to repurchase vested and unvested restricted stock or restricted stock units from the Employee shall lapse as to that number of shares in which such repurchase rights have yet to lapse and (C) any right of the Company to repurchase any common stock of the Company shall terminate including under any right of first refusal. Further, after a Change of Control, if the Employee's options, restricted stock units or stock appreciation rights have been assumed or replaced and remain outstanding, one hundred percent (100%) of unvested options or restricted stock shall vest upon the twelve month anniversary of such Change of Control if not fully vested prior to such date.

(b) Voluntary Resignation; Termination for Cause. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination or Resignation For Good Reason, then the Employee will not be entitled to receive severance change in control benefits as defined in this Section 2 or other severance or benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates the Employee's employment as a result of the Employee's Disability, or the Employee's employment terminates due to the Employee's death, then the Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Miscellaneous. Upon the termination of the Employee's employment for any reason, (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the Termination Date; (ii) the Company shall pay the Employee all of the Employee's accrued and unused paid time off through the Termination Date; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by applicable law.

### 3. Limitations on Payments.

#### (a) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if the Employee is a “specified employee” within the meaning of Section 409A at the time of the Employee’s termination (other than due to death), then the severance payable to the Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the “Deferred Compensation Separation Benefits”), that are payable within the first six (6) months following the Employee’s termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Employee’s termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Employee dies following the Employee’s termination but prior to the six (6) month anniversary of the Employee’s termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Employee’s death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. For purposes of this Agreement, “Section 409A Limit” shall mean the lesser of two (2) times: (i) the Employee’s annualized compensation based upon the annual rate of pay paid to the Employee during the Company’s taxable year preceding the Company’s taxable year of the Employee’s termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Employee’s employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.



(b) Code Section 280G. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Employee (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 3(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee’s benefits under Section 2 of this Agreement shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 3(b) shall be made in writing by the Company’s independent public accountants immediately prior to the Change of Control (the “Accountants”), whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 3(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 3(b). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 3(b).

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Base Compensation. “Base Compensation” means the Employee’s (i) annual base salary paid by the Company for services performed as in effect on the Termination Date; and (ii) target cash bonus and/or other forms of cash incentive compensation for the fiscal year in which the Change of Control is effective.

(b) Cause. “Cause” means:

(i) The Employee’s continued intentional and demonstrable failure to perform his or her duties customarily associated with the Employee’s position as an employee of the Company or its respective successors or assigns, as applicable (other than any such failure resulting from the Employee’s mental or physical Disability) after the Employee has received a written demand of performance from the Company which specifically sets forth the factual basis

for the Company's belief that the Employee has not devoted sufficient time and effort to the performance of his or her duties and has failed to cure such non-performance within thirty (30) days after receiving such notice (it being understood that if the Employee is in good faith performing his or her duties, but is not achieving results the Company deems satisfactory for the Employee's position, it will not be considered to be grounds for termination of the Employee for "Cause");

(ii) The Employee's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iii) The Employee's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company or its respective successors or assigns, as applicable;

(iv) The Employee's unauthorized use of the Company's material confidential information; or

(v) The Employee's prohibited or unauthorized competitive activity.

The Employee will receive notice and an opportunity to be heard before the Board with the Employee's own attorney before any termination for Cause is deemed effective. Notwithstanding anything to the contrary, the Board may immediately place the Employee on administrative leave (with full pay and benefits to the extent legally permissible) but will allow reasonable access to Company information, employees and business should the Employee wish to avail himself and prepare for his or her opportunity to be heard before the Board prior to the Board's termination for Cause. If the Employee avails himself or herself of the Employee's opportunity to be heard before the Board, and then fails to make himself or herself available to the Board within thirty (30) days of such request to be heard, the Board may thereafter cancel the administrative leave and terminate the Employee for Cause. Likewise, if the Board fails to make itself available to the Employee and his or her counsel within thirty (30) days of the Employee's request to be heard, Employee will be entitled to terminate his or her employment with the Company and such termination will be treated as a resignation by Employee for Involuntary Termination.

(c) Change of Control. "Change of Control" means (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Company's jurisdiction of incorporation), *unless* the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is

approved by the Board and in which the Board determines is not a Change of Control for the purposes of this Agreement will not be considered a Change of Control, or (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

(d) Disability. “Disability” means the Employee has been unable to perform his or her Company duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee’s legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Company of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

(e) Involuntary Termination. “Involuntary Termination” means termination of the Employee’s employment, without the Employee’s consent, by the Company for any reason other than Cause.

(f) Release of Claims. “Release of Claims” shall mean a waiver by the Employee, in a form satisfactory to the Company, of all employment-related obligations of and claims and causes of action against the Company, and a non-disparagement agreement by the Employee in a form satisfactory to the Company. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a Release of Claims, such Release of Claims must be executed, and all applicable revocation periods shall have expired, within sixty (60) days after the date of termination, failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt “deferred compensation” for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the Release of Claims becomes irrevocable in the first such calendar year.

(g) Resignation for Good Reason. “Resignation for Good Reason” shall mean a resignation by Employee following a Change of Control and following the occurrence of one of the following:

(i) a material reduction in the Employee’s Base Compensation;

(ii) any material breach by the Company of any material provision of this Agreement which continues uncured for thirty (30) days following notice thereof;

(iii) a material reduction in the Employee's duties, responsibilities or authority; or

(iv) a change of fifty (50) miles or more of the geographic location at which the Employee must primarily perform services for the Company.

Any purported Resignation for Good Reason pursuant to Section 4(e)(i) through (e)(iv) above will not be effective until the Employee has delivered to the Company, within sixty (60) days of the initial existence of the Good Reason condition, a written explanation that describes the basis for the Employee's belief that the Employee should be permitted to terminate the Employee's employment and have it treated as a Resignation for Good Reason and the Company has been given thirty (30) days following delivery of such notice to cure any curable violation. In no instance will a resignation by Employee be deemed to be a Resignation for Good Reason if it is made more than twelve (12) months following the initial existence of one or more of the conditions that constitute Good Reason hereunder.

(h) Termination Date. "Termination Date" shall mean the date on which an event that would constitute an Involuntary Termination or a Resignation for Good Reason occurs, or the later of (i) the date on which a notice of termination is given, or (ii) the date (which shall not be more than thirty (30) days after the giving of such notice) specified in such notice.

#### 5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement pursuant to this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

#### 6. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home

address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Chief Executive Officer or principal human resources person.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination or Resignation for Good Cause shall be communicated by a notice of termination to the other party hereto given in accordance with Section 6(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination or Resignation for Good Cause shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

7. Term and Termination. The term of this Agreement shall be one year from the Effective Date; provided, however, that this Agreement shall automatically renew for successive 1-year periods unless either party gives the other party notice, at least 60 days in advance of the next renewal date, of such party's intent that this Agreement terminate effective as of such next renewal date, in which case the Agreement shall terminate as of such next renewal date; provided further, however, that in the event a Change of Control that precedes the effective date of any such termination, the term of this Agreement shall extend at least until the one (1)-year anniversary of such Change of Control. Notwithstanding the foregoing, if the Employee becomes entitled to benefits pursuant to Section 2(a) or 2(b) of this Agreement, this Agreement will not terminate until, but will terminate at, such time that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

#### 8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement.

(b) Waiver and Amendment. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement or in the Existing Agreements have been made or entered into by either party with respect to the subject matter hereof.

(d) Severance Provisions in Other Agreements. The Employee acknowledges and agrees that the severance provisions set forth in this Agreement shall supersede any such provisions in any other agreement entered into between the Employee and the Company.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

(h) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes. If the Company does not make such withholdings on Employee's behalf, Employee shall pay when due all such taxes (and any related penalties and interest) imposed on Employee and shall indemnify the Company for Employee's failure to do so.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

***[Signature Page to Follow]***

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

TANDEM DIABETES CARE, INC.

By: /s/ John Cajigas  
John Cajigas, Chief Financial Officer

EMPLOYEE:

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff

## AMENDED AND RESTATED EMPLOYMENT SEVERANCE AGREEMENT

This Amended and Restated Employment Severance Agreement (the “Agreement”) is made and entered into effective as of August 21, 2013 (the “Effective Date”), by and between John Cajigas (the “Employee”) and Tandem Diabetes Care, Inc. (the “Company”).

### R E C I T A L S

A. The Company and the Employee have entered into that employment letter agreement dated April 30, 2008, and that Employee Proprietary Information Agreement dated May 1, 2008 (the “Existing Agreements”).

B. The Company and the Employee have entered into that Employment Severance Agreement, dated October 20, 2011 (the “Prior Agreement”). The Company and Employee desire to terminate the Prior Agreement as of the Effective Date, release any claims arising therefrom and to amend and restate the terms of the Employee’s severance arrangement in their entirety in this Agreement.

C. The Board of Directors of the Company (the “Board”) believes the Company should provide the Employee with certain severance benefits should the Employee’s employment with the Company terminate under certain circumstances, such benefits to provide the Employee with enhanced financial security and sufficient incentive and encouragement to remain with the Company.

D. Certain capitalized terms used in the Agreement are defined in Section 4 below.

### AGREEMENT

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Company, the parties agree as follows:

1. At-Will Employment. The Company and the Employee acknowledge that the Employee’s employment is and shall continue to be at-will, as defined under applicable law. If the Employee’s employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company’s established employee plans and practices or in accordance with other agreements between the Company and the Employee.

2. Severance and Change of Control Benefits.

(a) Benefits upon Termination in Connection with a Change of Control. If, on or within twelve (12) months after a Change of Control, the Employee’s employment terminates as a result of an Involuntary Termination or a Resignation For Good Reason and the Employee signs, complies with and does not revoke a Release of Claims, then the Employee shall receive the following severance benefits:

(i) the Employee will receive during the eighteen (18) month period immediately following the date of the Involuntary Termination or the Resignation For Good Reason, as applicable (the “Severance Period”), a guarantee of salary continuation equal to the Employee’s monthly portion of Base Compensation on the date of termination, less applicable withholdings and deductions;



(ii) (A) the Employee will vest in and have the right to exercise all of the Employee's outstanding options, restricted stock units and stock appreciation rights that were otherwise unvested as of the date of such Involuntary Termination or Resignation For Good Reason, (B) all of the Company's rights to repurchase vested and unvested restricted stock or restricted stock units from the Employee shall lapse as to that number of shares in which such repurchase rights have yet to lapse and (C) any right of the Company to repurchase any common stock of the Company shall terminate including under any right of first refusal. Further, after a Change of Control, if the Employee's options, restricted stock units or stock appreciation rights have been assumed or replaced and remain outstanding, one hundred percent (100%) of unvested options or restricted stock shall vest upon the twelve month anniversary of such Change of Control if not fully vested prior to such date.

(b) Voluntary Resignation; Termination for Cause. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination or Resignation For Good Reason, then the Employee will not be entitled to receive severance change in control benefits as defined in this Section 2 or other severance or benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates the Employee's employment as a result of the Employee's Disability, or the Employee's employment terminates due to the Employee's death, then the Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Miscellaneous. Upon the termination of the Employee's employment for any reason, (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the Termination Date; (ii) the Company shall pay the Employee all of the Employee's accrued and unused paid time off through the Termination Date; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by applicable law.

### 3. Limitations on Payments.

#### (a) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if the Employee is a “specified employee” within the meaning of Section 409A at the time of the Employee’s termination (other than due to death), then the severance payable to the Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the “Deferred Compensation Separation Benefits”), that are payable within the first six (6) months following the Employee’s termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Employee’s termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Employee dies following the Employee’s termination but prior to the six (6) month anniversary of the Employee’s termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Employee’s death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. For purposes of this Agreement, “Section 409A Limit” shall mean the lesser of two (2) times: (i) the Employee’s annualized compensation based upon the annual rate of pay paid to the Employee during the Company’s taxable year preceding the Company’s taxable year of the Employee’s termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Employee’s employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.

(b) Code Section 280G. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Employee (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 3(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee’s benefits under Section 2 of this Agreement shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 3(b) shall be made in writing by the Company’s independent public accountants immediately prior to the Change of Control (the “Accountants”), whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 3(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 3(b). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 3(b).

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Base Compensation. “Base Compensation” means the Employee’s (i) annual base salary paid by the Company for services performed as in effect on the Termination Date; and (ii) target cash bonus and/or other forms of cash incentive compensation for the fiscal year in which the Change of Control is effective.

(b) Cause. “Cause” means:

(i) The Employee’s continued intentional and demonstrable failure to perform his or her duties customarily associated with the Employee’s position as an employee of the Company or its respective successors or assigns, as applicable (other than any such failure resulting from the Employee’s mental or physical Disability) after the Employee has received a written demand of performance from the Company which specifically sets forth the factual basis

for the Company's belief that the Employee has not devoted sufficient time and effort to the performance of his or her duties and has failed to cure such non-performance within thirty (30) days after receiving such notice (it being understood that if the Employee is in good faith performing his or her duties, but is not achieving results the Company deems satisfactory for the Employee's position, it will not be considered to be grounds for termination of the Employee for "Cause");

(ii) The Employee's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iii) The Employee's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company or its respective successors or assigns, as applicable;

(iv) The Employee's unauthorized use of the Company's material confidential information; or

(v) The Employee's prohibited or unauthorized competitive activity.

The Employee will receive notice and an opportunity to be heard before the Board with the Employee's own attorney before any termination for Cause is deemed effective. Notwithstanding anything to the contrary, the Board may immediately place the Employee on administrative leave (with full pay and benefits to the extent legally permissible) but will allow reasonable access to Company information, employees and business should the Employee wish to avail himself and prepare for his or her opportunity to be heard before the Board prior to the Board's termination for Cause. If the Employee avails himself or herself of the Employee's opportunity to be heard before the Board, and then fails to make himself or herself available to the Board within thirty (30) days of such request to be heard, the Board may thereafter cancel the administrative leave and terminate the Employee for Cause. Likewise, if the Board fails to make itself available to the Employee and his or her counsel within thirty (30) days of the Employee's request to be heard, Employee will be entitled to terminate his or her employment with the Company and such termination will be treated as a resignation by Employee for Involuntary Termination.

(c) Change of Control. "Change of Control" means (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Company's jurisdiction of incorporation), *unless* the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is

approved by the Board and in which the Board determines is not a Change of Control for the purposes of this Agreement will not be considered a Change of Control, or (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

(d) Disability. “Disability” means the Employee has been unable to perform his or her Company duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee’s legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Company of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

(e) Involuntary Termination. “Involuntary Termination” means termination of the Employee’s employment, without the Employee’s consent, by the Company for any reason other than Cause.

(f) Release of Claims. “Release of Claims” shall mean a waiver by the Employee, in a form satisfactory to the Company, of all employment-related obligations of and claims and causes of action against the Company, and a non-disparagement agreement by the Employee in a form satisfactory to the Company. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a Release of Claims, such Release of Claims must be executed, and all applicable revocation periods shall have expired, within sixty (60) days after the date of termination, failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt “deferred compensation” for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the Release of Claims becomes irrevocable in the first such calendar year.

(g) Resignation for Good Reason. “Resignation for Good Reason” shall mean a resignation by Employee following a Change of Control and following the occurrence of one of the following:

(i) a material reduction in the Employee’s Base Compensation;

(ii) any material breach by the Company of any material provision of this Agreement which continues uncured for thirty (30) days following notice thereof;

(iii) a material reduction in the Employee's duties, responsibilities or authority; or

(iv) a change of fifty (50) miles or more of the geographic location at which the Employee must primarily perform services for the Company.

Any purported Resignation for Good Reason pursuant to Section 4(e)(i) through (e)(iv) above will not be effective until the Employee has delivered to the Company, within sixty (60) days of the initial existence of the Good Reason condition, a written explanation that describes the basis for the Employee's belief that the Employee should be permitted to terminate the Employee's employment and have it treated as a Resignation for Good Reason and the Company has been given thirty (30) days following delivery of such notice to cure any curable violation. In no instance will a resignation by Employee be deemed to be a Resignation for Good Reason if it is made more than twelve (12) months following the initial existence of one or more of the conditions that constitute Good Reason hereunder.

(h) Termination Date. "Termination Date" shall mean the date on which an event that would constitute an Involuntary Termination or a Resignation for Good Reason occurs, or the later of (i) the date on which a notice of termination is given, or (ii) the date (which shall not be more than thirty (30) days after the giving of such notice) specified in such notice.

#### 5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement pursuant to this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

#### 6. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home

address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Chief Executive Officer or principal human resources person.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination or Resignation for Good Cause shall be communicated by a notice of termination to the other party hereto given in accordance with Section 6(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination or Resignation for Good Cause shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

7. Term and Termination. The term of this Agreement shall be one year from the Effective Date; provided, however, that this Agreement shall automatically renew for successive 1-year periods unless either party gives the other party notice, at least 60 days in advance of the next renewal date, of such party's intent that this Agreement terminate effective as of such next renewal date, in which case the Agreement shall terminate as of such next renewal date; provided further, however, that in the event a Change of Control that precedes the effective date of any such termination, the term of this Agreement shall extend at least until the one (1)-year anniversary of such Change of Control. Notwithstanding the foregoing, if the Employee becomes entitled to benefits pursuant to Section 2(a) or 2(b) of this Agreement, this Agreement will not terminate until, but will terminate at, such time that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

#### 8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement.

(b) Waiver and Amendment. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement or in the Existing Agreements have been made or entered into by either party with respect to the subject matter hereof.

(d) Severance Provisions in Other Agreements. The Employee acknowledges and agrees that the severance provisions set forth in this Agreement shall supersede any such provisions in any other agreement entered into between the Employee and the Company.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

(h) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes. If the Company does not make such withholdings on Employee's behalf, Employee shall pay when due all such taxes (and any related penalties and interest) imposed on Employee and shall indemnify the Company for Employee's failure to do so.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

***[Signature Page to Follow]***



IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

TANDEM DIABETES CARE, INC.

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff, Chief Executive Officer

EMPLOYEE:

By: /s/ John Cajigas  
John Cajigas

**AMENDED AND RESTATED EMPLOYMENT SEVERANCE AGREEMENT**

This Amended and Restated Employment Severance Agreement (the “Agreement”) is made and entered into effective as of August 21, 2013 (the “Effective Date”), by and between Robert B. Anacone (the “Employee”) and Tandem Diabetes Care, Inc. (the “Company”).

**RECITALS**

A. The Company and the Employee have entered into that employment letter agreement dated February 10, 2009 and that Employee Proprietary Information Agreement dated February 15, 2009 (the “Existing Agreements”).

B. The Company and the Employee have entered into that Employment Severance Agreement, dated October 20, 2011 (the “Prior Agreement”). The Company and Employee desire to terminate the Prior Agreement as of the Effective Date, release any claims arising therefrom and to amend and restate the terms of the Employee’s severance arrangement in their entirety in this Agreement.

C. The Board of Directors of the Company (the “Board”) believes the Company should provide the Employee with certain severance benefits should the Employee’s employment with the Company terminate under certain circumstances, such benefits to provide the Employee with enhanced financial security and sufficient incentive and encouragement to remain with the Company.

D. Certain capitalized terms used in the Agreement are defined in Section 4 below.

**AGREEMENT**

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Company, the parties agree as follows:

1. At-Will Employment. The Company and the Employee acknowledge that the Employee’s employment is and shall continue to be at-will, as defined under applicable law. If the Employee’s employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company’s established employee plans and practices or in accordance with other agreements between the Company and the Employee.

## 2. Severance and Change of Control Benefits.

(a) Benefits upon Termination in Connection with a Change of Control. If, on or within twelve (12) months after a Change of Control, the Employee's employment terminates as a result of an Involuntary Termination or a Resignation For Good Reason and the Employee signs, complies with and does not revoke a Release of Claims, then the Employee shall receive the following severance benefits:

(i) the Employee will receive during the eighteen (18) month period immediately following the date of the Involuntary Termination or the Resignation For Good Reason, as applicable (the "Severance Period"), a guarantee of salary continuation equal to the Employee's monthly portion of Base Compensation on the date of termination, less applicable withholdings and deductions;

(ii) (A) the Employee will vest in and have the right to exercise all of the Employee's outstanding options, restricted stock units and stock appreciation rights that were otherwise unvested as of the date of such Involuntary Termination or Resignation For Good Reason, (B) all of the Company's rights to repurchase vested and unvested restricted stock or restricted stock units from the Employee shall lapse as to that number of shares in which such repurchase rights have yet to lapse and (C) any right of the Company to repurchase any common stock of the Company shall terminate including under any right of first refusal. Further, after a Change of Control, if the Employee's options, restricted stock units or stock appreciation rights have been assumed or replaced and remain outstanding, one hundred percent (100%) of unvested options or restricted stock shall vest upon the twelve month anniversary of such Change of Control if not fully vested prior to such date.

(b) Voluntary Resignation; Termination for Cause. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination or Resignation For Good Reason, then the Employee will not be entitled to receive severance change in control benefits as defined in this Section 2 or other severance or benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates the Employee's employment as a result of the Employee's Disability, or the Employee's employment terminates due to the Employee's death, then the Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Miscellaneous. Upon the termination of the Employee's employment for any reason, (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the Termination Date; (ii) the Company shall pay the Employee all of the Employee's accrued and unused paid time off through the Termination Date; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by applicable law.

### 3. Limitations on Payments.

#### (a) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if the Employee is a “specified employee” within the meaning of Section 409A at the time of the Employee’s termination (other than due to death), then the severance payable to the Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the “Deferred Compensation Separation Benefits”), that are payable within the first six (6) months following the Employee’s termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Employee’s termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Employee dies following the Employee’s termination but prior to the six (6) month anniversary of the Employee’s termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Employee’s death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. For purposes of this Agreement, “Section 409A Limit” shall mean the lesser of two (2) times: (i) the Employee’s annualized compensation based upon the annual rate of pay paid to the Employee during the Company’s taxable year preceding the Company’s taxable year of the Employee’s termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Employee’s employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.

(b) Code Section 280G. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Employee (i) constitute “parachute payments” within the meaning of Section 280G of the Code and (ii) but for this Section 3(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee’s benefits under Section 2 of this Agreement shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 3(b) shall be made in writing by the Company’s independent public accountants immediately prior to the Change of Control (the “Accountants”), whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 3(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 3(b). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 3(b).

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Base Compensation. “Base Compensation” means the Employee’s (i) annual base salary paid by the Company for services performed as in effect on the Termination Date; and (ii) target cash bonus and/or other forms of cash incentive compensation for the fiscal year in which the Change of Control is effective.

(b) Cause. “Cause” means:

(i) The Employee’s continued intentional and demonstrable failure to perform his or her duties customarily associated with the Employee’s position as an employee of the Company or its respective successors or assigns, as applicable (other than any such failure resulting from the Employee’s mental or physical Disability) after the Employee has received a written demand of performance from the Company which specifically sets forth the factual basis

for the Company's belief that the Employee has not devoted sufficient time and effort to the performance of his or her duties and has failed to cure such non-performance within thirty (30) days after receiving such notice (it being understood that if the Employee is in good faith performing his or her duties, but is not achieving results the Company deems satisfactory for the Employee's position, it will not be considered to be grounds for termination of the Employee for "Cause");

(ii) The Employee's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iii) The Employee's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company or its respective successors or assigns, as applicable;

(iv) The Employee's unauthorized use of the Company's material confidential information; or

(v) The Employee's prohibited or unauthorized competitive activity.

The Employee will receive notice and an opportunity to be heard before the Board with the Employee's own attorney before any termination for Cause is deemed effective. Notwithstanding anything to the contrary, the Board may immediately place the Employee on administrative leave (with full pay and benefits to the extent legally permissible) but will allow reasonable access to Company information, employees and business should the Employee wish to avail himself and prepare for his or her opportunity to be heard before the Board prior to the Board's termination for Cause. If the Employee avails himself or herself of the Employee's opportunity to be heard before the Board, and then fails to make himself or herself available to the Board within thirty (30) days of such request to be heard, the Board may thereafter cancel the administrative leave and terminate the Employee for Cause. Likewise, if the Board fails to make itself available to the Employee and his or her counsel within thirty (30) days of the Employee's request to be heard, Employee will be entitled to terminate his or her employment with the Company and such termination will be treated as a resignation by Employee for Involuntary Termination.

(c) Change of Control. "Change of Control" means (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Company's jurisdiction of incorporation), *unless* the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is

approved by the Board and in which the Board determines is not a Change of Control for the purposes of this Agreement will not be considered a Change of Control, or (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

(d) Disability. “Disability” means the Employee has been unable to perform his or her Company duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee’s legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Company of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

(e) Involuntary Termination. “Involuntary Termination” means termination of the Employee’s employment, without the Employee’s consent, by the Company for any reason other than Cause.

(f) Release of Claims. “Release of Claims” shall mean a waiver by the Employee, in a form satisfactory to the Company, of all employment-related obligations of and claims and causes of action against the Company, and a non-disparagement agreement by the Employee in a form satisfactory to the Company. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a Release of Claims, such Release of Claims must be executed, and all applicable revocation periods shall have expired, within sixty (60) days after the date of termination, failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt “deferred compensation” for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the Release of Claims becomes irrevocable in the first such calendar year.

(g) Resignation for Good Reason. “Resignation for Good Reason” shall mean a resignation by Employee following a Change of Control and following the occurrence of one of the following:

(i) a material reduction in the Employee’s Base Compensation;

(ii) any material breach by the Company of any material provision of this Agreement which continues uncured for thirty (30) days following notice thereof;

(iii) a material reduction in the Employee's duties, responsibilities or authority; or

(iv) a change of fifty (50) miles or more of the geographic location at which the Employee must primarily perform services for the Company.

Any purported Resignation for Good Reason pursuant to Section 4(e)(i) through (e)(iv) above will not be effective until the Employee has delivered to the Company, within sixty (60) days of the initial existence of the Good Reason condition, a written explanation that describes the basis for the Employee's belief that the Employee should be permitted to terminate the Employee's employment and have it treated as a Resignation for Good Reason and the Company has been given thirty (30) days following delivery of such notice to cure any curable violation. In no instance will a resignation by Employee be deemed to be a Resignation for Good Reason if it is made more than twelve (12) months following the initial existence of one or more of the conditions that constitute Good Reason hereunder.

(h) Termination Date. "Termination Date" shall mean the date on which an event that would constitute an Involuntary Termination or a Resignation for Good Reason occurs, or the later of (i) the date on which a notice of termination is given, or (ii) the date (which shall not be more than thirty (30) days after the giving of such notice) specified in such notice.

#### 5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement pursuant to this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

#### 6. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home



address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Chief Executive Officer or principal human resources person.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination or Resignation for Good Cause shall be communicated by a notice of termination to the other party hereto given in accordance with Section 6(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination or Resignation for Good Cause shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

7. Term and Termination. The term of this Agreement shall be one year from the Effective Date; provided, however, that this Agreement shall automatically renew for successive 1-year periods unless either party gives the other party notice, at least 60 days in advance of the next renewal date, of such party's intent that this Agreement terminate effective as of such next renewal date, in which case the Agreement shall terminate as of such next renewal date; provided further, however, that in the event a Change of Control that precedes the effective date of any such termination, the term of this Agreement shall extend at least until the one (1)-year anniversary of such Change of Control. Notwithstanding the foregoing, if the Employee becomes entitled to benefits pursuant to Section 2(a) or 2(b) of this Agreement, this Agreement will not terminate until, but will terminate at, such time that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

#### 8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement.

(b) Waiver and Amendment. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement or in the Existing Agreements have been made or entered into by either party with respect to the subject matter hereof.

(d) Severance Provisions in Other Agreements. The Employee acknowledges and agrees that the severance provisions set forth in this Agreement shall supersede any such provisions in any other agreement entered into between the Employee and the Company.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

(h) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes. If the Company does not make such withholdings on Employee's behalf, Employee shall pay when due all such taxes (and any related penalties and interest) imposed on Employee and shall indemnify the Company for Employee's failure to do so.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

***[Signature Page to Follow]***

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

TANDEM DIABETES CARE, INC.

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff, Chief Executive Officer

EMPLOYEE:

By: /s/ Robert B. Anacone  
Robert B. Anacone

## EMPLOYMENT SEVERANCE AGREEMENT

This Employment Severance Agreement (the "Agreement") is made and entered into effective as of August 21, 2013 (the "Effective Date"), by and between John F. Sheridan (the "Employee") and Tandem Diabetes Care, Inc. (the "Company").

### R E C I T A L S

A. The Company and the Employee have entered into that employment letter agreement dated January 29, 2013, and that Employee Proprietary Information Agreement dated March 4, 2013 (the "Existing Agreements").

B. The Board of Directors of the Company (the "Board") believes the Company should provide the Employee with certain severance benefits should the Employee's employment with the Company terminate under certain circumstances, such benefits to provide the Employee with enhanced financial security and sufficient incentive and encouragement to remain with the Company.

C. Certain capitalized terms used in the Agreement are defined in Section 4 below.

### AGREEMENT

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Company, the parties agree as follows:

1. At-Will Employment. The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and practices or in accordance with other agreements between the Company and the Employee.

2. Severance and Change of Control Benefits.

(a) Benefits upon Termination in Connection with a Change of Control. If, on or within twelve (12) months after a Change of Control, the Employee's employment terminates as a result of an Involuntary Termination or a Resignation For Good Reason and the Employee signs, complies with and does not revoke a Release of Claims, then the Employee shall receive the following severance benefits:

(i) the Employee will receive during the eighteen (18) month period immediately following the date of the Involuntary Termination or the Resignation For Good Reason, as applicable (the "Severance Period"), a guarantee of salary continuation equal to the Employee's monthly portion of Base Compensation on the date of termination, less applicable withholdings and deductions;

(ii) (A) the Employee will vest in and have the right to exercise all of the Employee's outstanding options, restricted stock units and stock appreciation rights that were otherwise unvested as of the date of such Involuntary Termination or Resignation For Good Reason, (B) all of the Company's rights to repurchase vested and unvested restricted stock or restricted stock units from the Employee shall lapse as to that number of shares in which such repurchase rights have yet to lapse and (C) any right of the Company to repurchase any common stock of the Company shall terminate including under any right of first refusal. Further, after a Change of Control, if the Employee's options, restricted stock units or stock appreciation rights have been assumed or replaced and remain outstanding, one hundred percent (100%) of unvested options or restricted stock shall vest upon the twelve month anniversary of such Change of Control if not fully vested prior to such date.

(b) Voluntary Resignation; Termination for Cause. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination or Resignation For Good Reason, then the Employee will not be entitled to receive severance change in control benefits as defined in this Section 2 or other severance or benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates the Employee's employment as a result of the Employee's Disability, or the Employee's employment terminates due to the Employee's death, then the Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Miscellaneous. Upon the termination of the Employee's employment for any reason, (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the Termination Date; (ii) the Company shall pay the Employee all of the Employee's accrued and unused paid time off through the Termination Date; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by applicable law.

### 3. Limitations on Payments.

#### (a) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if the Employee is a "specified employee" within the meaning of Section 409A at the time of the

Employee's termination (other than due to death), then the severance payable to the Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits"), that are payable within the first six (6) months following the Employee's termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Employee's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Employee dies following the Employee's termination but prior to the six (6) month anniversary of the Employee's termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. For purposes of this Agreement, "Section 409A Limit" shall mean the lesser of two (2) times: (i) the Employee's annualized compensation based upon the annual rate of pay paid to the Employee during the Company's taxable year preceding the Company's taxable year of the Employee's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Employee's employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.

(b) Code Section 280G. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Employee (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section 3(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee's benefits under Section 2 of this Agreement shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 3(b) shall be made in writing by the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"), whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 3(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 3(b). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 3(b).

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Base Compensation. "Base Compensation" means the Employee's (i) annual base salary paid by the Company for services performed as in effect on the Termination Date; and (ii) target cash bonus and/or other forms of cash incentive compensation for the fiscal year in which the Change of Control is effective.

(b) Cause. "Cause" means:

(i) The Employee's continued intentional and demonstrable failure to perform his or her duties customarily associated with the Employee's position as an employee of the Company or its respective successors or assigns, as applicable (other than any such failure resulting from the Employee's mental or physical Disability) after the Employee has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company's belief that the Employee has not devoted sufficient time and effort to the performance of his or her duties and has failed to cure such non-performance within thirty (30) days after receiving such notice (it being understood that if the Employee is in good faith performing his or her duties, but is not achieving results the Company deems satisfactory for the Employee's position, it will not be considered to be grounds for termination of the Employee for "Cause");

(ii) The Employee's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iii) The Employee's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company or its respective successors or assigns, as applicable;

(iv) The Employee's unauthorized use of the Company's material confidential information; or

(v) The Employee's prohibited or unauthorized competitive activity.

The Employee will receive notice and an opportunity to be heard before the Board with the Employee's own attorney before any termination for Cause is deemed effective. Notwithstanding anything to the contrary, the Board may immediately place the Employee on administrative leave (with full pay and benefits to the extent legally permissible) but will allow reasonable access to Company information, employees and business should the Employee wish to avail himself and prepare for his or her opportunity to be heard before the Board prior to the Board's termination for Cause. If the Employee avails himself or herself of the Employee's opportunity to be heard before the Board, and then fails to make himself or herself available to the Board within thirty (30) days of such request to be heard, the Board may thereafter cancel the administrative leave and terminate the Employee for Cause. Likewise, if the Board fails to make itself available to the Employee and his or her counsel within thirty (30) days of the Employee's request to be heard, Employee will be entitled to terminate his or her employment with the Company and such termination will be treated as a resignation by Employee for Involuntary Termination.

(c) Change of Control. "Change of Control" means (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Company's jurisdiction of incorporation), *unless* the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board and in which the Board determines is not a Change of Control for the purposes of this Agreement will not be considered a Change of Control, or (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company.



Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

(d) Disability. “Disability” means the Employee has been unable to perform his or her Company duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee’s legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Company of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

(e) Involuntary Termination. “Involuntary Termination” means termination of the Employee’s employment, without the Employee’s consent, by the Company for any reason other than Cause.

(f) Release of Claims. “Release of Claims” shall mean a waiver by the Employee, in a form satisfactory to the Company, of all employment-related obligations of and claims and causes of action against the Company, and a non-disparagement agreement by the Employee in a form satisfactory to the Company. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a Release of Claims, such Release of Claims must be executed, and all applicable revocation periods shall have expired, within sixty (60) days after the date of termination, failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt “deferred compensation” for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the Release of Claims becomes irrevocable in the first such calendar year.

(g) Resignation for Good Reason. “Resignation for Good Reason” shall mean a resignation by Employee following a Change of Control and following the occurrence of one of the following:

- (i) a material reduction in the Employee’s Base Compensation;
- (ii) any material breach by the Company of any material provision of this Agreement which continues uncured for thirty (30) days following notice thereof;
- (iii) a material reduction in the Employee’s duties, responsibilities or authority; or
- (iv) a change of fifty (50) miles or more of the geographic location at which the Employee must primarily perform services for the Company.

Any purported Resignation for Good Reason pursuant to Section 4(e)(i) through (e)(iv) above will not be effective until the Employee has delivered to the Company, within sixty (60) days of the initial existence of the Good Reason condition, a written explanation that describes the basis for the Employee's belief that the Employee should be permitted to terminate the Employee's employment and have it treated as a Resignation for Good Reason and the Company has been given thirty (30) days following delivery of such notice to cure any curable violation. In no instance will a resignation by Employee be deemed to be a Resignation for Good Reason if it is made more than twelve (12) months following the initial existence of one or more of the conditions that constitute Good Reason hereunder.

(h) Termination Date. "Termination Date" shall mean the date on which an event that would constitute an Involuntary Termination or a Resignation for Good Reason occurs, or the later of (i) the date on which a notice of termination is given, or (ii) the date (which shall not be more than thirty (30) days after the giving of such notice) specified in such notice.

5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement pursuant to this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Chief Executive Officer or principal human resources person.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination or Resignation for Good Cause shall be communicated by a notice of termination to the other party hereto given in accordance with Section 6(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination or Resignation for Good Cause shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

7. Term and Termination. The term of this Agreement shall be one year from the Effective Date; provided, however, that this Agreement shall automatically renew for successive 1-year periods unless either party gives the other party notice, at least 60 days in advance of the next renewal date, of such party's intent that this Agreement terminate effective as of such next renewal date, in which case the Agreement shall terminate as of such next renewal date; provided further, however, that in the event a Change of Control that precedes the effective date of any such termination, the term of this Agreement shall extend at least until the one (1)-year anniversary of such Change of Control. Notwithstanding the foregoing, if the Employee becomes entitled to benefits pursuant to Section 2(a) or 2(b) of this Agreement, this Agreement will not terminate until, but will terminate at, such time that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

#### 8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement.

(b) Waiver and Amendment. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement or in the Existing Agreements have been made or entered into by either party with respect to the subject matter hereof.

(d) Severance Provisions in Other Agreements. The Employee acknowledges and agrees that the severance provisions set forth in this Agreement shall supersede any such provisions in any other agreement entered into between the Employee and the Company.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

(h) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes. If the Company does not make such withholdings on Employee's behalf, Employee shall pay when due all such taxes (and any related penalties and interest) imposed on Employee and shall indemnify the Company for Employee's failure to do so.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

***[Signature Page to Follow]***

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

TANDEM DIABETES CARE, INC.

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff, Chief Executive Officer

EMPLOYEE:

By: /s/ John F. Sheridan  
John F. Sheridan

**EMPLOYMENT SEVERANCE AGREEMENT**

This Employment Severance Agreement (the "Agreement") is made and entered into effective as of August 21, 2013 (the "Effective Date"), by and between David B. Berger (the "Employee") and Tandem Diabetes Care, Inc. (the "Company").

**R E C I T A L S**

A. The Company and the Employee have entered into that employment letter agreement dated June 28, 2013 and that Employee Proprietary Information Agreement dated July 30, 2013 (the "Existing Agreements").

B. The Board of Directors of the Company (the "Board") believes the Company should provide the Employee with certain severance benefits should the Employee's employment with the Company terminate under certain circumstances, such benefits to provide the Employee with enhanced financial security and sufficient incentive and encouragement to remain with the Company.

C. Certain capitalized terms used in the Agreement are defined in Section 4 below.

**AGREEMENT**

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Company, the parties agree as follows:

1. At-Will Employment. The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and practices or in accordance with other agreements between the Company and the Employee.

2. Severance and Change of Control Benefits.

(a) Benefits upon Termination in Connection with a Change of Control. If, on or within twelve (12) months after a Change of Control, the Employee's employment terminates as a result of an Involuntary Termination or a Resignation For Good Reason and the Employee signs, complies with and does not revoke a Release of Claims, then the Employee shall receive the following severance benefits:

(i) the Employee will receive during the twelve (12) month period immediately following the date of the Involuntary Termination or the Resignation For Good Reason, as applicable (the "Severance Period"), a guarantee of salary continuation equal to the Employee's monthly portion of Base Compensation on the date of termination, less applicable withholdings and deductions;

(ii) (A) the Employee will vest in and have the right to exercise all of the Employee's outstanding options, restricted stock units and stock appreciation rights that were otherwise unvested as of the date of such Involuntary Termination or Resignation For Good Reason, (B) all of the Company's rights to repurchase vested and unvested restricted stock or restricted stock units from the Employee shall lapse as to that number of shares in which such repurchase rights have yet to lapse and (C) any right of the Company to repurchase any common stock of the Company shall terminate including under any right of first refusal. Further, after a Change of Control, if the Employee's options, restricted stock units or stock appreciation rights have been assumed or replaced and remain outstanding, one hundred percent (100%) of unvested options or restricted stock shall vest upon the twelve month anniversary of such Change of Control if not fully vested prior to such date.

(b) Voluntary Resignation; Termination for Cause. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination or Resignation For Good Reason, then the Employee will not be entitled to receive severance change in control benefits as defined in this Section 2 or other severance or benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates the Employee's employment as a result of the Employee's Disability, or the Employee's employment terminates due to the Employee's death, then the Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Miscellaneous. Upon the termination of the Employee's employment for any reason, (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the Termination Date; (ii) the Company shall pay the Employee all of the Employee's accrued and unused paid time off through the Termination Date; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by applicable law.

### 3. Limitations on Payments.

#### (a) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if the Employee is a "specified employee" within the meaning of Section 409A at the time of the

Employee's termination (other than due to death), then the severance payable to the Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits"), that are payable within the first six (6) months following the Employee's termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Employee's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Employee dies following the Employee's termination but prior to the six (6) month anniversary of the Employee's termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. For purposes of this Agreement, "Section 409A Limit" shall mean the lesser of two (2) times: (i) the Employee's annualized compensation based upon the annual rate of pay paid to the Employee during the Company's taxable year preceding the Company's taxable year of the Employee's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Employee's employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.

(b) Code Section 280G. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Employee (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section 3(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee's benefits under Section 2 of this Agreement shall be either:

(i) delivered in full, or



(ii) delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 3(b) shall be made in writing by the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"), whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 3(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 3(b). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 3(b).

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Base Compensation. "Base Compensation" means the Employee's (i) annual base salary paid by the Company for services performed as in effect on the Termination Date; and (ii) target cash bonus and/or other forms of cash incentive compensation for the fiscal year in which the Change of Control is effective.

(b) Cause. "Cause" means:

(i) The Employee's continued intentional and demonstrable failure to perform his or her duties customarily associated with the Employee's position as an employee of the Company or its respective successors or assigns, as applicable (other than any such failure resulting from the Employee's mental or physical Disability) after the Employee has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company's belief that the Employee has not devoted sufficient time and effort to the performance of his or her duties and has failed to cure such non-performance within thirty (30) days after receiving such notice (it being understood that if the Employee is in good faith performing his or her duties, but is not achieving results the Company deems satisfactory for the Employee's position, it will not be considered to be grounds for termination of the Employee for "Cause");

(ii) The Employee's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iii) The Employee's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company or its respective successors or assigns, as applicable;

(iv) The Employee's unauthorized use of the Company's material confidential information; or

(v) The Employee's prohibited or unauthorized competitive activity.

The Employee will receive notice and an opportunity to be heard before the Board with the Employee's own attorney before any termination for Cause is deemed effective. Notwithstanding anything to the contrary, the Board may immediately place the Employee on administrative leave (with full pay and benefits to the extent legally permissible) but will allow reasonable access to Company information, employees and business should the Employee wish to avail himself and prepare for his or her opportunity to be heard before the Board prior to the Board's termination for Cause. If the Employee avails himself or herself of the Employee's opportunity to be heard before the Board, and then fails to make himself or herself available to the Board within thirty (30) days of such request to be heard, the Board may thereafter cancel the administrative leave and terminate the Employee for Cause. Likewise, if the Board fails to make itself available to the Employee and his or her counsel within thirty (30) days of the Employee's request to be heard, Employee will be entitled to terminate his or her employment with the Company and such termination will be treated as a resignation by Employee for Involuntary Termination.

(c) Change of Control. "Change of Control" means (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Company's jurisdiction of incorporation), *unless* the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board and in which the Board determines is not a Change of Control for the purposes of this Agreement will not be considered a Change of Control, or (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

(d) Disability. “Disability” means the Employee has been unable to perform his or her Company duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee’s legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Company of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

(e) Involuntary Termination. “Involuntary Termination” means termination of the Employee’s employment, without the Employee’s consent, by the Company for any reason other than Cause.

(f) Release of Claims. “Release of Claims” shall mean a waiver by the Employee, in a form satisfactory to the Company, of all employment-related obligations of and claims and causes of action against the Company, and a non-disparagement agreement by the Employee in a form satisfactory to the Company. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a Release of Claims, such Release of Claims must be executed, and all applicable revocation periods shall have expired, within sixty (60) days after the date of termination, failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt “deferred compensation” for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the Release of Claims becomes irrevocable in the first such calendar year.

(g) Resignation for Good Reason. “Resignation for Good Reason” shall mean a resignation by Employee following a Change of Control and following the occurrence of one of the following:

- (i) a material reduction in the Employee’s Base Compensation;
- (ii) any material breach by the Company of any material provision of this Agreement which continues uncured for thirty (30) days following notice thereof;
- (iii) a material reduction in the Employee’s duties, responsibilities or authority; or
- (iv) a change of fifty (50) miles or more of the geographic location at which the Employee must primarily perform services for the Company.

Any purported Resignation for Good Reason pursuant to Section 4(e)(i) through (e)(iv) above will not be effective until the Employee has delivered to the Company, within sixty (60) days of the initial existence of the Good Reason condition, a written explanation that describes the basis for the Employee's belief that the Employee should be permitted to terminate the Employee's employment and have it treated as a Resignation for Good Reason and the Company has been given thirty (30) days following delivery of such notice to cure any curable violation. In no instance will a resignation by Employee be deemed to be a Resignation for Good Reason if it is made more than twelve (12) months following the initial existence of one or more of the conditions that constitute Good Reason hereunder.

(h) Termination Date. "Termination Date" shall mean the date on which an event that would constitute an Involuntary Termination or a Resignation for Good Reason occurs, or the later of (i) the date on which a notice of termination is given, or (ii) the date (which shall not be more than thirty (30) days after the giving of such notice) specified in such notice.

5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement pursuant to this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Chief Executive Officer or principal human resources person.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination or Resignation for Good Cause shall be communicated by a notice of termination to the other party hereto given in accordance with Section 6(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination or Resignation for Good Cause shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

7. Term and Termination. The term of this Agreement shall be one year from the Effective Date; provided, however, that this Agreement shall automatically renew for successive 1-year periods unless either party gives the other party notice, at least 60 days in advance of the next renewal date, of such party's intent that this Agreement terminate effective as of such next renewal date, in which case the Agreement shall terminate as of such next renewal date; provided further, however, that in the event a Change of Control that precedes the effective date of any such termination, the term of this Agreement shall extend at least until the one (1)-year anniversary of such Change of Control. Notwithstanding the foregoing, if the Employee becomes entitled to benefits pursuant to Section 2(a) or 2(b) of this Agreement, this Agreement will not terminate until, but will terminate at, such time that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

#### 8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement.

(b) Waiver and Amendment. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement or in the Existing Agreements have been made or entered into by either party with respect to the subject matter hereof.

(d) Severance Provisions in Other Agreements. The Employee acknowledges and agrees that the severance provisions set forth in this Agreement shall supersede any such provisions in any other agreement entered into between the Employee and the Company.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.

(h) Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable income, employment and other taxes. If the Company does not make such withholdings on Employee's behalf, Employee shall pay when due all such taxes (and any related penalties and interest) imposed on Employee and shall indemnify the Company for Employee's failure to do so.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

***[Signature Page to Follow]***

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

TANDEM DIABETES CARE, INC.

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff, Chief Executive Officer

EMPLOYEE:

By: /s/ David B. Berger  
David B. Berger

## EMPLOYMENT SEVERANCE AGREEMENT

This Employment Severance Agreement (the "Agreement") is made and entered into effective as of August 21, 2013 (the "Effective Date"), by and between Susan M. Morrison (the "Employee") and Tandem Diabetes Care, Inc. (the "Company").

### R E C I T A L S

A. The Company and the Employee have entered into that employment letter agreement dated October 19, 2007 and that Employee Proprietary Information Agreement dated November 29, 2007 (the "Existing Agreements").

B. The Board of Directors of the Company (the "Board") believes the Company should provide the Employee with certain severance benefits should the Employee's employment with the Company terminate under certain circumstances, such benefits to provide the Employee with enhanced financial security and sufficient incentive and encouragement to remain with the Company.

C. Certain capitalized terms used in the Agreement are defined in Section 4 below.

### AGREEMENT

In consideration of the mutual covenants herein contained, and in consideration of the continuing employment of the Employee by the Company, the parties agree as follows:

1. At-Will Employment. The Company and the Employee acknowledge that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If the Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and practices or in accordance with other agreements between the Company and the Employee.

2. Severance and Change of Control Benefits.

(a) Benefits upon Termination in Connection with a Change of Control. If, on or within twelve (12) months after a Change of Control, the Employee's employment terminates as a result of an Involuntary Termination or a Resignation For Good Reason and the Employee signs, complies with and does not revoke a Release of Claims, then the Employee shall receive the following severance benefits:

(i) the Employee will receive during the twelve (12) month period immediately following the date of the Involuntary Termination or the Resignation For Good Reason, as applicable (the "Severance Period"), a guarantee of salary continuation equal to the Employee's monthly portion of Base Compensation on the date of termination, less applicable withholdings and deductions;



(ii) (A) the Employee will vest in and have the right to exercise all of the Employee's outstanding options, restricted stock units and stock appreciation rights that were otherwise unvested as of the date of such Involuntary Termination or Resignation For Good Reason, (B) all of the Company's rights to repurchase vested and unvested restricted stock or restricted stock units from the Employee shall lapse as to that number of shares in which such repurchase rights have yet to lapse and (C) any right of the Company to repurchase any common stock of the Company shall terminate including under any right of first refusal. Further, after a Change of Control, if the Employee's options, restricted stock units or stock appreciation rights have been assumed or replaced and remain outstanding, one hundred percent (100%) of unvested options or restricted stock shall vest upon the twelve month anniversary of such Change of Control if not fully vested prior to such date.

(b) Voluntary Resignation; Termination for Cause. If the Employee's employment with the Company terminates other than as a result of an Involuntary Termination or Resignation For Good Reason, then the Employee will not be entitled to receive severance change in control benefits as defined in this Section 2 or other severance or benefits except for those (if any) as may then be established under the Company's then existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

(c) Disability; Death. If the Company terminates the Employee's employment as a result of the Employee's Disability, or the Employee's employment terminates due to the Employee's death, then the Employee will not be entitled to receive severance or other benefits except for those (if any) as may then be established under the Company's then existing written severance and benefits plans and practices or pursuant to other written agreements with the Company.

(d) Miscellaneous. Upon the termination of the Employee's employment for any reason, (i) the Company shall pay the Employee any unpaid base salary due for periods prior to the Termination Date; (ii) the Company shall pay the Employee all of the Employee's accrued and unused paid time off through the Termination Date; and (iii) following submission of proper expense reports by the Employee, the Company shall reimburse the Employee for all expenses reasonably and necessarily incurred by the Employee in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by applicable law.

### 3. Limitations on Payments.

#### (a) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if the Employee is a "specified employee" within the meaning of Section 409A at the time of the

Employee's termination (other than due to death), then the severance payable to the Employee, if any, pursuant to this Agreement, together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits"), that are payable within the first six (6) months following the Employee's termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of the Employee's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if the Employee dies following the Employee's termination but prior to the six (6) month anniversary of the Employee's termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of the Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that do not exceed the Section 409A Limit shall not constitute Deferred Compensation Separation Benefits for purposes of clause (i) above. For purposes of this Agreement, "Section 409A Limit" shall mean the lesser of two (2) times: (i) the Employee's annualized compensation based upon the annual rate of pay paid to the Employee during the Company's taxable year preceding the Company's taxable year of the Employee's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Employee's employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and the Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to the Employee under Section 409A.

(b) Code Section 280G. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to the Employee (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section 3(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee's benefits under Section 2 of this Agreement shall be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 3(b) shall be made in writing by the Company's independent public accountants immediately prior to the Change of Control (the "Accountants"), whose determination shall be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 3(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 3(b). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 3(b).

4. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Base Compensation. "Base Compensation" means the Employee's (i) annual base salary paid by the Company for services performed as in effect on the Termination Date; and (ii) target cash bonus and/or other forms of cash incentive compensation for the fiscal year in which the Change of Control is effective.

(b) Cause. "Cause" means:

(i) The Employee's continued intentional and demonstrable failure to perform his or her duties customarily associated with the Employee's position as an employee of the Company or its respective successors or assigns, as applicable (other than any such failure resulting from the Employee's mental or physical Disability) after the Employee has received a written demand of performance from the Company which specifically sets forth the factual basis for the Company's belief that the Employee has not devoted sufficient time and effort to the performance of his or her duties and has failed to cure such non-performance within thirty (30) days after receiving such notice (it being understood that if the Employee is in good faith performing his or her duties, but is not achieving results the Company deems satisfactory for the Employee's position, it will not be considered to be grounds for termination of the Employee for "Cause");

(ii) The Employee's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

(iii) The Employee's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company or its respective successors or assigns, as applicable;

(iv) The Employee's unauthorized use of the Company's material confidential information; or

(v) The Employee's prohibited or unauthorized competitive activity.

The Employee will receive notice and an opportunity to be heard before the Board with the Employee's own attorney before any termination for Cause is deemed effective. Notwithstanding anything to the contrary, the Board may immediately place the Employee on administrative leave (with full pay and benefits to the extent legally permissible) but will allow reasonable access to Company information, employees and business should the Employee wish to avail himself and prepare for his or her opportunity to be heard before the Board prior to the Board's termination for Cause. If the Employee avails himself or herself of the Employee's opportunity to be heard before the Board, and then fails to make himself or herself available to the Board within thirty (30) days of such request to be heard, the Board may thereafter cancel the administrative leave and terminate the Employee for Cause. Likewise, if the Board fails to make itself available to the Employee and his or her counsel within thirty (30) days of the Employee's request to be heard, Employee will be entitled to terminate his or her employment with the Company and such termination will be treated as a resignation by Employee for Involuntary Termination.

(c) Change of Control. "Change of Control" means (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding any transaction effected primarily for the purpose of changing the Company's jurisdiction of incorporation), *unless* the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions will, immediately after such transaction or series of related transactions hold at least a majority of the voting power of the surviving or acquiring entity, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board and in which the Board determines is not a Change of Control for the purposes of this Agreement will not be considered a Change of Control, or (B) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

(d) Disability. “Disability” means the Employee has been unable to perform his or her Company duties as the result of his or her incapacity due to physical or mental illness, and such inability, at least twenty-six (26) weeks after its commencement or 180 days in any consecutive twelve (12) month period, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee’s legal representative (such agreement as to acceptability not to be unreasonably withheld). Termination resulting from Disability may only be effected after at least thirty (30) days’ written notice by the Company of its intention to terminate the Employee’s employment. In the event that the Employee resumes the performance of substantially all of his or her duties hereunder before the termination of his or her employment becomes effective, the notice of intent to terminate will automatically be deemed to have been revoked.

(e) Involuntary Termination. “Involuntary Termination” means termination of the Employee’s employment, without the Employee’s consent, by the Company for any reason other than Cause.

(f) Release of Claims. “Release of Claims” shall mean a waiver by the Employee, in a form satisfactory to the Company, of all employment-related obligations of and claims and causes of action against the Company, and a non-disparagement agreement by the Employee in a form satisfactory to the Company. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution of a Release of Claims, such Release of Claims must be executed, and all applicable revocation periods shall have expired, within sixty (60) days after the date of termination, failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt “deferred compensation” for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the Release of Claims becomes irrevocable in the first such calendar year.

(g) Resignation for Good Reason. “Resignation for Good Reason” shall mean a resignation by Employee following a Change of Control and following the occurrence of one of the following:

- (i) a material reduction in the Employee’s Base Compensation;
- (ii) any material breach by the Company of any material provision of this Agreement which continues uncured for thirty (30) days following notice thereof;
- (iii) a material reduction in the Employee’s duties, responsibilities or authority; or
- (iv) a change of fifty (50) miles or more of the geographic location at which the Employee must primarily perform services for the Company.

Any purported Resignation for Good Reason pursuant to Section 4(e)(i) through (e)(iv) above will not be effective until the Employee has delivered to the Company, within sixty (60) days of the initial existence of the Good Reason condition, a written explanation that describes the basis for the Employee's belief that the Employee should be permitted to terminate the Employee's employment and have it treated as a Resignation for Good Reason and the Company has been given thirty (30) days following delivery of such notice to cure any curable violation. In no instance will a resignation by Employee be deemed to be a Resignation for Good Reason if it is made more than twelve (12) months following the initial existence of one or more of the conditions that constitute Good Reason hereunder.

(h) Termination Date. "Termination Date" shall mean the date on which an event that would constitute an Involuntary Termination or a Resignation for Good Reason occurs, or the later of (i) the date on which a notice of termination is given, or (ii) the date (which shall not be more than thirty (30) days after the giving of such notice) specified in such notice.

5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement pursuant to this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Employee's Successors. The terms of this Agreement and all rights of the Employee hereunder shall inure to the benefit of, and be enforceable by, the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. Notice.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Employee, mailed notices shall be addressed to the Employee at the home address that the Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Chief Executive Officer or principal human resources person.

(b) Notice of Termination. Any termination by the Company for Cause or by the Employee as a result of a voluntary resignation or an Involuntary Termination or Resignation for Good Cause shall be communicated by a notice of termination to the other party hereto given in accordance with Section 6(a) of this Agreement. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date (which shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination or Resignation for Good Cause shall not waive any right of the Employee hereunder or preclude the Employee from asserting such fact or circumstance in enforcing the Employee's rights hereunder.

7. Term and Termination. The term of this Agreement shall be one year from the Effective Date; provided, however, that this Agreement shall automatically renew for successive 1-year periods unless either party gives the other party notice, at least 60 days in advance of the next renewal date, of such party's intent that this Agreement terminate effective as of such next renewal date, in which case the Agreement shall terminate as of such next renewal date; provided further, however, that in the event a Change of Control that precedes the effective date of any such termination, the term of this Agreement shall extend at least until the one (1)-year anniversary of such Change of Control. Notwithstanding the foregoing, if the Employee becomes entitled to benefits pursuant to Section 2(a) or 2(b) of this Agreement, this Agreement will not terminate until, but will terminate at, such time that all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

#### 8. Miscellaneous Provisions.

(a) No Duty to Mitigate. The Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement.

(b) Waiver and Amendment. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement or in the Existing Agreements have been made or entered into by either party with respect to the subject matter hereof.

(d) Severance Provisions in Other Agreements. The Employee acknowledges and agrees that the severance provisions set forth in this Agreement shall supersede any such provisions in any other agreement entered into between the Employee and the Company.

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(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that no assignment shall be made if the net worth of the assignee is less than the net worth of the Company at the time of assignment. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

***[Signature Page to Follow]***



IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:

TANDEM DIABETES CARE, INC.

By: /s/ Kim D. Blickenstaff  
Kim D. Blickenstaff, Chief Executive Officer

EMPLOYEE:

By: /s/ Susan M. Morrison  
Susan M. Morrison